

Insolvency Reforms to Support Small Business

Introducing the Small Business Restructuring process is a vital reform to assist in recovering from the COVID recession. Everything possible should be done to encourage businesses to restructure instead of winding up, or filing for bankruptcy in the case of micro-businesses. Restructuring benefits not only the business owner/s but creditors (who generally receive a higher return) and employees.

The cost structure of Liquidators makes it unlikely that existing liquidators will perform this work. Liquidators do not have the technology and systems in place to perform a large volume of low-margin work. Debt Agreement Administrators, the equivalent of a "Small Business Restructuring Professional" in the personal insolvency world, managing tens of thousands of low-margin debtors. They have spent decades and millions of dollars developing software and systems to manage the throughput. Debt Agreement Administrators daily are receipting payments from thousands of debtors and distributing those payments to thousands of creditors.

It seems like an impossibility that liquidators would be able to develop these systems and process in 4 months to perform this work. The Government should give consideration to allowing Registered Debt Agreement Administrators to perform the work of a Small Business Restructuring Professional. Administrators are already required to have similar knowledge to the draft requirement for the SBRP, for example under "Guidelines Relating to the Registration and Cancellation of a Registered Debt Agreement Administrator":

2.7.5 To be capable of doing this, the type of general insolvency and business knowledge expected includes the following matters:

- a general knowledge of other financial and banking options available including refinancing, mortgages, informal arrangements and banking industry hardship provisions;
- Knowledge of common business structures such as companies, partnerships, trusts and sole traders, the liability implications arising from these structures, commercial and financial transactions and documents, including: leases, hire purchase, guarantees, caveats, mortgages and other security, and basic contract law;

Administrators are required to have compliance systems, risk management system, staff training systems, communicate with creditors and debtors, have complaints management systems.

I believe Debt Agreement Administrators are uniquely positioned to deliver the Government's Policy Objectives. Debt Agreement Administrators have the technology, systems, processes and experience required. Should you have any questions or require any further information don't hesitate to contact us.

Kind Regards

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