Mandatory Financial Counseling For Bankrupts In Canada

Sue L. T. McGregor[1] and **Ruth E. Berry**[2]

A 1994 national study examined the perceived impact of mandatory counseling for bankrupts in Canada, using a sample of 200 bankrupts matched with their trustee or counselor. Most bankrupts felt they received considerable or extensive benefit from counseling while trustees tended to have a more moderate outlook regarding the benefits. There was congruency between both parties on what happened in the counseling sessions but less agreement on the extent of discussion of the causes leading to insolvency and legal and non-legal alternatives. This research provides baseline data on the experience and perceptions of consumer bankrupts, trustees, and private counselors in Canada.

Key Words: *Financial counseling, Insolvency, Bankruptcy, Canada*

There has been an ongoing concern for the level of personal bankruptcies in Canada,[a] and for the degree of and reasons for recidivism. If no attempt is made to determine the root causes of bankruptcy, the debtor[b] is more likely to remain in the "cycle of bankruptcy." This cycle can be detrimental to the debtor, the family unit, the creditor, other consumers, the economy and society. It is possible that counseling can lower default rates. This paper reports on a recent study designed to examine this issue in the Canadian context of recently revised bankruptcy law.

Introduction of Mandatory Counseling

Canada is the only country in the world to have mandatory counseling for bankrupts. Since 1992, the Bankruptcy and Insolvency Act (BIA, R.S.C. 1985, c.B-3) has required bankrupts to participate in counseling services (Section 157.1). In essence, a trustee provides, or provides for, counseling for an individual bankrupt and a related person in accordance with the directives issued by the Superintendent of Bankruptcy. The estate of the bankrupt pays the cost of the counseling according to a prescribed tariff. Unconditional automatic discharge is contingent upon completion of counseling and comes into effect nine months after filing for bankruptcy unless the discharge is opposed. Automatic discharge does not apply to anyone who refuses or neglects to receive counseling (Section 5 (4) (b)) (Bennett, 1992).

This change in legislation was put into effect via the 1992 Counseling Directive (CD No. 1R) issued by the Superintendent of Bankruptcy (Consumer and Corporate Affairs Canada (1992), now Industry Canada). The intent of counseling is to provide the debtor with advice on debt resolution options and to improve consumer skills by determining the underlying emotional and monetary cause of insolvency. The rehabilitating process includes improvement in knowledge of handling money, understanding causes leading to bankruptcy, keeping financial affairs in better order, and avoiding bankruptcy in the future. The counseling process is comprised of three stages (Table 1).

Impetus for 1994 Bankruptcy Study

Once the November, 1992 CD No. 1R had been in effect for one year, the Superintendent was mandated to determine if the standards on counseling were effective. The National Counselling Directive Working Group[c] was established in January 1994 and charged with assessing and making recommendations for changes to the standards in the CD (Industry Canada, 1993). To facilitate the Working Group's task, the Superintendent commissioned a national study to profile the bankrupt's experience with the CD relative to that of the trustee and the independent counselor communities.[d]

This was the first comprehensive national survey of Canadian bankrupts since Brighton and Connidis (1982) and the only one that measures the impact of the recent refinements to the Bankruptcy and Insolvency Act (BIA). Prior to the study, Salyzyn (1992) reported the fundamental changes inherent in the revised BIA. Hira (1982) reported on the socioeconomic characteristics of families in bankruptcy in Canada, but only for the

[1]*Sue L. T. McGregor, Associate Professor, Family and Consumer Studies and Policy, Department of Human Ecology, Mount Saint Vincent University, 166 Bedford Highway, Halifax, NS B3M 2J6. Phone: (902)457-6385. Fax: (902)457-0579. E-mail: sue.mcgregor@msvu.ca*

[2]*Ruth Berry, Professor and Dean, Faculty of Human Ecology, University of Manitoba, Winnipeg, MB R3T 2N2. Phone: (204)474-9704. Fax: (204)275-5299. E-mail: rberry@cc.umanitoba.ca*

province of Manitoba. She also did a cross cultural study but again the Canadian component was consumers in Manitoba (Dufrense & Hira, 1992; Hira, 1989).

Methodology

The design of this study involved four basic data collection components and corresponding instruments developed by Sociometrix and the Working Group. (The instruments are available from the authors upon request.) The first component involved a fact sheet to collect data from a random sample of 10% of the administrative files on consumer bankruptcies after the CD took effect (November 1992). These 50,000+ files were in the five Regional Offices of Consumer and Corporate Affairs Canada (CCAC, now Industry Canada). These fact sheets generated the socioeconomic profile of 5241 bankrupts.

The second component involved telephone interviews with 1204 bankrupts. From the original 10% (n=5241), Sociometrix drew a representative sample from each of the five regions resulting in a sample of 1250, and 1204 completed telephone interviews. The instrument was organized by the three stages of counseling (Table 1), the process in general, and demographics (especially education and occupational status, which are not available from the administrative files). The questions related to five basic themes:

a. Who conducted the interview and where.
b. Resource materials used.
c. Duration of session.
d. Perceptions of content covered in sessions and whose interest was being served
e. Perceived impact of counseling on behavior.

The last theme focused on four areas: improvement in knowledge of handling money, understanding causes leading to bankruptcy, keeping financial affairs in better order, and avoiding bankruptcy in future.

The third component entailed telephone interviews with 200 of the 1204 bankrupts and their respective counselors (179 trustees and 21 private counselors, n=200). The fourth component was a mailed survey to all 734 trustees in Canada (55% response rate) (Forde & Roberts, 1994a,b). The data were collected in the spring of 1994.[e]

Results and Discussion

The results of the 1204 telephone interviews with bankrupts are discussed in Forde and Roberts (1994a). A companion paper discussed the impact of the CD on the trustee community (McGregor & Berry, 1995b). This article gives a brief overview of the socio-economic profile of bankrupts with more detail available in Forde and Roberts (1994b). The bulk of the analysis focuses on a comparative analysis of the perceptions of 200 bankrupts and trustee/counselors of the impact of the CD. The perspective in this article extends the analysis offered recently by McGregor and Berry (1995a).

Table 1
Overview of Counseling Directive (No.1R) in effect at time of study

Session 1: Mandatory	**Session 2: Mandatory**	**Session 3: Optional at request of debtor**
Financial intake interview followed by discussion of options	Identify budgetary and non-budgetary causes of insolvency	Acquire money management and budgeting skills as well as consumer education
a. Assess debtor's property and financial affairs (assets, liabilities). b. Discuss debtor's views of situation, evaluate the nature and extent of situation and review approaches for dealing with situation. c. Identify and discuss merits of pertinent options including: non-legislative solutions; OPD; Consumer proposal[f]; and bankruptcy. d. Review the legal rights and responsibilities of a bankrupt, a consumer debtor (in proposal) and the creditor. e. Explain to the debtor the meaning and effect of specific credit and insolvency matters where pertinent (wage garnishment, co-signing, credit rating, taxes, fees, discharges, and the like).	a. Assist debtor to discover or understand the contributing causes of insolvency, including budgetary and non-budgetary causes (*individual session*). b. Encourage debtor to seek remedies to budgetary causes. c. In both a and b, provide reference information and referrals. d. Explain how to monitor and analyze monthly income and expenses (how to budget) (*group session*).	a. Assist bankrupt and/or relative to acquire money management and budgeting skills in addition to the analytical skills in "d" of Session 2. In addition to this, provide reference information and referrals. b. Provide debtor with consumer education in the areas of home economics, spending and shopping habits, warning signs of financial difficulties, the use of credit and the implication of credit reporting services. Provide reference information and referrals. These can be group or individual sessions.

Socio-Economic Demographic Profile
Table 2 profiles the demographics of Canadian bankrupts who have experienced mandatory counseling. These data were collected during phase one of the research project and represent 5241 bankrupts (10% of the 50,000+ administrative files on record since the CD took effect). Given that approximately 80% had technical school education or less, the finding that three quarters are employed in skilled, semi or unskilled labor should not be surprising. The proportions of "divorced and separated" persons who have declared consumer bankruptcy is higher than would be expected based on their percentages of the Canadian population (6% in the 1991 census and 11% in the 1994 Angus Reid Group State of the Family Survey).

There were regional differences for five variables: gender, age, value of assets and liabilities, types of liabilities, and personal and family income. Male consumers were more apt to live in Quebec (69%) with females residing in Atlantic Canada (47%). Younger consumers (aged 20-39) were more likely to be found in the Prairies and Atlantic Canada (26% respectively). Persons in Ontario have a higher than average level of liabilities ($33, 612). Those in Quebec were more likely to have credit cards (83%), government agency debts (89%), and utility debts (57%) than the national average. More consumers in Atlantic Canada owed money to financial institutions (91%) than those in other regions. While there are regional variations in the median level of personal and family incomes, the tendency is toward low income, especially in Atlantic Canada ($925 personal income monthly) and Quebec ($1280 family income monthly) (McGregor & Berry, 1995a).

Comparative Analysis of Trustee/Bankrupt Perceptions
During phase three of the project, the bankrupt's perceptions of what happened at the counseling sessions were compared with those of his or her counselor (n=200 bankrupts from n= 1204; n= 179 trustees and 21 private counselors, n=200). The results of this comparative analysis will be organized by the three stages of the CD, as was the survey instrument. Mandatory Session 1 was intended to be a financial intake interview followed by discussion of debt resolution options. Session 2, also mandatory, was designed to identify budgetary and non-budgetary causes of insolvency. Session 3, at the option of the bankrupt, was intended to help debtors acquire money management and budgeting skills as well as consumer education. There is compelling evidence that counseling is working, with bankrupts perceiving the benefits differently than trustees and counselors. As a general statement, a large majority of bankrupts (over 75%) felt they were gaining considerable or extensive benefit from the counseling process while trustees did not always concur with this sentiment. There was considerable agreement on what happened at each session, despite a time lapse of 6-18 months since the counseling had occurred. Table 3 summarizes what was expected to be covered in each session and the congruence of what did occur. The following section provides more insights into how the two stakeholders differed and agreed on their recollection of the counseling process.

Table 2
Socio-demographic profile of Canadian bankrupts/ consumer debtors (1994).

Age (mean age = 38)		**Gender***	
20-39	59%	Male	61%
40+	41%	Female	39%
Marital status		**Dependents**	
Married	43%	None under 15	57%
Divorced or separated	28%	Under 15	43%
Common-law	21%	**Occupation**	
Single	7%	Unskilled	22%
Widowed	1%	Semi-skilled	31%
Education		Skilled	21%
High school or less	58%	Middle mgt	13%
Non-university	23%	Tech./semi-prof.	9%
University	19%	Prof./upper mgt	4%
Types of liabilities			
Financial Institutions	83%		
Credit Cards	79%		
Government Agency	67%		
Others (Utilities)	41%		
Individuals	32%		

Assets Mean=$2,400 Range= $0-2.2million
Liabilities Mean=$24,300 Range: $377-5.2million
Personal net monthly income (mean = $1,089) Range = 0-$49,000
Family net monthly income (mean = $1,460) Range = 0-$49,000

* The gender distribution is somewhat biased because male attributes were more often reported on the fact sheets when a joint bankruptcy was filed.

Session 1 - Financial assessment (mandatory) Both the trustee and the insolvent person perceived Session 1 as appropriate for assessing the financial situation. Eighty-six percent of the trustees and counselors devoted most or all of Session 1 to assessment of the financial situation rather than counseling. Almost half thought it should be this way (49%), however, the other 51% felt that the first meeting should be counseling but not assessment. One ambiguous aspect of this finding is the lack of a definition of counseling. Although CD did not define counseling, it can be defined as the process of assisting clients in identifying, understanding and changing behavior in financial management, consumption, life style and the use of all types of recourse in order to obtain and maintain economic security (Williams, 1991).

Table 3
Congruency Between Insolvent Person and Trustee and Counselor on What Happened at Counseling Sessions

Standard of activity in each session	Degree of agreement
Session 1	
Who conducted Session 1	45% that it was the trustee
Where Session 1 was held	75% that it was in trustee's office
Length of sessions	40-50% (depending on Session 1,2 or 3)
Financial problems were discussed and to what extent	60% agree they were discussed
Alternatives were discussed with consequences:	
bankruptcy	90% agreed bankruptcy was discussed
consumer proposal (CP)	60% agreed CP was discussed
Orderly Payment of Debt (OPD)	60% agreed OPD was discussed
Session 2	
Was session in group or done individually?	89% agreed that it was individual
Were they offered the option of group or individual	68% yes offered option
Size of group	50% of time agreed on size (10-12)
Session 2 provided enough information to improve ability to manage money	78% yes
Financial causes leading to bankruptcy were discussed	84%, yes
Personal and social causes were discussed	65%, yes
Types of resources used in Session 1	70%, brochures
Types of resources used in Session 2	57% brochures
Where to go for additional information on personal and social causes was offered	60% yes
Session 3	
Session 3 increased knowledge and skills for money management	50%, yes
Session 3 made referral for more counseling	75%, yes

Table 4 profiles the different debt resolution options that were supposed to be discussed at Session 1. They are comprised of legal and non-legal options. Most (69%) bankrupts indicated that their financial problems were discussed "very extensively." Further, when an alternative debt management strategy was brought up in this session by either the trustee or the debtor, its pros and cons were usually elaborated upon as well. There was overwhelming agreement that bankruptcy was the legal option most likely to be discussed (90%) with much less agreement that non-legal options were examined (41%) with their pros and cons (30%). Bankruptcy was discussed (94%) more than other legal options such as consumer proposal (67%) or debt repayment programs (62%). This could imply that trustees or bankrupts are ignoring legal or non-legal viable alternatives other than the total liquidation of assets mandated by bankruptcy.

Session 2 - Money and personal counseling (mandatory)
Session 2 addressed the assessment of the insolvent's money management system and the personal and social (non-budgetary) causes of insolvency. Both trustees and individual counselors (44%) and bankrupts (59%) felt that this session should continue to be mandatory. Bankrupts reported overwhelmingly (83%) that they were provided with information such that they felt better able to track their spending, and 78% of trustees felt this way. It seems that this session is helping bankrupts discover or understand the budgetary or monetary causes of their insolvency while encouraging them to seek remedies.

Ninety percent of the bankrupts indicated that the financial causes of their bankruptcy were discussed, but only 62% claimed that the personal and social causes leading up to their bankruptcy were addressed. Trustees and counselors, and bankrupts agreed 84% and 65% of the time that financial and other causes were discussed.
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Session 2 was supposed to accommodate provision of information and referrals to deal with non-budgetary causes of bankruptcy. When bankrupts were asked if the trustees provided them with additional information for assistance for any personal difficulties that led to their bankruptcy, over half (58%) said no. Indeed, a full 80% of the trustees indicated that they made absolutely no referrals for counseling to determine the underlying causes of bankruptcy. An implication is that they perceived a faulty money management system or economic reasons as the cause(s) of bankruptcy rather than personal causes. A second implication is that trustees and counselors did not feel competent enough to decide if remedial counseling was necessary. This assumption is partially borne out by the finding that the trustees wanted additional information for both money management/consumer education (53%) and counseling techniques (40%) (Forde & Roberts, 1994a).

Table 4
Bankrupts' Perception of Which Options Were Discussed with Respective Pros and Cons

Option discussed/consequences discussed	Option discussed Yes	Pro/cons discussed Yes	Option discussed No	Pro/con discussed No
Legal option: Bankruptcy	94%	92%	6%	8%
Legal option: Consumer proposal	62%	59%	38%	41%
Non-legal option: Orderly Payment of Debt	68%	64%	32%	36%
Informal arrangement by debtor (non legal option)	58%	55%	42%	45%
Informal arrangement with assistance of others (non legal option)	41%	30%	59%	70%

The second concern is that the average session lasted an hour or less 80% of the time, and 41% of bankrupts indicated a half hour session. Only the bankrupts were asked to estimate the time involved in the delivery of the counseling sessions. This short time frame may well explain why trustees and counselors felt that counseling had either a minimal effect (32%) or a moderate effect (50%) on understanding the causes of bankruptcy. Anecdotal evidence that trustees and counselors did not feel that they had an adequate network of referrals may provide a partial explanation for this lack of referrals to third party counseling. The other implication, as noted previously, is that they may not have felt competent enough to decide if remedial counseling was necessary.

Session 3 - Consumer education (at bankrupt's option) If the bankrupt asked for consumer education, Session 3 was intended to help them acquire money management and budgeting skills as well as consumer education in the areas of home economics, spending and shopping habits, warning signs of financial difficulties, the use of credit and the implication of credit reporting services. Over half (54%) of the trustees and counselors, and 37% of bankrupts, felt that consumer education should be at the recommendation of the trustee. Forty percent of the trustees wanted to leave consumer education discretionary, with 5% of trustees and one quarter of bankrupts claiming that consumer education should be mandatory. It is now mandatory and has to occur prior to budgetary and personal counseling (Industry Canada, 1994b).

Just over one-third (36%) of the bankrupts attended Session 3, and two-thirds of those attending felt that the session increased their knowledge and skills about handling money. Of those who did not attend, 72% did not even know that consumer education was an option so they did not know to ask for it, while 22% opted not to attend. Eleven percent of them received this information over the telephone and for less than half an hour (47%). Yet, despite this delivery mode, two-thirds of bankrupts who received consumer education felt that it increased their knowledge and skills about handling money. Three quarters of the time, Session 3 was conducted on an individual basis (88%) by the trustee or someone in the office, either in the office (72%) or over the phone (11%); otherwise, it was conducted by an off site independent counselor contracted by the trustee to deliver the service (18%).

General Observations About the Impact of Counseling Reversed Opinions

Many of the trustees and counselors (32% to 63%) felt that mandatory money and personal counseling would have no effect on the bankrupt's future behavior in six specific areas (Table 5). Bankrupts were less pessimistic, especially on avoiding bankruptcy in the future and keeping their affairs in better order. The discrepancy between trustees and counselors and bankrupts regarding the perceived effect of counseling was quite interesting and unexpected. In essence, when trustees and counselors perceived a minimal effect, the bankrupts perceived a considerable or extensive benefit, with this pattern holding true for almost all of the variables. Table 5 provides examples of these reversed opinions. To illustrate, while bankrupts felt that they would now be able to avoid bankruptcy in the future as a result of counseling, trustees did not think so. While trustees felt that bankrupts were still not able to discern the affect of their bankruptcy on creditors, bankrupts thought they were wiser to this relationship. Bankrupts overwhelmingly thought that they would be more financially responsible in the future while trustees felt that the counseling process only had a moderate effect on this behavior. The trustees' and counselors' scepticism may be due to their sense of inadequacies when it came to counseling, as 40% wanted more information on counseling techniques. Only 35% of those delivering the sessions had counseling experience while the rest had accounting or financial backgrounds. The bankrupt's compelling optimistic opinion could reflect their genuine pleasure that someone was finally listening to them and was concerned for their predicament.

Effect of occupation and education Not all bankrupts felt the same way about the effect of counseling, however. Those who were employed in skilled, semi or unskilled jobs with grade 12 or less (three quarters of the sample) overwhelmingly perceived counseling as having a considerable or extensive benefit. Technicians and semi-professionals were almost identical in their perceptions that counseling considerably or extensively improved productivity, knowledge, and future behavior. On the other hand, professionals and those with higher levels of education (a very small segment of the sample) were much more likely to perceive a lower benefit from mandatory counseling (Tables 6 and 7).

Individual versus group sessions In the CD, certain standards were offered in groups and others offered on an individual basis (Table 1). While individual sessions ensure privacy, group sessions help people realize that they are not alone and that there are various patterns of family resource management (Williams, 1991). Three quarters of the trustees and counselors indicated that they typically conducted sessions with individual bankrupts. Of the 24% who used groups, 61% did so in groups of 10 or less. Although bankrupts attended individual sessions, three quarters indicated that they were not given the option of attending a group session. Of those who did attend groups, two thirds felt they had a lot in common with the other members of the group and 59% felt quite comfortable sharing their experiences with other group members. One fifth indicated that they were not given an opportunity to share their experiences with others in the group.

Qualifications of counselors. The Superintendent, as well as the trustee and counselor communities, were concerned with the qualifications of those delivering counseling. Counseling was offered either by the trustee (88%) or an independent counselor (12%). In general, those conducting the intake assessment (Session 1) tended to have accounting experience and backgrounds, while those conducting Session 2 (personal counseling) had counseling experience and background. Session 3 was often delivered by those with either counseling or financial service backgrounds (Forde & Roberts, 1994a). Due to concerns over qualification issues, the Superintendent of Bankruptcy formed a "Qualifications of Counsellors Task Force" in May 1995, comprised of eight members (including the authors). The Task Force is assisted by an Advisory Committee comprised of approximately twenty representatives from relevant stakeholders. Collectively, it has contributed to the development of a course designed to train those people delivering the two sessions (consumer education and identification of roadblocks to solvency and rehabilitation) described in CD No. 1R2, the CD now in effect (Industry Canada, 1994b). To accomplish this, five subgroups were established to develop course of study for insolvency counseling, address accreditation, design the implementation of the course, develop a code of ethics, and compile an inventory of resource materials relevant to the insolvency process. (Information about the results of their efforts is available from the authors.)

The first subgroup developed a blueprint for a course of study comprised of five modules, one each on counseling, money management, money in context, creative thinking and the bankruptcy process. (McGregor, 1995). The team of writers worked with a Canadian university contracted to print and publish the study manual, develop case studies, videos and CD Roms and deliver the course via distant education for a fee equal to that of other university distant credits. Anyone involved with delivery of counseling under the 1995 Counseling Directive (Industry Canada, 1994b) has to have completed the course of study by June 1997, with the first national examination having occurred on November 24, 1996 (Raymond, 1996).

Summary

A demographic profile of Canadian bankrupts along with a comparative analysis of the perceptions of 200 bankrupts and their respective trustees or private counselors showed congruency between both parties on what happened in the counseling sessions, especially regarding the discussion of bankruptcy as an option for debt resolution, the recollection that sessions occurred on an individual basis, the effectiveness of information provided in the sessions to improve the bankrupts' ability to manage finances, and that financial causes of insolvency were discussed. There was less agreement on issues related to the discussion of any social and personal causes leading to insolvency and the discussion of alternative legal and non-legal methods for dealing with insolvency.

A large majority of bankrupts felt they were gaining considerable or extensive benefit from the counseling process regarding improvement in their knowledge of handling money, understanding causes leading to bankruptcy, keeping financial affairs in better order, and avoiding bankruptcy. They also felt they would be more willing to be financially responsible in the future, and to a lesser extent, felt they had a better appreciation of the impact of their bankruptcy on their creditors. These opinions varied with the education and occupational status of the bankrupt. Skilled and semi-skilled bankrupts with high school or less, three quarters of the sample, overwhelmingly perceived a considerable or extensive benefit from mandatory counseling while highly educated professionals tended to perceive counseling less favorably.

Trustees agreed that they had to do little in the way of changing their day-to-day operations to implement the standards set out in the CD (McGregor & Berry, 1995b). They did feel it would be useful to have more information on counseling techniques, money management, and consumer education. They also tended

Table 5
Trustee's, Counselor's and Bankrupt's Perceptions of the Future Effect of Counseling

Effect of counseling on future behavior	Trustee and counselor			Bankrupt		
	None	Moderate	Considerable or Extensive	None	Moderate	Considerable or Extensive
Improvement in knowledge of handling money	38%	54%	8%	28%	21%	51%
Understanding causes leading to bankruptcy	32%	50%	18%	30%	22%	48%
Keep financial affairs in better order	36%	55%	9%	18%	15%	67%
Avoid bankruptcy in future	36%	52%	12%	20%	12%	68%
Effect of bankruptcy on creditors	63%	28%	11%	23%	22%	55%
Willingness to be more financially responsible in future	32%	58%	10%	17%	12%	71%

Table 6
Relationship Between Bankrupt's Level of Education and Perceived Impact of Counseling

	Handling money			Avoid future bankruptcy			Keep financial affairs in good order			Act financially responsible in future		
	1*	2	3	1*	2	3	1*	2	3	1*	2	3
< high school	23%	14%	58%	12%	10%	78%	14%	13%	73%	12%	12%	76%
High school	21%	24%	55%	18%	12%	70%	15%	14%	71%	16%	9%	75%
> high school	36%	22%	42%	27%	15%	58%	27%	16%	57%	23%	15%	62%

Key * 1= little or no impact 2= moderate impact 3= considerable or extensive impact

Table 7
Relationship Between Bankrupt's Occupational Status and Perceived Impact of Counseling

	Handling money			Avoid future bankruptcy			Keep financial affairs in good order			Act financially responsible in the future		
	1*	2	3	1*	2	3	1*	2	3	1*	2	3
Professional and semi professional	45%	21%	34%	32%	23%	45%	30%	20%	50%	27%	21%	52%
Technicians and skilled	28%	25%	47%	21%	13%	66%	21%	14%	65%	18%	14%	68%
Semi skilled	26%	20%	54%	17%	11%	72%	16%	15%	69%	15%	10%	75%
Unskilled and laborers	25%	19%	55%	18%	10%	72%	19%	11%	70%	18%	9%	73%

Key * 1= little or no impact 2= moderate impact 3= considerable or extensive impact to have a more moderate outlook regarding the benefit of mandatory counseling than did bankrupts. Trustees tended not to advise bankrupts of the consumer education option and the majority did not make third party referrals to address personal causes of bankruptcy. The BIA continues to mandate that trustees deliver or provide for the delivery of counseling services to bankrupts and their relatives. In fact, effective January 1995, there are now two counseling directives, one for the financial assessment and another for the counseling component (Industry Canada, 1994a,b). How the results of this study shaped these two directives is the subject of a companion paper (McGregor & Berry, 1997).

Conclusions

The ultimate objective of the counseling is reduction of recidivism and increased rehabilitation of bankrupts so they do not continue in the bankruptcy cycle, an objective that is attractive on an international scale. The policy decision to mandate counseling for Canadian bankrupts has far reaching implications and merits continual monitoring and analysis. As a policy, it is having a profound, and what appears to be, a lasting impact.

The intent of the revisions to the Bankruptcy and Insolvency Act was to provide appropriate advice, education, and rehabilitation to bankrupts. It seems to be having a measurable effect, but future analysis is needed to confirm this proposition. For those interested in monitoring the impact of this legislation on consumer, trustee, independent counselor or creditor behavior, or for those wanting to conduct cross-national comparative studies, this paper presents preliminary, current baseline data on the experience and perceptions of consumer bankrupts, trustees, and private counselors in Canada, under the new system.

Endnotes

a. *Consumer bankruptcies increased 22% in 1996 and 22% in 1995 in Canada (Little, 1997). In 1966, there was one bankruptcy for every 10,000 people in Canada, but by 1966 the rate was up to one in 400 (Lorinc, 1996). Before the 1980s, repeat bankruptcies were so rare that there were given special attention, but since 1980 repeating has become common (Clare, 1990).*

b. *After consumers enter a legal state of bankruptcy, they are called bankrupts. If they opt for a consumer proposal, they are termed consumer debtors. For the purposes of the discussion, the term "bankrupt" will be used to refer to both bankrupts and consumer debtors.*

c. *Guy Carriere, Micheline Raymond, Michael Salyzyn (all from Industry Canada); Dr. Sue McGregor (Mount Saint Vincent University, Halifax, NS); Dr. Ruth Berry (University of Manitoba); Susan Juhkle-Ongaro (Past Executive Director, Ontario Association of Credit Counselling Service); and Agathe Gagne-Collard (University of Laval, Quebec).*

d. *The data were collected by Sociometrix Inc. (Forde & Roberts, 1994a,b) and all analysis was undertaken by the Working Group (Carriere, 1994; McGregor, 1994; McGregor & Juhlke-Ongaro, 1994; National Counselling Directive Working Group, 1994).*

e. *The entire raw data set and code book were recently made available to the authors by the Superintendent of Bankruptcy for further secondary analysis.*

f. *An insolvent person qualifies for a* **consumer proposal** *if less than $70,000 (Canadian) (not including mortgages) is owed and the person can develop a payment system which creditors agree to wherein the debt is paid off within five years. The person does have to attend Counselling sessions but the estate will not be liquidated. As with bankrupts, there is a stay against all creditors. In contrast, a bankrupt can owe $1,000 or less and, if he or she agrees to the counseling, can be discharged in nine months. The trustee liquidates the estate and assets, following guidelines set out in law, and distributes the proceeds to the creditors (Bennett, 1992).*

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1997 AFCPE Conference

December 17-20
San Diego, California.
Note change in date of conference

The theme for the 1997 Annual Conference is
Perspectives On A Changing Financial World.

This year's conference will be held at the U.S. Grant Hotel in the heart of downtown San Diego's business and historic cultural district.

Built in 1910, a recent $80 million restoration has preserved the U.S. Grant Hotel's legendary beauty and superb craftsmanship. Its guest rooms are lovely and spacious. The hotel contains an award-winning restaurant, a lounge featuring live jazz, and a fitness center. Afternoon tea is served in the lobby from 4 to 6 p.m. Monday through Saturday.

For updates on the conference program, look at the web page:
www.hec.ohio-state.edu/hanna/afcpe/97conf.htm