



## Consequences

When you are considering proposing and entering into a debt agreement there are important consequences that you (the debtor) need to be aware of.

### Consequences of proposing a debt agreement

- A debtor who proposes a debt agreement commits an act of bankruptcy. A creditor can use this to apply to court to make the debtor bankrupt if the proposal is not accepted by creditors.
- The debtor's name and other details appear permanently on the [National Personal Insolvency Index \(NPII\)](#), a public record.
- The ability of the debtor to obtain further credit is affected. Details may also appear on a credit reporting agency's records for up to seven years.
- During the voting period creditors cannot take debt recovery action or enforce a remedy against the debtor or the debtor's property and must suspend deductions by garnishee on debtor's income.

### Consequences of entering into a debt agreement

- The fact that the debtor has entered into a debt agreement will be recorded permanently on the [NPII](#).
- The ability of the debtor to obtain further credit is affected. Details may also appear on a credit reporting agency's records for up to seven years.
- Most unsecured creditors are bound by the debt agreement and are paid in proportion to their debts.
- Unsecured creditors cannot take any action against the debtor or property of the debtor to collect their debts.
- The debtor is released from most unsecured debts only when they complete all their obligations and payments.
- [Secured creditors](#) may seize and sell any assets (eg a house) which the debtor has offered as security for credit if the debtor is in default.
- The agreement does not release another person from a debt jointly owed with the debtor.
- A debtor must disclose that s/he is a party to a debt agreement if incurring debt or obtaining goods and services in excess of the relevant [indexed amount](#).
- If trading under a business name or assumed name (whether alone or in partnership) the debt agreement must be disclosed to all people dealing with the business.

For impacts upon creditors, please refer to the [debt agreement](#) section for creditors.