



Warning—you may be declared bankrupt

You are receiving this warning because a **bankruptcy notice** has been issued against you. This is because a creditor claims that you owe them money and a court has made a judgment or order supporting this claim.

A bankruptcy notice is a formal, final demand for payment of a debt by a creditor. You must take action **within 21 days** (unless a court specifies a different time). Please read this document carefully. The issue of a bankruptcy notice is the first step by which a creditor can seek to have you declared bankrupt.

It's not too late if you want to avoid bankruptcy—but you must take action.

Bankruptcy has serious consequences, particularly if you have assets or are likely to acquire assets during your period of bankruptcy. Bankruptcy can also be stressful and expensive, and should be avoided if possible—especially if you are able to manage your debts without going into bankruptcy. If action is taken prior to being made bankrupt, you can **avoid expensive fees and costs**.

When you are made bankrupt, a bankruptcy trustee has an obligation to investigate your financial affairs, take control of and sell your property, and make decisions about continuing legal actions you may have commenced.

Private sector bankruptcy trustees generally belong to accounting firms and charge at professional rates. Their fees and costs can quickly add up, and may reach thousands, or even tens of thousands, of dollars in a relatively short time. The fees and costs that a bankrupt must pay is determined by the trustee and the creditors you owe money to. As a bankrupt, you have no say in the setting or approval of the trustee's fees and costs. Your only option is to request a review of fees **after** the trustee has been paid, and a review may only result in a slight reduction, or none at all. In the event that the Official Trustee, a government entity, is the bankruptcy trustee, the fees are set by legislation and are not reviewable.

Consider your options carefully before you make a decision whether to pay the debt claimed in the bankruptcy notice. The important thing is that this should be a decision you actively make—**don't just let bankruptcy happen to you**. If you don't take prompt action to contact the creditor and either pay the debt, or challenge it, it will become more difficult and costly to avoid bankruptcy.

What do you need to do?

- Read the Bankruptcy Notice carefully—understand your options and when you need to take action by.
- Go to the Australian Financial Security Authority (AFSA) website at www.afsa.gov.au at 'I've been served a bankruptcy notice. What now?' for more information and the consequences of bankruptcy.
- **Be alert to untrustworthy advisors** that can take advantage of you, or may encourage you to commit an offence under the Bankruptcy Act. See [AFSA's Untrustworthy Advisors video on YouTube](#).
- Talk with a free financial counsellor on 1800 007 007.

What happens if you do nothing?

If you don't pay the debt or reach an agreement with your creditor, you will commit what's called an 'act of bankruptcy'. Your creditors may use this to apply to the court to make you bankrupt. This is the second step in the process and **your last chance to avoid bankruptcy**. Once a creditor has applied to the court to make you bankrupt, **your name will appear on a public register** called the National Personal Insolvency Index and will remain on this list **permanently** whether or not you pay the creditor before the matter goes to court, or prove to the court you don't owe the money.

On the day of the court hearing, unless you have paid the creditor, or you can prove that you do not owe the money, you will most likely be declared bankrupt.

Disclaimer – this warning summarises the law and is not intended to be legal advice. You should consider seeking legal advice if you are unsure how to respond to a bankruptcy notice.