



*Credit Counselling Canada*  
*Conseil en crédit du Canada*



## REPORT SUMMARY

### Debt Relief Options in Canada – Long Term Outcome Comparison

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## OBJECTIVE AND BACKGROUND

The primary research objective of this study is to compare the long term financial outcomes of Canadian who used a debt management program (DMP), bankruptcy (BK), or a consumer proposal (CP) to obtain relief from debt. This research is relevant for consumers, credit counsellors, educators, licensed insolvency trustees, financial institutions and policy makers. Understanding how consumers fare after using these programs can better inform consumers about which to choose, help lenders understand which consumers are more likely to manage their credit after insolvency, provide credit counsellors and licensed insolvency trustees with better information to help their clients, and inform policy-makers about how well each program is functioning for the consumers they serve.

This study is both timely and vital because consumer debt in Canada is at near-record highs. The Organization for Economic Cooperation and Development (OECD) (2017) reported that Canada is the most indebted nation in the world, with consumer debt topping over 100% of gross domestic product (GDP). Statistics Canada (2018) reports that the ratio of debt-to-disposable income is 1.775, meaning that Canadians owe nearly \$1.78 for every dollar of disposable income.



Interest rates in Canada have been historically low since the financial crisis in 2008 when the Bank of Canada started lowering the rates to stimulate the economy. The Bank of Canada started raising rates in 2017, and there is much speculation about how Canadians will fare with increased interest rates. The bank's overnight rate at the start of 2019 was 1.75 percent, the highest it has been since December 2008 (Bank of Canada, 2018).

Canadians have some options when struggling with debt burdens. The Government of Canada, under the Bankruptcy and Insolvency Act, regulates bankruptcy and consumer proposal options. In both cases, the process is administered by a licensed insolvency trustee (LIT). Bankruptcy provides the most comprehensive form of debt relief by eliminating most of the debt owed after liquidation of unprotected assets. A consumer proposal allows a consumer to make an offer to their creditors to pay a percentage of what is owed or extend the repayment period, or a combination of both. Debt management programs are voluntary and are administered by not-for-profit credit counselling agencies. DMP clients pay off 100% of their debt over an extended period often with reduced interest.

Although all three programs offer debt relief, there are significant differences between the options and those differences can be difficult to understand let alone be able to compare for consumers confidently. Under each scenario, the consumer obtains relief from their debt. In 2018 there were 55,091 consumer bankruptcies and 70,175 consumer proposals (Government of Canada 2019). The number of Canadians entering into a DMP is much less than consumer proposals and bankruptcies. In 2018, Credit Counselling Canada, the largest not-for-profit association in Canada reported 7,273 new cases and Canadian Association of Credit Counselling Services reported 4,373 new cases for a total of 11,646.

## STUDY PARAMETERS AND RESEARCH DESIGN

This study was conducted at the request of Credit Counselling Canada, a national not-for-profit association and accrediting body for 17 member organizations across Canada. Each of the 17 member organizations offers credit counselling in their community with several offering additional types of counselling and services. Of the 17 member organizations, eight chose to participate in this study. Clients who completed a DMP between January 1, 2013, and December 31, 2014, were contacted by their credit counselling agency and asked whether they would allow their credit data to be shared by TransUnion (anonymously) for use in this study.

Member organizations of Credit Counselling Canada collected consent forms between December 14th, 2017 and February 28th, 2018 for participation in the study. TransUnion Canada (TUC) matched data provided by the member organizations to the credit records in their database. Credit data used in this study were anonymous. Ethics approval for the study was granted by the Office of Research Ethics at York University.

The total number of clients, in the eight participating organizations, who completed a DMP in 2013 or 2014 was 5,374. Of those contacted, 336 client profiles were made available for analysis. While the response rate was low, it is essential to keep in mind the recency of a data breach at Equifax as well as the general reluctance to share personal financial information. A full analysis of the sample and data collection methods can be made available by the researchers upon request.

A matched sample was created to conduct the analysis and to compare those who completed a DMP to a similar Canadian who completed either a bankruptcy, a consumer proposal, or choose to do nothing (control group). The matches were done using Euclidian distances on eight key credit variables broadly characterized as credit utilization, debt burden, and financial distress.

The primary method used to analyze the time-series data is a generalized spline using the `spida2` package in R (Monette et al., 2018). A spline was fit to allow for discontinuity at various points for each variable. An autoregressive-moving-average (ARMA) model was used to account for autocorrelation of the residuals between the observations. An Akaike information criterion (AIC) estimator was used to assess the relative quality of the models to determine the best ARMA model. The resulting ARMA model was two auto-regression periods ( $p$ ) and one moving average ( $q$ ). The linear mixed effects function (`lme`) in R (Pinheiro et al., 2018) was then utilized to estimate the features of the spline. The linear mixed effects function was modelled to allow for a random intercept for each. The approach allows for Wald test of significance between each pair of groups (DMP-BK, DMP-CP, DMP-CTR, BK-CP, BK-CTR, and CP-CTR) at every quarter and the slopes (rate of change) between the quarters. The analysis starts 12 quarters before the DMP, bankruptcy, or consumer proposal was initiated and continues through the end of 2017 (5 years post-filing in most cases).

## LIMITATIONS OF THE STUDY

There are some limitations to this study, and we need to be clear about the scope of the study. First, the primary objective of this study is to see how individuals fare with their finances after they undertake a debt relief option. The study is interested in objective measures such as payment delinquency, debt, and credit utilization. The study does not include any demographic data, such as age or income or behavioural factors such as stress. Demographic data is undoubtedly important, but de-identified data was used to protect the privacy of DMP clients who chose to participate and to

encourage participation. The scope of this study also makes these variables less critical given that the focus is on what is happening in a credit file.

The sample size for this study is small. The final sample size is 336 cases for each debt relief option and the control group for an overall sample of 1,344. The sample size is due to some factors, such as difficulty contacting DMP clients and gaining their consent. Many clients did not want their data accessed, even if it was anonymous, given the recent Equifax data breach. Others stated that the period was a distressing time during their life and they preferred not to be involved. While the sample size is a concern, it merely means that the sample is not nationally representative and that we need to be careful not to extrapolate the research findings outside the sampling universe. Because the study is limited to individuals who successfully completed a DMP and then matched with individuals with comparable credit profiles, we are likely looking at the least severe cases. Some people start a DMP and do not finish, and other people start a consumer proposal and do not finish or eventually end up filing bankruptcy. In summary, the findings of this study ought to be viewed judiciously with this in mind.

## RESULTS

### CREDIT UTILIZATION

Three measures were used to analyze credit utilization: the number of accounts with balances greater than zero (revolving and instalment), number of inquiries within the past six months, and number of accounts opened in the past 12 months. Some of the credit utilization findings were expected and mirror what is familiar with debt relief programs. For example, the number of credit inquiries spikes just before filing for all three debt relief groups, then sharply declines until about a year after the start date. This behaviour is expected as those filing for any debt relief are either advised not to seek new credit or know they will not be given credit. The spike before filing could be an indication of trying to dig themselves out of a hole by requesting new credit.

Some of the findings are unexpected. First, the number of accounts with balances above zero starts to decline before filing for BK and CP filers. Given what is known about consumers who file we might expect to see this peak at the time of filing, not before. One possible explanation for this is that many consumers first approach their financial institutions to access consolidation loans to deal with mounting debt. The loan ultimately should provide a lower payment and improve cash flow. Regardless, the loan repayment may still be unachievable, and after a certain period, the consumer requires additional help.

Second, the number of accounts opened in the past 12 months also starts to decline for all three debt relief groups before starting a program or filing. If we consider the lagged nature of the variable, that it measures accounts opened the previous year, then this makes sense for the time spanning baseline and the four quarters post-filing. At four quarters post-filing, all three groups bottom out. We might expect the decline to begin at the time of filing, not before. It is also not entirely consistent with the spike in credit inquiries before filing. Credit inquiries often, though not always, lead to new accounts. It is possible that consolidation loans explain this phenomenon. Consumers would need to seek approval for the consolidation loan, and upon approval, many accounts would be consolidated and closed. Future research should explore this trend further.

In terms of comparing the three debt relief groups, the patterns of behaviours are mostly consistent across all three measures for all three groups. The control groups function differently, and this is not unexpected. There is no debt relief group that fares significantly better or worse than the other groups, on the whole. All three groups can reduce the number of accounts with positive balances. Five years (20Q) after filing, CP filers have the fewest, followed by DMP clients and then BK filers. BK filers show a rebound four quarters after filing, but then experience another downward trend 12 quarters after filing, while DMP clients and CP filers experience a more gradual and consistent downward trend.

All three groups also experience a sharp decline of credit inquiries at the time of filing followed by a “recovery” four quarters later. DMP clients and CP filers have the highest number of credit inquiries five years after filing, perhaps indicating they are deemed creditworthy by lenders. All three groups also significantly reduce the number of accounts opened. DMP clients and the control group are not significantly different 20 quarters post-filing, and both have more accounts opened than BK and CP filers. On the positive side, this could indicate that DMP clients have better access to credit or have the means to apply for credit. Viewed more cautiously, it could indicate a need for credit given that they have not had access to credit for the term of the program. There is a troubling downward trend for BK filers peaking around the 10th or 11th quarter after filing. This trend could indicate a conscious choice not to seek credit, or it could be an inability to get new credit. The number of inquiries is only slightly less than DMP clients and not statistically different from CP filers, indicating that it might be more likely a denial of credit rather than a choice not to seek it.

## DEBT BURDEN

The four measures used to determine debt burden are total monthly debt payments, total debt balance for non-mortgage (open and closed) accounts, total revolving debt and total instalment debt.

The findings on debt payments and overall debt burdens provide useful insight into the debt experiences of individuals entering debt relief options. Debt payments function much as one would expect. DMP clients experience a more gradual decrease throughout the measurement, while CP and BK filers experience a sharp decline. DMP clients repay 100% of their debt, so the fact that their debt payments are not reduced immediately is not surprising. At 20 quarters post-filing, there is no statistically significant difference between any of the three debt relief groups and all have significantly lower monthly payments than the control group and also lower than when they started. Compared to the control group, DMP clients are paying approximately \$290 less, CP filers are paying \$222 less, and BK filers are paying \$363 less.

The findings on total debt, instalment debt, and revolving debt are somewhat unexpected. Total debt decreases for all three debt relief groups and five years after filing each group has significantly less debt than the control group. All of the debt relief groups show balances well above what is expected. For example, one year (four quarters) after filing, the



credit reports of BK filers indicates significant debt as total debt never falls close to zero. Instalment debt for BK filers drops substantially and hovers around \$5,500 with a standard deviation of \$11,800 indicating high variability in the data measure. DMP and CP clients also continue to have total debt balances well above zero.

The data on revolving debt identifies troubling trends. Revolving debt does not decrease as considerably as one might expect, particularly for BK filers. For example, four quarters before filing BK, filers have on average \$17,675 in revolving debt. Six years later, after having gone through bankruptcy, they now have \$14,740. This indicates that BK filers have about the same amount of revolving debt before and after bankruptcy. For comparison, DMP clients have an average of \$17,250 in revolving debt before filing and \$4,900 in revolving debt five years after filing. CP filers do not reduce their debt as much as DMP clients but can reduce revolving debt from \$17,125 four quarters before filing to \$5,900 five years after filing. The question is why BK filers are unable to reduce their revolving debt? Are they getting credit even though they are in insolvency? Is there a reporting error to the credit bureau?

If we look at instalment debt and revolving debt together, we start to understand the relationship better. BK filers have more revolving debt than their counterparts and less instalment debt. DMP clients have about \$4000 more in instalment debt compared to BK filers and \$6,000 less in revolving debt. CP filers have about \$5,000 less revolving debt than BK filers. CP filers have appeared to have more instalment debt, but the difference is not statistically significant. The higher instalment debt indicates that BK clients likely have more access to revolving debt or are requesting more revolving debt. If the goal is to help them minimize unsecured debt, then this is a troubling trend.

There is also some misalignment with monthly payments and total debt. While monthly payments decrease substantially over time, total debt remains high. For example, 20 quarters after filing, BK filers have an average monthly debt payment of \$196 and a total debt of \$23,000. Compare this to CP filers who have less debt (\$17,680), but a higher monthly payment (\$357). It could be a reporting error or a sign that BK filers are making minimum payments on their debt well after they completed their bankruptcy.

## **PAYMENT HISTORY**

The three measures for payment history are number of accounts 30 days past due in the past 12 months, number of accounts 60 days past due and number of accounts 30, 60, or 90+ days past due in the past 12 months.

Overall, payment history for all three debt relief options looks much like one might expect. All three groups have a spike in accounts 30, 60, and 90+ days past due starting about four quarters before they file. This number peaks just after the start date (baseline) and sharply declines. Twelve quarters after filing, all three groups have fewer accounts that are 30 days delinquent than the control group, and this trend continues through to the 20th quarter post-filing. This likely indicates that those who have recently gone through insolvency or chosen a DMP are quite vigilant about on-time payments. This pattern is similar for payments 60 days overdue, except that there is no significant difference between any of the four groups starting around the 8th quarter. This lack of change is a positive sign for those coming out of debt relief programs.

The pattern is slightly different for the measure that encompasses ALL payments – 30, 60, or 90+ days past due – where BK filers appear to fare slightly better. BK and CP filers start with the most, but then experience a sharp drop. After filing, BK filers experience a sharper decline than both CP and DMP clients until the end of 20 quarters, where they have a fewer number of delinquent accounts. Starting at 12 quarters post-filing there is no significant difference between CP and DMP clients, and this continues through the 20th quarter. At the 20th quarter post-filing, CP filers have the most delinquent accounts followed by DMP clients. BK filers have the fewest delinquent accounts.

## FINANCIAL DISTRESS

Credit scores and number of accounts in collections are the two measures used to analyze financial distress. A credit score is a comprehensive measure that credit reporting agencies use to give lenders an estimate of the risk of a borrower. Therefore, the higher the credit score, the less risky the borrower, indicating they are likely experiencing less financial distress (at least to the extent a credit report can indicate).

Among the three debt relief groups, DMP clients begin with the lowest credit score four quarters before filing (mean=587). Over time, their credit scores do not drop as much as CP and BK filers. For example, at the time of filing the mean score for DMP clients is 497, while the mean for CP filers is 430 and the mean for BK filers is 426. After filing, the scores continue to drop for all three groups, but then they all experience a trend reversal shortly after filing when their scores start to increase. After four quarters, the rate of increase remains about the same for DMP clients and CP filers, while BK filers see a faster rate of increase. This increase is enough that BK filers have significantly higher credit scores than CP filers starting at eight quarters post-filing. CP filers slowly close the gap, and by 16 quarters post-filing, there is no significant difference between CP and BK filers. DMP clients have higher credit scores than both BK and CP filers starting from the time of filing right through until 20 quarters post-filing.

The findings for the number of accounts in collections indicate that DMP clients have more accounts in collections than CP filers at the time of starting. However, they reduce this number significantly and have a record of fewer accounts in collections than both CP and BK filers 20 quarters post-filing. BK filers show some signs of financial distress as the number of accounts in collections continues to remain higher than both CP filers and DMP clients.

## DISCUSSION OF FINDINGS

The results from this study should be of interest to consumers, LITs, credit counsellors, educators, financial institutions and policy makers. Findings indicate that debt relief options for Canadians have mixed results. Many consumers who undertake a debt relief program are able to improve their standing financial standing over time, but many continue to have debt.

Generally, one year before starting a debt relief program, all three debt relief groups show signs of financial distress with:

- An increase in credit inquiries;
- A decline in the number of accounts opened;
- A spike in accounts 30, 60, or 90+ days past due and
- A decrease in credit scores.

Five years after filing, the debt relief groups all have lower credit scores than the control group, but otherwise fare favourably. Compared with the control group, those who completed a debt relief program have:

- Less revolving and instalment debt;
- Approximately \$25,000 less (non-mortgage) total debt;
- Significantly lower monthly debt payments;
- Significantly fewer accounts with positive balances;
- Fewer accounts 30 days delinquent; and
- Delinquent accounts 60 or 90+ that are not notably different.

These findings indicate that those who completed a debt relief option show signs of improvement, however there are notable differences between the three groups. It is helpful to look at each group individually to fully understand the patterns unique to that group while also making comparisons to the other groups.

## **SUMMARY OF BANKRUPTCY FILERS**

Individuals who file for bankruptcy are usually among the most financially distressed. Some have experienced an event, like a job loss or health emergency, that catapults them into financial trouble while others cannot keep up with the debt they have accumulated. Either way, they generally show signs of distress even before filing. This distress is reflected in their credit files in various ways. First, their monthly debt payments drop before they even file. They are paying, on average, \$578 four quarters before filing and at the time of filing are paying, on average, \$312 – a significant drop. Before filing, they also experience a spike in inquiries, payments past due, and accounts sent to collections.

After filing, their behaviours fluctuate and do not necessarily tell a cohesive story. Their monthly debt payments fall to about \$90 (+4Q), down from a peak of \$578 before filing. They reduce the number of accounts with balances above zero and have significantly less than the control group. They also have fewer accounts that are 30, 60, or 90+ days delinquent compared to DMP clients and CP filers. Both of these could be explained because they have fewer accounts to service due to a large number of charge-offs they experienced coupled with the difficulty of being approved for credit.

There is a downward trend of credit inquiries for BK filers peaking around the 10th or 11th quarter after filing. Five years after filing, BK filers have the lowest number of credit inquiries, less than CP filers and DMP clients. This may indicate either a conscious choice not to seek credit or an inability to obtain new credit.

Bankruptcy filers have a curious pattern of debt. They experience an immediate decline in monthly debt payments before they file indicating a possible inability or unwillingness to continue making their monthly payments or that they may have liquidated assets to help pay off debt. It usually takes people time to decide to file for bankruptcy, so this trend is logical. Mean total debt never drops below about \$15,000 indicating that they either are not relieved of all their debts, can take on new debt, or the credit reporting data is inaccurate.

The pattern of revolving debt for BK filers is particularly troubling. Four quarters before filing BK filers have on average \$17,675 in revolving debt. Six years later, after having gone through bankruptcy,

they now have \$14,740, and the difference is not statistically significant. This finding indicates that BK filers have about the same amount of revolving debt before and after bankruptcy. The pattern for instalment debt is more in line with what we might expect. It decreases immediately and then slowly increases over time. It appears that BK filers are more apt to utilize revolving credit. This may indicate they can qualify for revolving credit more easily, and/or this is the type of credit they need to manage their day-to-day expenses.

Bankruptcy filers do seem to fare slightly better than CP filers when it comes to credit scores, given their scores rebound faster than CP filers. At the time of filing, their scores are not significantly different, but eight quarters after filing, BK filers' credit scores are, on average, 32 points higher than CP clients. This may occur because bankruptcies are completed after nine to 12 months. After that time, they no longer have debt and are not making payments. This lack of payments appears to help their credit score. From a policy perspective, this does not seem fair. If consumer proposals are the preferred option and individuals filing a consumer proposal pay more of their debt, then they should not be punished with a lower credit score. However, five years post-filing, there is no difference between those who filed a CP or a BK and both have lower scores than DMP clients and the control group.

## **SUMMARY OF CONSUMER PROPOSAL FILERS**

Five years (20Q) after filing, CP filers have the fewest number of accounts with balances above zero and can reduce their overall debt significantly. At the time of filing, the mean debt was \$32,500 and five years after filing; the mean debt was \$17,680. While this is a significant drop, it is not a great result considering that people who file a consumer proposal likely anticipate that the majority of their debt will be eliminated. Revolving debt saw the most significant decrease from \$20,000 at the time of filing to \$5,960 five years after filing. Instalment debt also saw a substantial decrease, but then a slight upturn as they were likely able to qualify for new credit (this is common on auto loans, for example). Instalment debt peaks four quarters before filing at \$14,000. It then falls to \$4,600 two years after filing before climbing up to \$8,400 five years after filing. This finding is generally a positive sign that they have been able to reduce their debts significantly.

CP filers see an immediate decrease in monthly debt payments just after filing, reducing their monthly payments from \$736 at the time of filing to \$204 four quarters later. Five years after filing, there is no statistically significant difference in monthly debt payments between DMP clients and BK and CP filers, and all three have monthly debt payments that are significantly less than the control group. Credit scores for CP filers mostly recover five years after filing. Before filing (-4Q), they have a mean score of 597 and five years after filing the mean score is 573. CP filers have credit scores that are not significantly different from BK filers before they file. This trend continues until the period between the 4th and 8th quarter. BK filers experience a bump in their credit scores, and at eight quarters post-filing, CP filers' credit scores are 32 points lower than BK filers and 59 points lower than DMP client. CP filers eventually catch up with BK filers and 16 quarters post-filing their scores are not significantly different. The lack of difference in scores is an unfortunate finding for CP filers. Consumer proposals are touted as a more responsible choice, but these findings show this group has a harder time improving their credit score. The credit reporting system may need to be re-evaluated to be more reflective of the consumer's effort.

## SUMMARY OF DEBT MANAGEMENT PROGRAM CLIENTS

DMP clients start with the lowest credit score of all four groups (-4Q) but do not experience a drop as significant as BK and CP filers. Five years after filing, DMP clients have the highest credit scores compared to those who filed a consumer proposal or bankruptcy (647 compared to 592 and 595, respectively).

DMP clients were able to reduce the number of accounts with balances above zero and five years after filing have significantly less than the control group. DMP clients reduced the number of accounts opened over 12 months. Five years after filing they are not significantly different from the control group, and they have more than both CP and BK clients. This finding may indicate signs of creditworthiness by lenders. DMP clients seem able to access credit more efficiently, which may be attributed to their higher credit scores, or other factors.

DMP clients appear to be vigilant about their debt payments. Along with CP and BK filers, they have fewer payments 30 days late than the control group. All three groups also have about the same number of accounts 60 days delinquent as for the control group.

The pattern for debt and debt payments for DMPs decreases steadily over the timeframe. There is an initial increase in the monthly payment amount after starting their DMP, followed by a steady decline. One year after filing, DMP clients are paying, on average, \$680 per month. Five years after filing the average monthly debt payments is \$250. Monthly payments for DMP clients does not decrease as quickly as CP and BK filers, but that is because they are repaying 100% of the debt and may continue to have instalment debt which was not included in the DMP. Five years after filing, there is no statistically significant difference in monthly debt payments between DMP clients and BK and CP filers, and all three have monthly debt payments that are significantly less than the control group.

DMP clients reduce their total debt substantially. This appears to come primarily through a decrease in revolving debt. They have an average of \$17,250 in revolving debt before filing and \$4,900 in revolving debt five years after filing. Meanwhile, instalment debt starts at an average of \$12,300, and then dips to \$7,750 eight quarters post-filing before increasing to \$10,400 five years after filing.

The lack of decrease in instalment debt supports what we already know; a portion of the consumer's total debt, in the form of secured debt, is not included in the DMP. DMP clients may also be reducing their instalment debt while still qualifying for new loans. Given the DMP requires 100% repayment and their monthly debt payments remain higher for longer, it is likely that the client's cash flow diminishes and they require instalment loans to make larger purchases, such as a vehicle. The reduction of revolving debt might indicate their ability to manage credit on a day-to-day basis, including less reliance on revolving credit and perhaps better money management skills.

## STUDY IMPLICATIONS

There are many implications from this study for counsellors, consumers, and policy makers. The first takeaway is that the consumer experience with debt relief programs is mixed. Some findings are positive, such as the decrease in late payments and lower monthly payments. However, the findings that consumers do not seem to relieve themselves of debt over the long term are concerning. Not all debt relief programs are alike, and the outcomes vary by program.

Credit scores for all three groups drop as expected once they start their selected program. The drop for DMP clients is less, and credit scores remain higher for the duration of the measurement period. They are the highest five years later. This is a positive sign for DMP clients. Their credit scores, while still lower than the control group, are not impacted as much as their CP and BK counterparts which is positive given they repay 100% of their debt.

Interestingly, BK filers have the lowest credit rating, but CP filers seem to experience the worst hit to their credit score. Credit scores for bankruptcy filers rebound faster than for those who filed a consumer proposal. It is likely the confluence of multiple factors, including the elimination of instalment debt, quicker access to credit and utilization of revolving credit. This finding should be of interest to policy makers and financial institutions.

The pattern of debt needs further investigation. First, none of the debt relief groups can reduce their debt to zero, as one might expect. The remaining balances might occur for a number of reasons. They may be able to access additional debt while still in their chosen program, some of their debts might not be included in their program, or the financial institutions are reporting the data inconsistently. Unless it is a reporting issue, it appears that debt relief programs are not relieving consumers of their debt. Second, the differing trends for revolving and instalment debt show that debt relief groups utilize the two types of debt differently with troubling indicators for BK filers. While DMP clients and CP filers both significantly reduce their revolving debt, BK filers do not. Five years after filing they have slightly less debt than the amount at the start. They do not seem to utilize instalment loans to the same extent, indicating that they either prefer revolving debt or that this is the only debt for which they are approved. Either way, this is troubling. When looking at multiple data points for BK filers, including the rebound in credit score and utilization of revolving debt, there could be an indication that some lenders target BK filers for revolving credit. This may come in the form of high-risk lenders offering credit products at high cost and taking advantage of vulnerable consumers. The finding that revolving debt remains high for BK filers needs further consideration and investigation.

We noted as a limitation of the study in the full report that this study relies on credit reporting data which is known to have errors. Additionally, there is no standard legal agreement for reporting data to credit agencies in Canada. That means that every financial institution can decide how and



what to report. We noted some discrepancies in our analysis, such as inaccurate reporting of debt management programs. There were several variables that were initially intended to be part of this study, but the data was inconsistent or illogical, so those variables were dropped. We expect that credit reporting legislation will evolve based on changing consumer protection laws, requirements of financial institutions and access of consumer-permission data with open banking.

The number of consumer proposal filings has grown substantially since the legislative reforms to the Bankruptcy and Insolvency Act which encouraged the consumer proposal alternative. As the Bank of Canada continues to raise interest rates, debt will become more expensive and riskier, and the number of consumers seeking debt relief is likely to rise. It is essential for consumers to fully understand their options and the long term implications of their decisions before making such an important choice. Bankruptcies are often touted as being the fastest way to recover from debt, but the findings of this study show that they end up with almost as much debt as they started with five years later. They are provided with some immediate relief, but it is not clear that they have genuinely rehabilitated and can manage their finances. The data showing BK filers never relieve themselves of their revolving debt is a curious finding and one that needs more consideration and research along with the rebounding of credit scores. The findings of this research present more questions on the data and further research is needed to explore financial behaviours long term.

Canadians are fortunate to have options for their financial distress, and consumer choice must always be paramount. It is essential to consider how and where consumers access information on debt relief alternatives. Gone are the days when a neighbour personally recommended a course of action. More effort needs to be made to provide accurate, unbiased and easily accessible information to consumers who need to find relief to their financial circumstances.

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