

**PINDER BUECKERT & ASSOCIATES INC.**

**CONSUMER PROPOSAL  
UNDER THE BANKRUPTCY AND INSOLVENCY ACT**

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**WHAT IS A CONSUMER PROPOSAL?**

A consumer proposal is an offer made by a debtor to his or her creditors to modify your payments. For example, you may propose that you will pay a lower amount each month, but over a longer period of time. Or you may propose that your creditors accept being paid a percentage of what you owe.

Division II of Part III of the Bankruptcy and Insolvency Act permits an insolvent natural person to file a consumer proposal with an Administrator to compromise his or her debts. An administrator is a Trustee or a person appointed by the Superintendent to administer consumer proposals.

A consumer debtor is defined as an insolvent natural person, whose aggregate debts do not exceed \$75,000.00, excluding the debts secured by the debtor's principal residence. The Proposal cannot extend for more than five years, certain debts must be dealt with in priority and time, and there is a Stay of Proceedings against all creditors. Any outstanding wage assignment will no longer be effective. The proposal can be in any form and as creative as the drafter chooses. In filing a proposal, the debtor must first find an Administrator who will take on the assignment. The fees allowable by the *Act* are \$750.00 upon filing of the proposal, \$750.00 upon acceptance of the proposal by the Courts, and 20% of the monies distributed to the creditors, payable on the distribution of the monies (by dividend).

If any proposal filed is not accepted by the creditors, there is no automatic bankruptcy.

In filing the proposal, the documents that are required to be sent to the Official Receiver include a Statement of Affairs, Proposal documents and Filing information.

Within ten days from filing the report, the Administrator must file his report to the Official Receiver. This report must include the following:

1. A report as to his investigation
2. An opinion as to whether the proposal is fair and reasonable.
3. A condensed statement of the debtor's assets, liabilities, income and expenses.
4. A list of creditors

Within ten days after the Administrator's report is filed with the Official Receiver, notice must be sent to all the creditors. Creditors will be given forty-five days to accept or reject the proposal. No meeting is required unless requested by the creditors representing 25% in dollar value or by the Official Receiver.

There will be a fifteen day grace period for any requests for Court review of the Proposal. If no requests are received, Court approval will be deemed to have occurred.

If the terms of the proposal are in default for three consecutive months, the proposal will be deemed annulled. Once the terms have been met, a Certificate of Full Performance will be issued. The Administrator will apply for his or her discharge in the same procedure as in a Summary Administration.

If a meeting is requested, the Administrator shall forthwith call the meeting and send notice, voting letter and proxy to the debtor, every creditor and the Official Receiver. The meeting date shall be within ten days. The Creditors at this meeting may accept or reject the proposal. If rejected, there may be mutual ground for an amended proposal. If there is no agreement and the proposal is still rejected, the Stay of Proceedings is lifted and the creditors rights are revived. If the proposal is approved, then notice is sent to all creditors within five days as above.