

27 March 2019

By email: LegCon.Sen@aph.gov.au

Committee Secretary  
Senate Standing Committees on Legal and Constitutional Affairs  
Department of the Senate  
Parliament House  
CANBERRA ACT 2600

Dear Committee Secretary

**Resolution of disputes with financial service providers within the justice system**

I refer to the public hearing for the abovementioned inquiry held on Thursday 21 March 2019 in Sydney.

Page 47 of the transcript sets out the following exchange between myself and Senator Macdonald regarding the minimum amount of debt for a creditor's petition for bankruptcy, as set by the *Bankruptcy Act 1966* (Cth) (the Act).

*Senator IAN MACDONALD: You could leave it at \$5,000 but still in some way encourage the other processes, which I can't believe anyone wouldn't go through.*

*Mr Brody: It's worth noting that that \$5,000 was put in place in, I think, 2008. Before that, it was \$2,000 set in, I think, 1966. At the very least, we should increasing that amount for indexation. If we'd started at the \$2,000 level in 1966, it would be a lot higher than \$5,000 today.*

I wish to clarify that the threshold for the minimum amount of debt for a creditor's petition when the Act was established in 1966 was \$500. It was subsequently raised to \$1,000 in 1980, to \$1,500 in 1986 and to \$2,000 in 1996. It was raised from \$2,000 to \$5,000 in 2010.

We maintain the view that the threshold should be increased substantially, particularly given the harsh consequences that can occur for vulnerable debtors whose own home is their sole asset, as outlined in our submission and evidence.

Yours Sincerely,  
**CONSUMER ACTION LAW CENTRE**

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Gerard Brody  
Chief Executive Officer

