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Inquiry into the Bankruptcy Amendment (Enterprise Incentives) Bill 2017

The Australian Institute of Credit Management (AICM) generally supports the adoption of the Bankruptcy Amendment (Enterprise Incentives) Bill 2017 (**The Bill**) and the reduction of the default period of Bankruptcy to one year however, our members have raised concerns in respect of business related bankruptcies. We provide comments as to these concerns to ensure the Bill achieves its stated aims.

Many AICM members hold the view that the current laws are not too harsh as evidenced by losses incurred where the stigma of bankruptcy was not a sufficient deterrent to improper behaviours such as over extending on credit obligations. These “credit risky” or inappropriate commercial behaviours affect credit providers of all sizes, across all industries, with flow-on effects to other businesses and ultimately their employees.

Entrepreneurship is in society’s commercial interest of all parties when conducted with sound business practices. The reduction of the default period and potentially the stigma of bankruptcy, is likely to reduce the actual and perceived repercussions of bankruptcy.

Reducing the repercussions of bankruptcy will reduce the likelihood of an individual learning and implementing sound business practices such as measured risk taking. This is the outcome perceived by credit providers and is an unintended consequence counter to the aims of the Bill. Our members foresee:

- greater losses as a result the increased risk taking.
- reduction of credit made available to entrepreneurs generally as the perceived risk is further increased.
- more difficulty for entrepreneurs in re-engaging in business due to a prior bankruptcy being interpreted as an indication that they have:
 - Poor business practices/controls
 - Lack prudent controls in respect of appropriate credit, and
 - High risk taking

These concerns expressed by our members lead to their strong support for the continuation of the bankrupt’s obligations following the automatic one year discharge, specifically the obligations to:

- Make income contributions,
- continuing to disclose property and other information, and
- books and records being provided to the Trustee

A brief word about the AICM

The Australian Institute of Credit Management (AICM) is Australia’s leading professional member body for credit management professionals across all industries and sectors, and the only credit industry specific Registered Training Organisation in Australia.



The AICM represents, develops and recognises the experience of over 2,400 individual members working in over 1,300 companies including 34 of the ASX 100 and global organisations in all industries and sectors.

Our members are credit professionals in roles relating to consumer and commercial credit including the obtaining or providing credit, collecting debts, financing invoices, enforcement of payment obligations, credit scoring and managing security interests.

More about the AICM is available [here](#)

We thank you for the opportunity to raise our member's concerns about the proposed amendments.

Yours Faithfully

Nick Pilavidis
Chief Executive Officer
Australian Institute of Credit Management