

Bankruptcies spike in 2009

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[CBC News](#)

The total number of Canadian insolvencies was 31.4 per cent higher during the 12 months up to November than it was during the same period a year earlier, official data revealed Thursday.

There were 12,627 insolvencies in November 2009, nearly 13 per cent higher than the 11,194 figure of the same month a year earlier, said the Office of the Superintendent of Bankruptcy Canada.

For the 12-month period as a whole, there were 157,688 insolvencies — well above the level seen in the same period of the previous year.

On a monthly basis, total insolvencies dipped by 2.9 per cent in November from October's level. Within that, bankruptcies themselves decreased by four per cent whereas proposals decreased by 0.1 per cent.

A proposal refers to a "proposal to creditors" where a negotiated payment plan is offered to creditors as an alternative to the formalized bankruptcy process.

'I think we've probably reached a peak.'

—*Bankruptcy trustee Andy Fisher*

"If there's an encouraging sign in this data, it's that more consumers appear to be coming forward with proposals to creditors," said Andy Fisher, a partner at bankruptcy trustee A. Farber & Partners.

Some 3,749 proposals to creditors were made in November 2009, well above the 2,525 figure of the same month a year earlier.

That shows people are becoming more aware of the credit tools at their disposal, Fisher said.

In addition, new federal bankruptcy legislation put in place on Sept. 18, 2009, was designed to "encourage restructuring as an alternative to bankruptcy" and effectively made the cost of discharging a bankruptcy more expensive, Royal Bank economist David Onyett-Jeffries noted in a report on Thursday.

Schism between consumer, business figures

The data showed a real schism between businesses and consumers when it comes to bankruptcy.

Comparing the two months of November 2008 and November 2009, consumer insolvencies increased by 14.4 per cent while business insolvencies decreased by 14.7 per cent.

"That's been the trend for a while," Fisher said. "Businesses went into the downturn in a better position, and banks are generally more willing to work with businesses."

"Consumers were just more on the edge," he said.

Historically, bankruptcy figures drop between October and November — the total number of insolvencies has been lower in November than it was in the previous month in seven of the past 10 years.

"On a trend basis we still see a significant number of bankruptcies, but I think we've probably reached a peak," Fisher said. "Things are improving so the volume isn't going to go up."

"The drop in consumer bankruptcy filings appears to be a somewhat positive sign that Canadian households are getting a better grasp on their finances," Onyett-Jeffries said.

Only a single corporation sought Companies' Creditor Arrangement Act protection during the month, as Big Sky Farms Inc., Drycast Systems Inc. and Big Sky Management Consulting Corp. filed a CCAA proceeding in Saskatchewan on Nov. 10, 2009.

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