



INSOLVENCY AND TRUSTEE SERVICE

Insolvency Statistics and

Debtor Profile Report

For the year 1 July 2012 to 30 June 2013

Contents:

1. Annual Statistics
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Introduction

This report is divided into the following six sections:

Annual Statistics

For further comparative data on previous financial years please refer to the Insolvency and Trustee Service website, www.insolvency.govt.nz.

Key Characteristics of Debtors 2011 to 2013

Information regarding the key characteristics of debtors has been obtained through various sources, predominantly the Statement of Affairs form which debtors are required to complete upon entering into an insolvency procedure. Other sources of information include public registers and information provided by creditors and other third parties.

Summary Instalment Orders

A Summary Instalment Order (SIO) is a formal arrangement between a debtor and their creditors which allows the debtor to pay back all, or an agreed part, of their debts by way of instalments. A Summary Instalment Order may be entered into if total unsecured debts are less than \$NZ40,000 and the debtor is unable to pay those debts immediately. Summary Instalment Orders can last for up to five years.

No Asset Procedures

A debtor who is unable to pay their debts may have an alternative to bankruptcy through the No Asset Procedure (NAP). Unlike bankruptcy, the No Asset Procedure lasts for one year and is designed for debtors who have between \$NZ1,000 and \$NZ40,000 of debt with no realisable assets and no means of repaying their debt. Upon discharge the debtor is released from their provable debts and they are no longer liable to repay any part of them.

Bankruptcies

Bankruptcy is a legal process which allows people who cannot pay their bills relief from the burden of their debt. The right of a debtor to apply for bankruptcy is provided by the Insolvency Act 2006. Alternatively creditors can apply to the High Court to make a debtor bankrupt.

Once a debtor is adjudicated bankrupt this stops all creditors from seeking to collect debts from the bankrupt, the bankrupt's assets then vest in the Official Assignee. Bankruptcy lasts for three years following receipt by the Official Assignee of a completed Statement of Affairs from the debtor. Upon discharge the debtor is released from the debts provable in their bankruptcy.

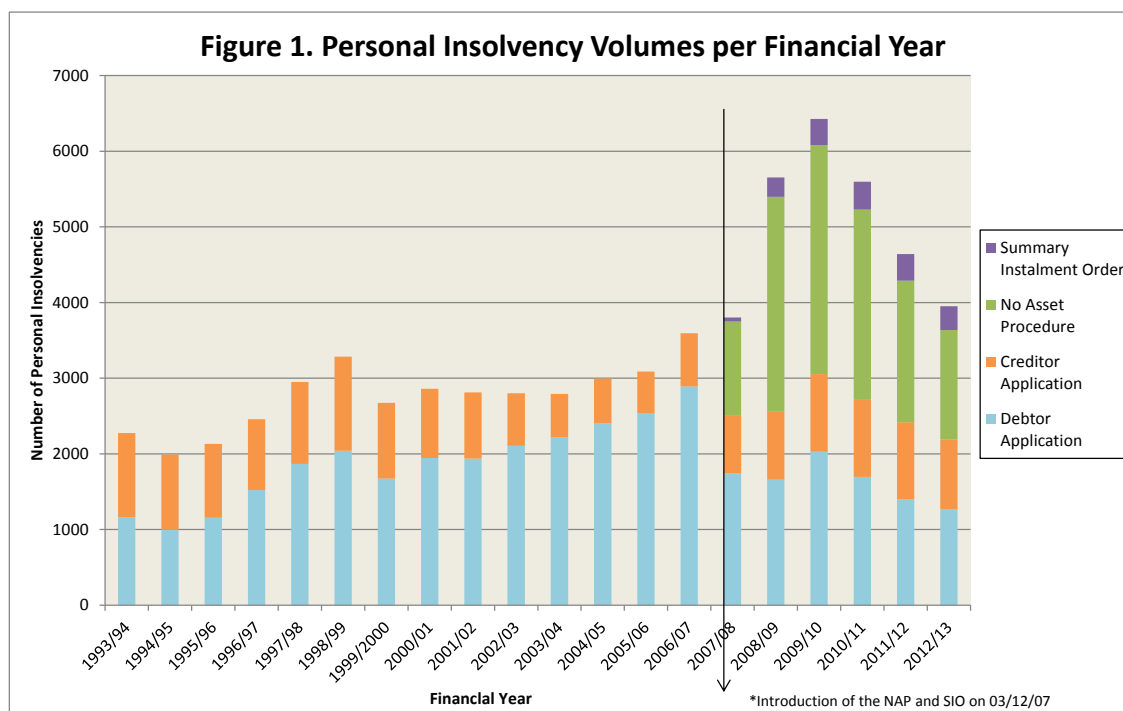
Corporate Insolvencies

Liquidation is the process by which a company is brought to an end and the assets of the company distributed to creditors by the liquidator. The Insolvency and Trustee Service administers liquidations where the Official Assignee has been appointed the liquidator. Upon completion of the liquidation process the company is then removed from the Companies Register.

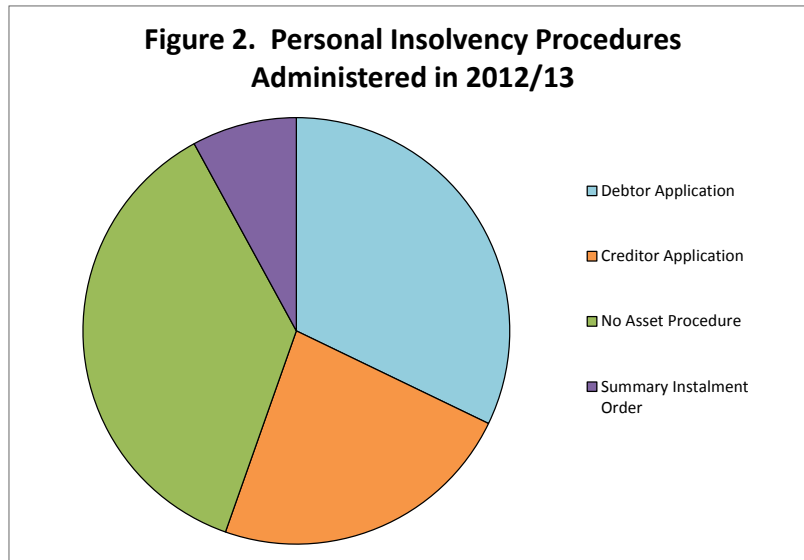
1. Annual Statistics – Personal Insolvency Volumes

| Table 1. Personal Insolvency Volumes per Financial Year | | | | | |
|---|-------------|--------------------|----------------------|--------------------|--------------------------|
| Financial Year | Total | Debtor Application | Creditor Application | No Asset Procedure | Summary Instalment Order |
| 1993/94 | 2274 | 1164 | 1110 | | |
| 1994/95 | 1991 | 994 | 997 | | |
| 1995/96 | 2130 | 1154 | 976 | | |
| 1996/97 | 2458 | 1521 | 937 | | |
| 1997/98 | 2949 | 1867 | 1082 | | |
| 1998/99 | 3285 | 2041 | 1244 | | |
| 1999/2000 | 2673 | 1672 | 1001 | | |
| 2000/01 | 2859 | 1946 | 913 | | |
| 2001/02 | 2811 | 1937 | 874 | | |
| 2002/03 | 2800 | 2107 | 693 | | |
| 2003/04 | 2792 | 2220 | 572 | | |
| 2004/05 | 2995 | 2403 | 592 | | |
| 2005/06 | 3087 | 2540 | 547 | | |
| 2006/07 | 3594 | 2890 | 704 | | |
| 2007/08 | 3802 | 1741 | 763 | 1244 | 54 |
| 2008/09 | 5654 | 1660 | 904 | 2833 | 257 |
| 2009/10 | 6426 | 2026 | 1028 | 3026 | 346 |
| 2010/11 | 5596 | 1694 | 1020 | 2514 | 368 |
| 2011/12 | 4640 | 1397 | 1020 | 1872 | 351 |
| 2012/13 | 3950 | 1270 | 918 | 1448 | 314 |

In 2012/13 the Insolvency and Trustee Service administered 3,950 new personal insolvency procedures, being a decrease of 15% against the previous financial year. The total personal insolvency volume is made up of Summary Instalment Orders (SIOs), No Asset Procedures (NAPs) and Bankruptcies (both debtor and creditor applications).

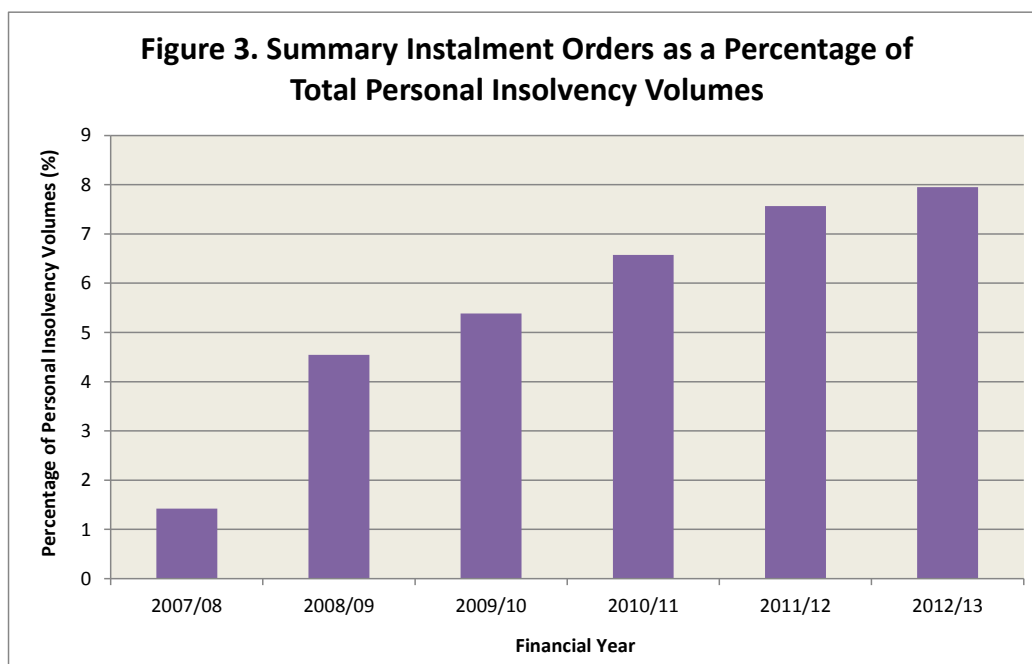


The Summary Instalment Order and No Asset Procedure were introduced into the New Zealand insolvency regime on 3 December 2007. From 2007/08 to 2009/10 both Summary Instalment Order volumes and No Asset Procedure volumes increased dramatically. Since then, Summary Instalment Order volumes have remained consistent with between 300 and 400 each financial year, while No Asset Procedure volumes have decreased significantly over the same period. In 2012/13, 1,448 No Asset Procedures were accepted which is less than half the number of No Asset Procedures accepted in 2009/10.



Debtor applications accounted for 32% of total personal insolvency volumes received in 2012/13, with creditor applications making up 23%. No Asset Procedures registered at 37% of the total personal insolvency volume, while Summary Instalment Orders made up the remaining 8%.

Summary Instalment Orders as a percentage of total personal insolvency volumes has risen steadily over the last six years, from 1% of total personal insolvency volumes in 2007/08 to 8% in 2012/13.



| Table 2. Annual Rate of Personal Insolvency | | | |
|--|----------------------------------|----------------------------------|--|
| Financial Year 1 July - 30 June | Estimated Population* | Personal Insolvencies | Rate of Personal Insolvencies** |
| 2006/07 | 3,321,200 | 3,594 | 0.11% |
| 2007/08 | 3,362,100 | 3,802 | 0.11% |
| 2008/09 | 3,402,400 | 5,654 | 0.17% |
| 2009/10 | 3,452,500 | 6,426 | 0.19% |
| 2010/11 | 3,495,900 | 5,596 | 0.16% |
| 2011/12 | 3,528,300 | 4,640 | 0.13% |
| 2012/13 | 3,579,900 | 3,950 | 0.11% |

*Estimated resident population aged 15+

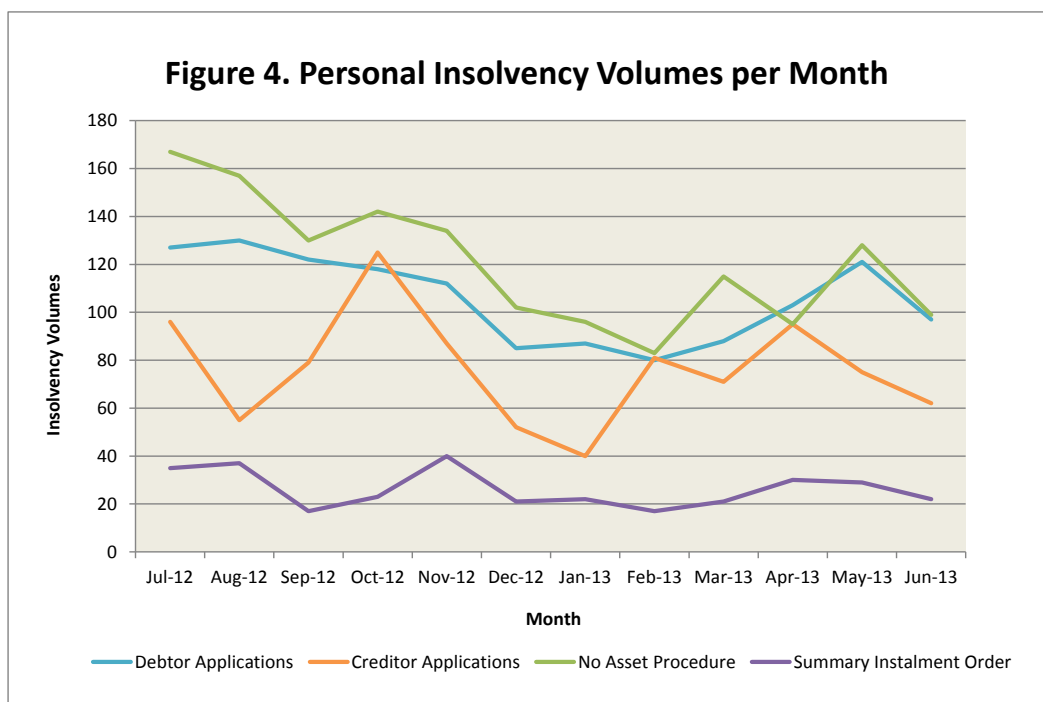
**Rate of personal insolvencies for population aged 15+

In 2012/13, 0.11% of the New Zealand population aged 15 and over entered into a personal insolvency procedure¹. Table 2. shows the rate of personal insolvency within New Zealand over the last seven years.

| Table 3. Monthly Personal Insolvency Volumes | | | | | |
|---|--------------|--------------------------------|----------------------------------|-------------------------------|---|
| Month | Total | Debtor Applications | Creditor Applications | No Asset Procedure | Summary Instalment Order |
| Jul-12 | 425 | 127 | 96 | 167 | 35 |
| Aug-12 | 379 | 130 | 55 | 157 | 37 |
| Sep-12 | 348 | 122 | 79 | 130 | 17 |
| Oct-12 | 408 | 118 | 125 | 142 | 23 |
| Nov-12 | 373 | 112 | 87 | 134 | 40 |
| Dec-12 | 260 | 85 | 52 | 102 | 21 |
| Jan-13 | 245 | 87 | 40 | 96 | 22 |
| Feb-13 | 261 | 80 | 81 | 83 | 17 |
| Mar-13 | 295 | 88 | 71 | 115 | 21 |
| Apr-13 | 323 | 103 | 95 | 95 | 30 |
| May-13 | 353 | 121 | 75 | 128 | 29 |
| Jun-13 | 280 | 97 | 62 | 99 | 22 |
| Total | 3950 | 1270 | 918 | 1448 | 314 |

During 2012/13 the Insolvency and Trustee Service received an average of 26 Summary Instalment Orders per month, 121 No Asset Procedures and 182 Bankruptcies. The lowest number of new personal insolvencies was received in the month of January, followed by December and then February, whilst the highest volume was received in July.

¹ Population estimates from 2006/07 to 2012/13 sourced from Statistics New Zealand (2013), *National Population Estimates: At June 2013*. Wellington: Statistics New Zealand.



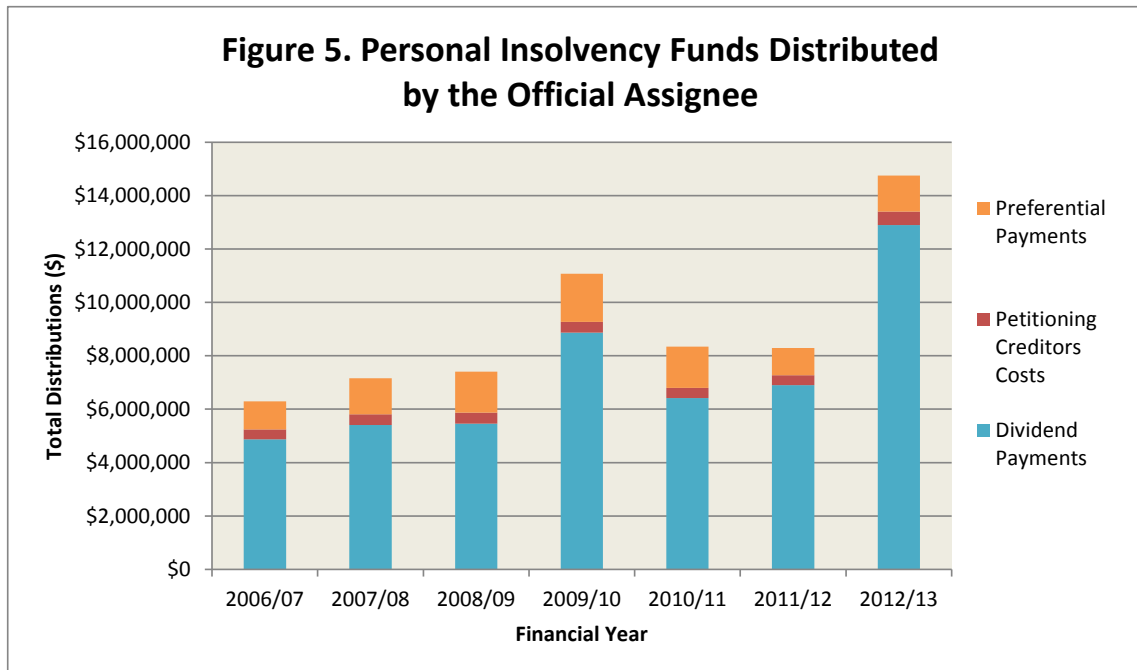
In 2012/13, debtors from the Auckland region accounted for 31% of personal insolvencies nationwide. In the 2006 National Census the Auckland Region made up 32% of the residential population of New Zealand².

| Court Region | % | Total | Debtor Applications | Creditor Applications | No Asset Procedure | Summary Instalment Order |
|------------------|-----|-------------|---------------------|-----------------------|--------------------|--------------------------|
| Auckland | 31% | 1229 | 362 | 429 | 375 | 63 |
| Blenheim | 1% | 24 | 11 | 2 | 8 | 3 |
| Christchurch | 9% | 350 | 120 | 54 | 149 | 27 |
| Dunedin | 4% | 163 | 57 | 24 | 70 | 12 |
| Gisborne | 1% | 38 | 11 | 14 | 10 | 3 |
| Greymouth | 1% | 22 | 11 | 2 | 9 | 0 |
| Hamilton | 7% | 259 | 87 | 65 | 98 | 9 |
| Invercargill | 4% | 141 | 35 | 24 | 38 | 44 |
| Masterton | 1% | 32 | 8 | 11 | 10 | 3 |
| Napier | 4% | 164 | 45 | 26 | 78 | 15 |
| Nelson | 2% | 78 | 25 | 10 | 29 | 14 |
| New Plymouth | 2% | 71 | 16 | 11 | 38 | 6 |
| Palmerston North | 4% | 157 | 40 | 33 | 66 | 18 |
| Rotorua | 3% | 126 | 42 | 28 | 44 | 12 |
| Tauranga | 5% | 205 | 77 | 39 | 78 | 11 |
| Timaru | 3% | 113 | 25 | 13 | 38 | 37 |
| Wanganui | 2% | 73 | 26 | 13 | 32 | 2 |
| Wellington | 9% | 362 | 91 | 81 | 166 | 24 |
| Whangarei | 4% | 177 | 53 | 39 | 77 | 8 |
| Overseas | 4% | 166 | 128 | 0 | 35 | 3 |
| | | 3950 | 1270 | 918 | 1448 | 314 |

² Information regarding geographical population statistics are sourced from Statistics New Zealand (2013), *2006 Census; Quickstats*. Wellington: Statistics New Zealand.

The Wellington and Christchurch regions were the second and third most represented regions accounting for 9% of personal insolvency volumes each. The Wellington region accounted for 11% of the New Zealand residential population as at 2006 National Census, while the Canterbury region made up 13%.

Blenheim, Gisborne, Greymouth and Masterton received the lowest volume of personal insolvencies in 2012/13 contributing 1% of the total personal insolvency volumes each.



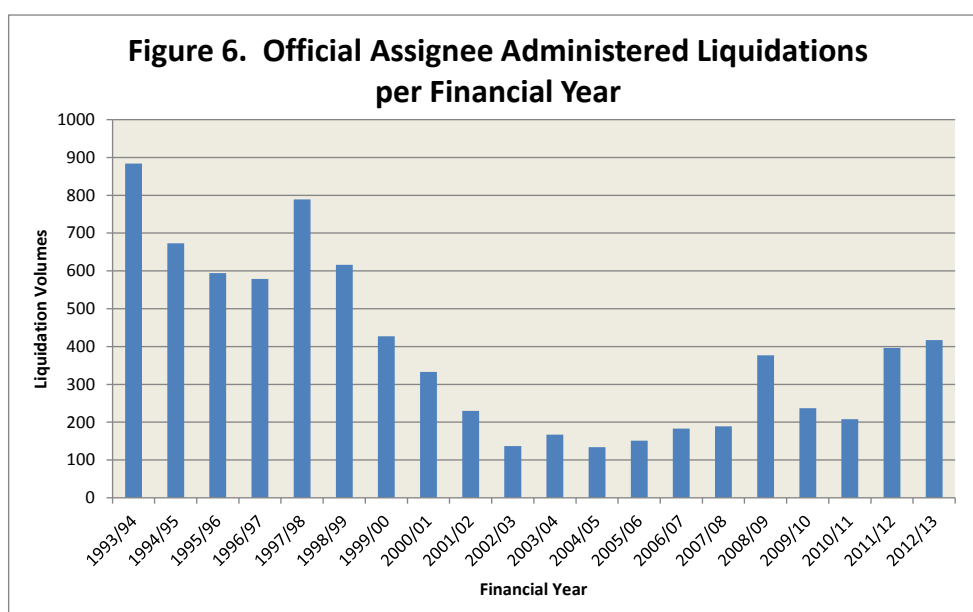
In the 2012/13 financial year the Official Assignee paid out \$14,753,627.10 in distributions to creditors. 87% of these funds were dividend payments to unsecured creditors, 9% were preferential payments and 3% were distributions towards petitioning creditor’s costs.

Corporate Insolvency Volumes

The Official Assignee can be appointed the liquidator of a company by the Court, or if a special resolution is passed by reason of the Official Assignee exercising voting rights attaching to shares in the company of a person who has been adjudged bankrupt; or another company of which the Official Assignee is liquidator. The number of companies registered in New Zealand as at 30 June 2013 was 544,346³.

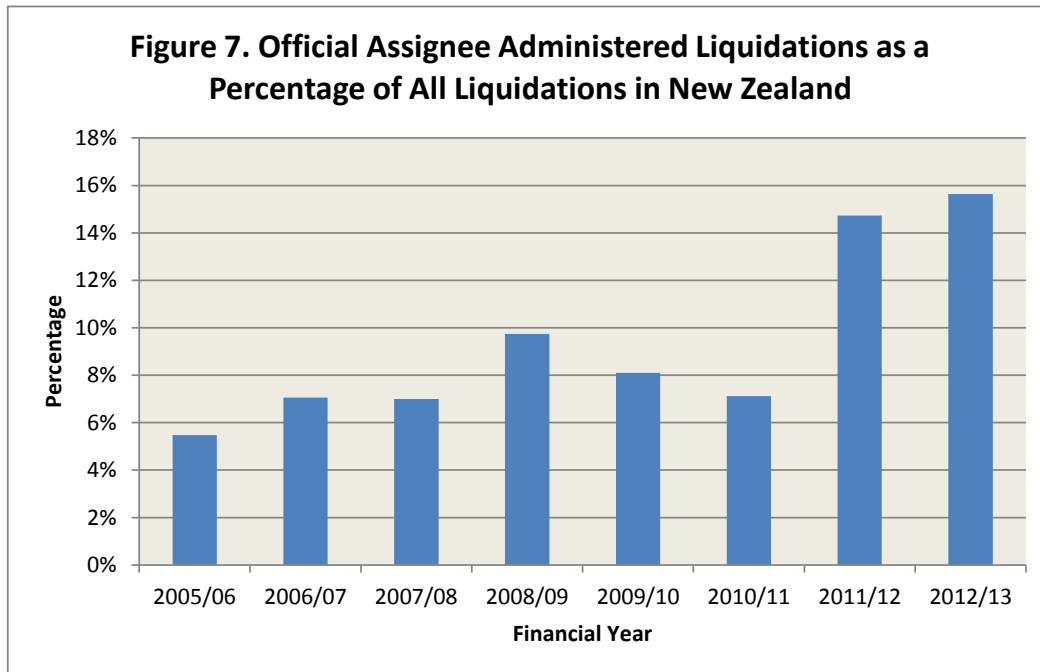
| Table 5. Corporate Insolvency Volumes per Financial Year | |
|--|------------------------------|
| Financial Year 1 July - 30 June | Corporate Insolvency Volumes |
| 1993/94 | 884 |
| 1994/95 | 673 |
| 1995/96 | 594 |
| 1996/97 | 579 |
| 1997/98 | 789 |
| 1998/99 | 616 |
| 1999/00 | 427 |
| 2000/01 | 333 |
| 2001/02 | 230 |
| 2002/03 | 137 |
| 2003/04 | 167 |
| 2004/05 | 134 |
| 2005/06 | 151 |
| 2006/07 | 183 |
| 2007/08 | 189 |
| 2008/09 | 377 |
| 2009/10 | 237 |
| 2010/11 | 208 |
| 2011/12 | 396 |
| 2012/13 | 417 |

In 2012/13 the Official Assignee was appointed the liquidator of 417 companies which represented a 5% increase in corporate insolvency volumes administered by the Official Assignee compared to the previous financial year.

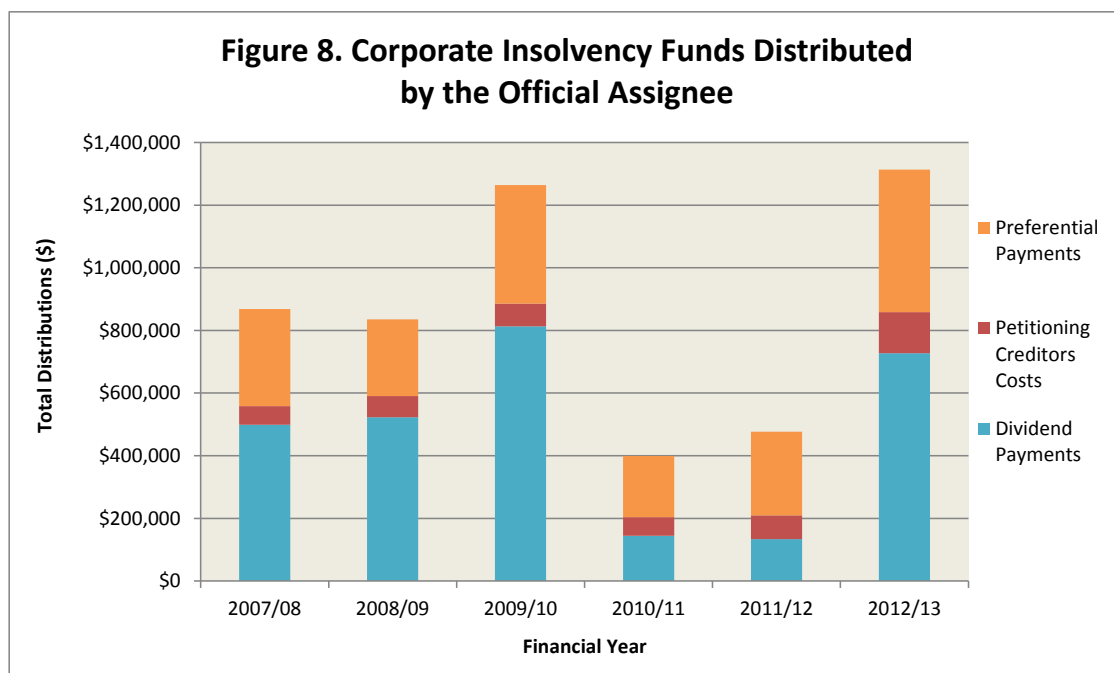


³ Registered Company statistics sourced from the Companies Office; <http://www.business.govt.nz/companies/about-us/statistics>.

In 2012/13, 2,666 companies were placed into liquidation within New Zealand⁴. The Official Assignee was appointed the liquidator of 16% of these liquidations. The appointment rate for 2012/13 was up just 1% from the previous year, but remained significantly higher than between the years 2005/06 to 2010/11, during which time the Official Assignee appointment rate did not rise above 10%.



The Official Assignee distributed \$1,313,765.55 in corporate insolvency distributions in 2012/13. Of these funds, 55% were paid out as dividend payments, 10% were distributed towards petitioning creditor's costs and 35% were preferential payments.



⁴ Registered Company statistics sourced from the Companies Office; <http://www.business.govt.nz/companies/>.

The Auckland region accounted for 52% of liquidations administered by the Official Assignee in 2012/13, Wellington was the next most represented region accounting for 13% of liquidations administered.

| Table 6. Corporate Insolvency Volumes 2012/13 | | |
|--|----------|-------------------------------|
| Court Region | % | Number of liquidations |
| Auckland | 52% | 218 |
| Wellington | 13% | 53 |
| Hamilton | 8% | 33 |
| Tauranga | 5% | 20 |
| Napier | 5% | 19 |
| Voluntary Liquidation | 3% | 14 |
| Rotorua | 3% | 11 |
| Christchurch | 2% | 8 |
| Whangarei | 2% | 8 |
| New Plymouth | 2% | 7 |
| Palmerston North | 2% | 7 |
| Wanganui | 1% | 5 |
| Gisborne | 1% | 4 |
| Invercargill | 1% | 3 |
| Masterton | 1% | 3 |
| Blenheim | 0% | 1 |
| Dunedin | 0% | 1 |
| Nelson | 0% | 1 |
| Timaru | 0% | 1 |
| Greymouth | 0% | 0 |
| Interim Liquidation | 0% | 0 |
| | | 417 |

2. Key Characteristics of Debtors 2011 to 2013

| Table 7. Debtor Characteristics 2011 to 2013 | Bankrupts | | NAP Debtors | | SIO Debtors | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2012/13 | 2010/11 | 2012/13 | 2010/11 | 2011/12 | 2010/11 |
| Number | 2188 | 2714 | 1448 | 2514 | 314 | 368 |
| Gender % male | 61% | 61% | 40% | 41% | 39% | 38% |
| Age (most represented) | 40-44 (17%) | 45-49 (17%) | 25-29 (16%) | 20-24 (20%) | 20-24 (16%) | 35-39 (15%) |
| Ethnicity (most represented) | NZ European (54%) | NZ European (56%) | NZ European (60%) | NZ European (69%) | NZ European (63%) | NZ European (67%) |
| % not employed | 54% | 48% | 83% | 77% | 47% | 46% |
| Debt < \$20,000 | 9% | 10% | 69% | 63% | 71% | 65% |

The key characteristics of insolvent debtors have remained fairly consistent between 2011 and 2013. Men are more likely than women to become bankrupt, while women are more likely than men to enter into a Summary Instalment Order or the No Asset Procedure.

It has become more common for debtors between the ages of 20-29 to enter the No Asset Procedure or the Summary Instalment Order than any other age-group; bankrupt debtors are most likely to be between the ages of 40-49.

The majority of debtors who enter insolvency procedures within New Zealand identify as being New Zealand European.

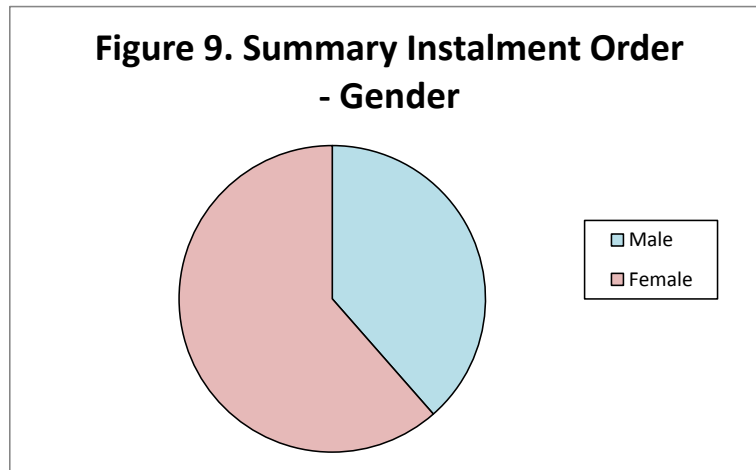
54% of bankrupts and 47% of Summary Instalment Order debtors in 2012/13 were unemployed, while No Asset Procedure debtors represented a higher unemployment rate of 83% as at the date they were admitted into the procedure. The unemployment rate of debtors in all three procedures has risen from 2010/11.

The majority of debtors who enter into a No Asset Procedure or a Summary Instalment Order had debts under \$20,000, whereas 10% of bankrupts in 2011 and just 9% of bankrupts in 2013 had debt levels under \$20,000.

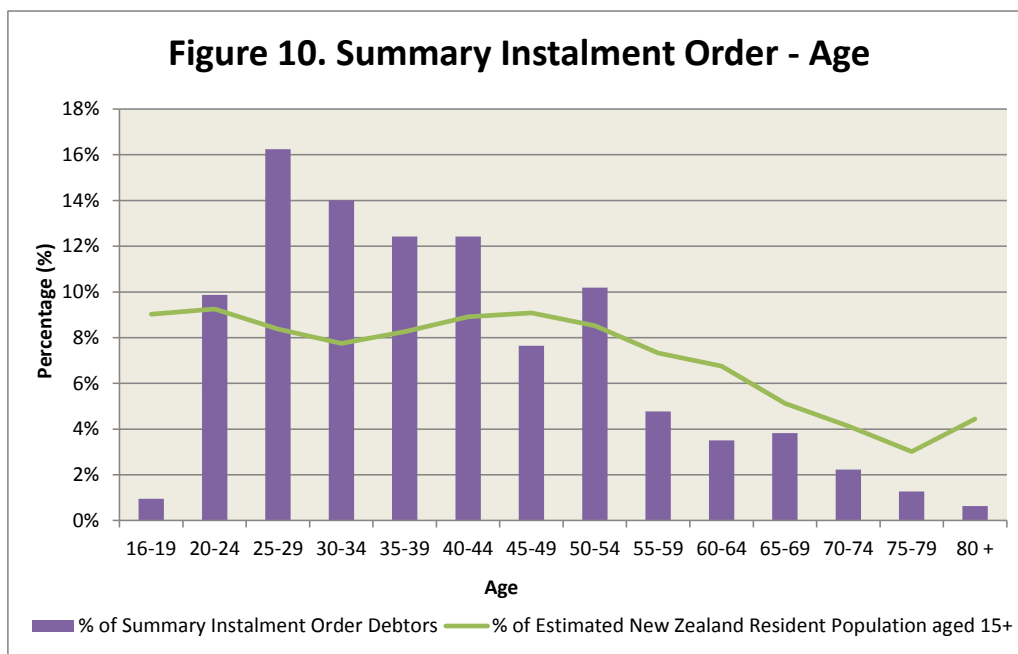
3. Summary Instalment Orders

Age and Gender

A total of 314 debtors entered into a Summary Instalment Order in 2012/13. Of those who did, 39% were male and 61% were female.



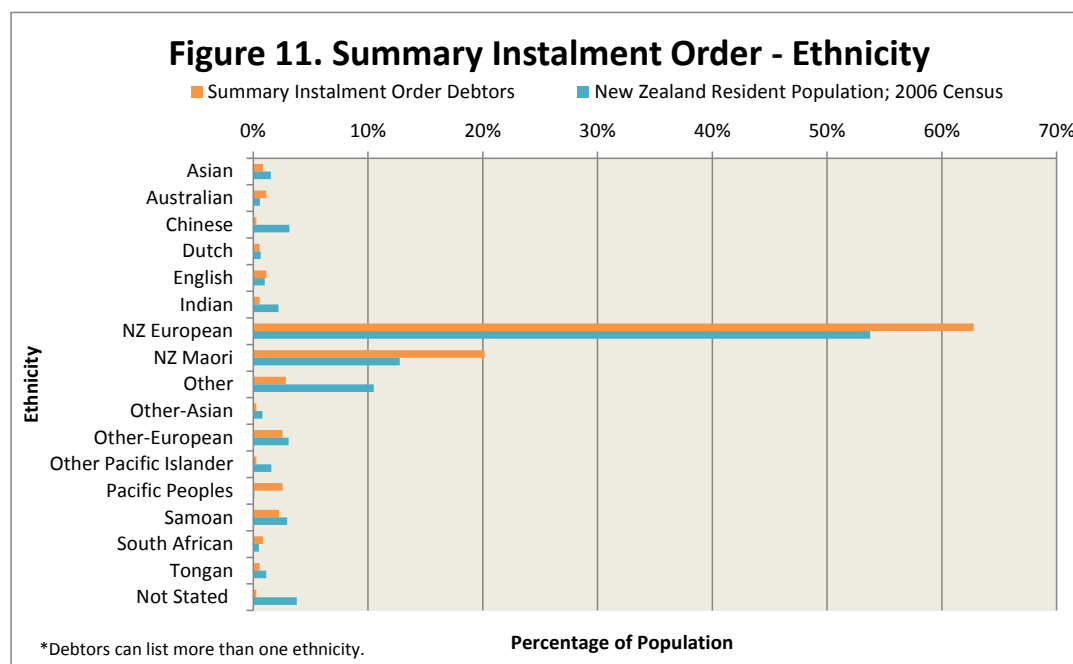
Amongst Summary Instalment Order debtors the age groups most represented were 25-29 (16%) and 30-34 (14%). The corresponding percentages of the estimated New Zealand residential population aged over 15 for those age groups are 8% each⁵.



⁵ The New Zealand residential population statistics are sourced from Statistics New Zealand (2013), *Demographic trends: 2011*. Wellington: Statistics New Zealand.

Ethnicity

On the Statement of Affairs form debtors are asked to tick as many boxes as they need to show which ethnic group(s) they belong to. Ethnicity is self-perceived and people can belong to more than one ethnic group. 63% of debtors who entered Summary Instalment Orders in 2012/13 identified as being of New Zealand European descent compared to 54% of the New Zealand population⁶. The second most represented ethnicity amongst Summary Instalment Order debtors was New Zealand Maori who accounted for 20% of debtors, as against 13% of the New Zealand residential population.

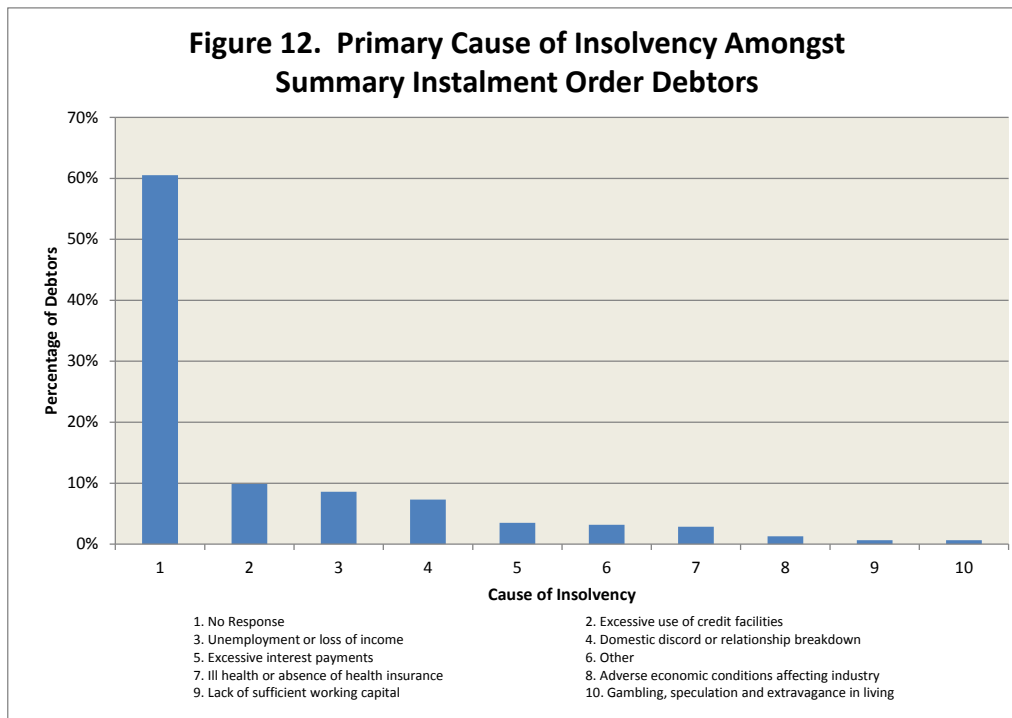


Cause of Insolvency

Debtors are asked to choose a 'main' cause of their insolvency from a selection in the Statement of Affairs with the option of selecting 'other' and specifying their primary cause. Debtors are then given the option of selecting additional contributing causes in the following question.

61% of debtors who entered Summary Instalment Orders in 2012/13 did not provide details as to the cause of their insolvency, of those who did, 'excessive use of credit facilities' was identified as the most significant cause, followed by 'unemployment or loss of income' and 'domestic discord or relationship breakdown'.

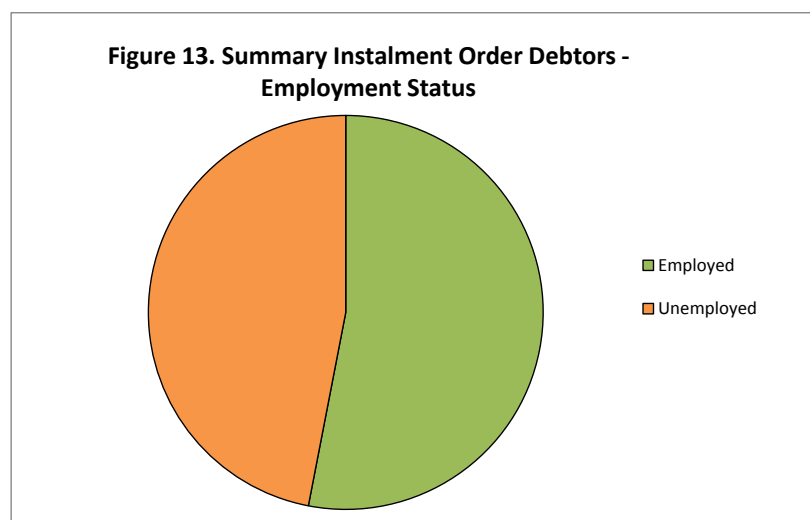
⁶ The New Zealand resident population statistics are sourced from Statistics New Zealand (2013), *2006 Census Data*. Wellington: Statistics New Zealand.



Employment

53% of Summary Instalment Order debtors were employed at the date they entered into the Summary Instalment Order; 45% of female debtors and 66% of male debtors. All were employed by third parties with 0% trading on their own account or as a director/shareholder.

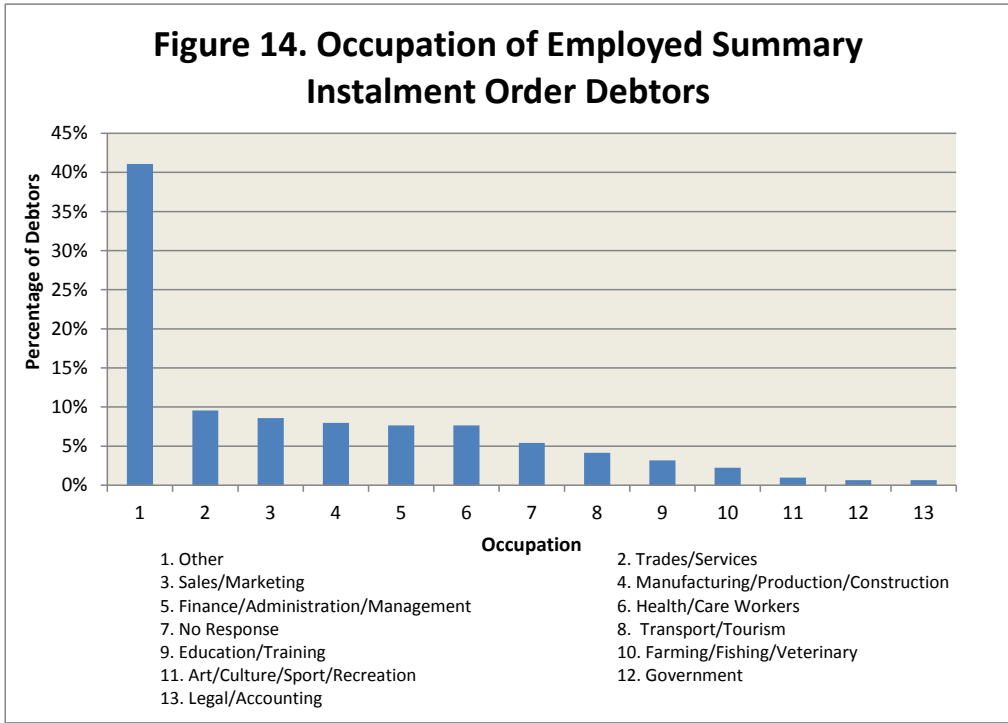
47% were recorded as being unemployed, this includes beneficiaries, students, and retirees. The seasonally adjusted national unemployment rate for the June 2013 quarter was 6.4%⁷.



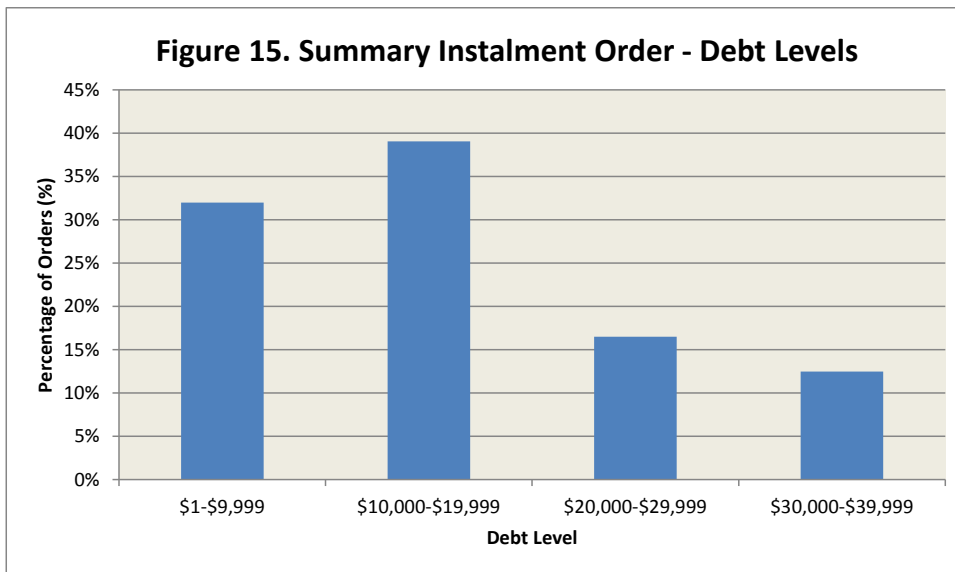
⁷ The New Zealand unemployment rate is sourced from Statistics New Zealand (2013), *Household Labour Force Survey; June 2013 quarter*. Wellington: Statistics New Zealand.

| Table 8. Employment Status of Summary Instalment Order Debtors | | | |
|---|-------------|---------------|----------------|
| Description | Male | Female | Total % |
| Curently employed | 62% | 32% | 44% |
| Other Benefit | 6% | 18% | 13% |
| Unemployment Benefit | 8% | 14% | 12% |
| Employed part-time with benefit | 4% | 11% | 9% |
| Retired | 8% | 8% | 8% |
| Sickness Benefit | 2% | 3% | 3% |
| Other | 3% | 2% | 3% |
| Student | 4% | 2% | 3% |
| Domestic | 0% | 3% | 2% |
| Sickness benefit/ACC | 1% | 2% | 2% |
| Unemployed no Benefit | 0% | 2% | 1% |
| ACC | 1% | 1% | 1% |
| Unpaid family worker | 0% | 1% | 1% |

Of the Summary Instalment Order debtors who were employed, 10% identified that they were involved in 'trades/services' and 9% were involved in 'sales/marketing'. 41% of debtors were involved in 'other' employment not identified in the listed group classifications.



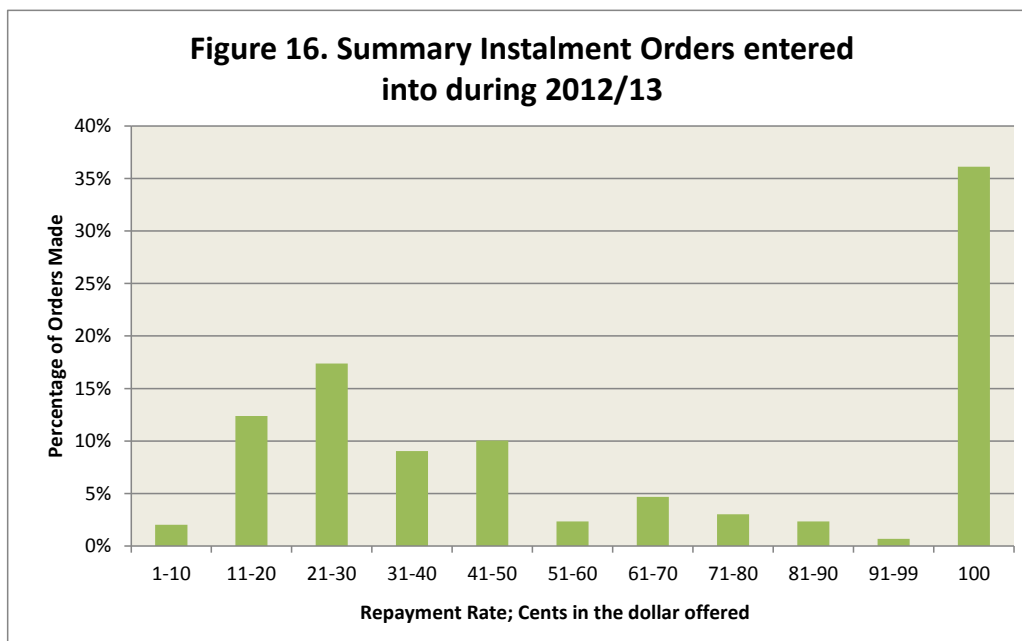
Debt Levels



The Official Assignee may grant a Summary Instalment Order if a debtors total unsecured debts (excluding student loans, fines, penalties, and reparation orders) are less than \$NZ40,000. In 2012/13, 32% of Summary Instalment Order debtors had debt levels of less than \$10,000, 39% had debt levels between \$10,000-\$19,999 and 29% had debt levels over \$20,000.

Repayment Rate

In 2012/13, 36% of all Summary Instalment Orders entered into were for the repayment of 100 cents in the dollar. In 49% of cases more than 50 cents in the dollar is being repaid to creditors.



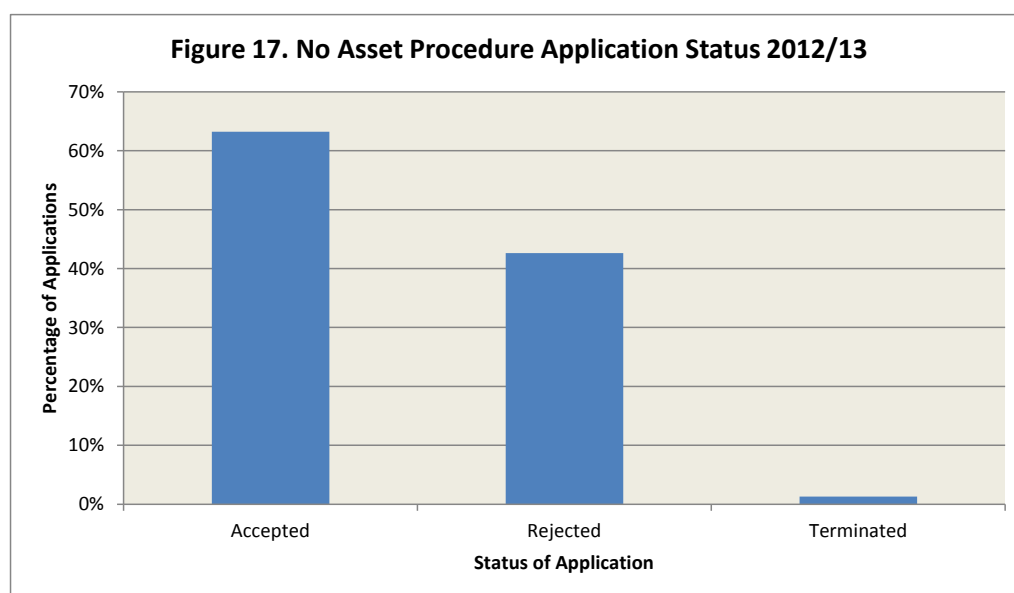
4. No Asset Procedures

Applications – Rejections and Terminations

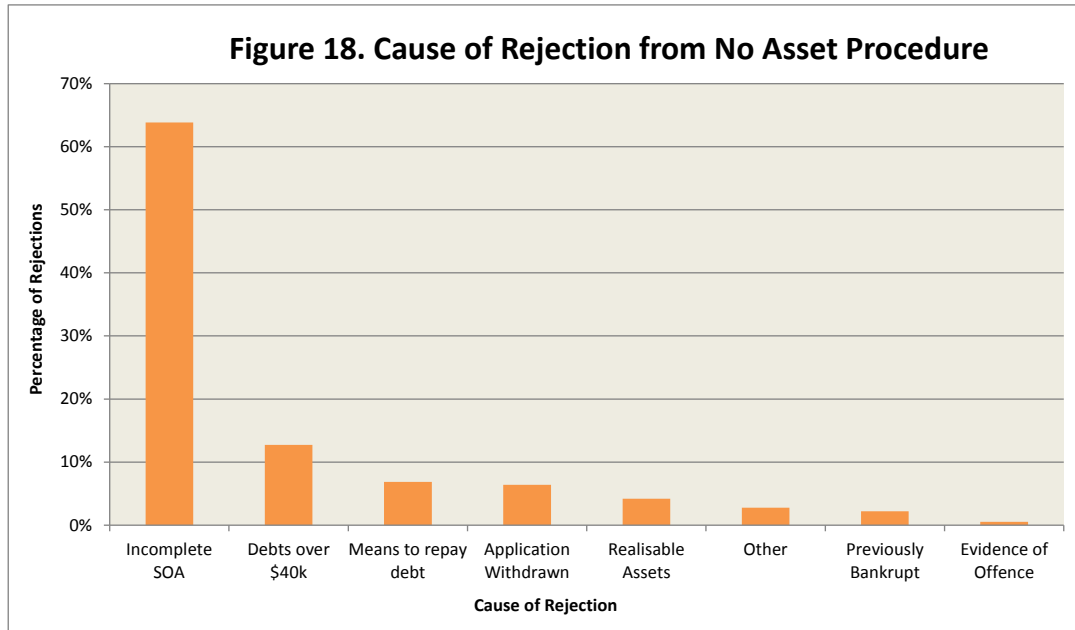
In 2012/13, 2,290 applications were received for entry into the No Asset Procedure. Of these, 1,448 were accepted.

| Table 9. No Asset Procedure Applications | | | | |
|---|----------|----------|----------|------------|
| | Received | Accepted | Rejected | Terminated |
| 2007/08 | 1654 | 1244 | 383 | 8 |
| 2008/09 | 4310 | 2833 | 1432 | 106 |
| 2009/10 | 4200 | 3026 | 1341 | 68 |
| 2010/11 | 3337 | 2514 | 928 | 53 |
| 2011/12 | 2832 | 1872 | 1025 | 43 |
| 2012/13 | 2290 | 1448 | 976 | 30 |

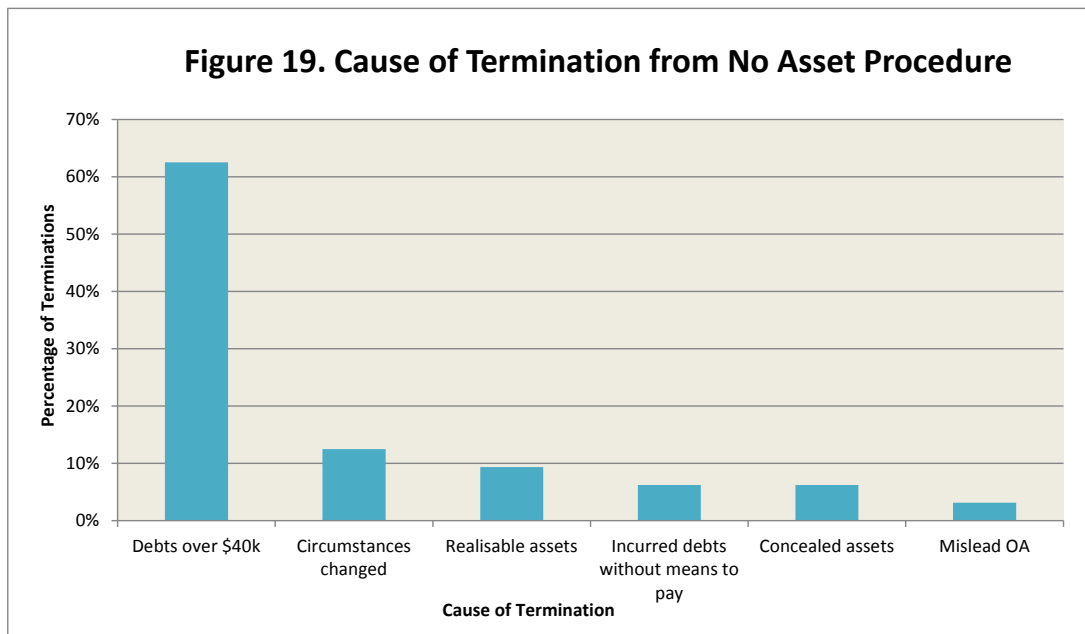
An application that has been rejected from entry into the No Asset Procedure can be resubmitted depending on the reason for the rejection, for example submitting an 'incomplete Statement of Affairs'. In such instances, certain applications may be counted as having been both rejected and accepted; likewise an application which has been accepted can then be terminated. For this reason the percentages in Figure 17. do not add to 100%.



In 2012/13, 63% of No Asset Procedure applications were accepted, 43% were rejected and 1% were ultimately terminated.

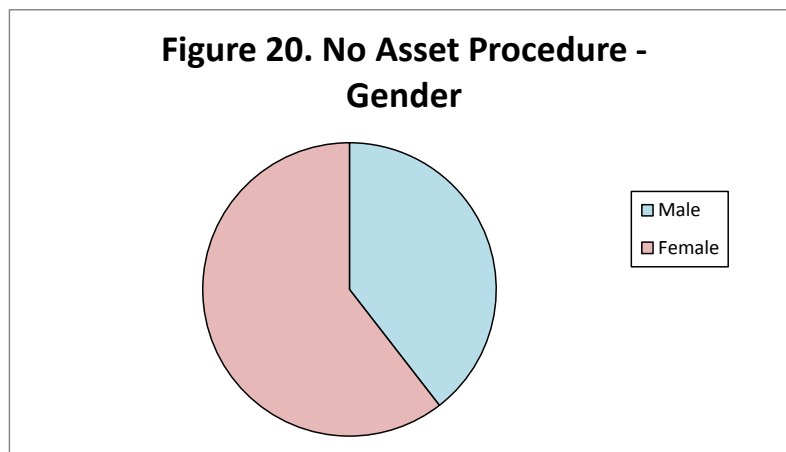


The most common cause of rejection of a No Asset Procedure application in 2012/13 was an 'incomplete Statement of Affairs' which accounted for 64% of rejections. Having 'debts of over \$40,000' was the second most common cause, accounting for 13% of rejections, with 'means to repay debt' making up a further 7%.



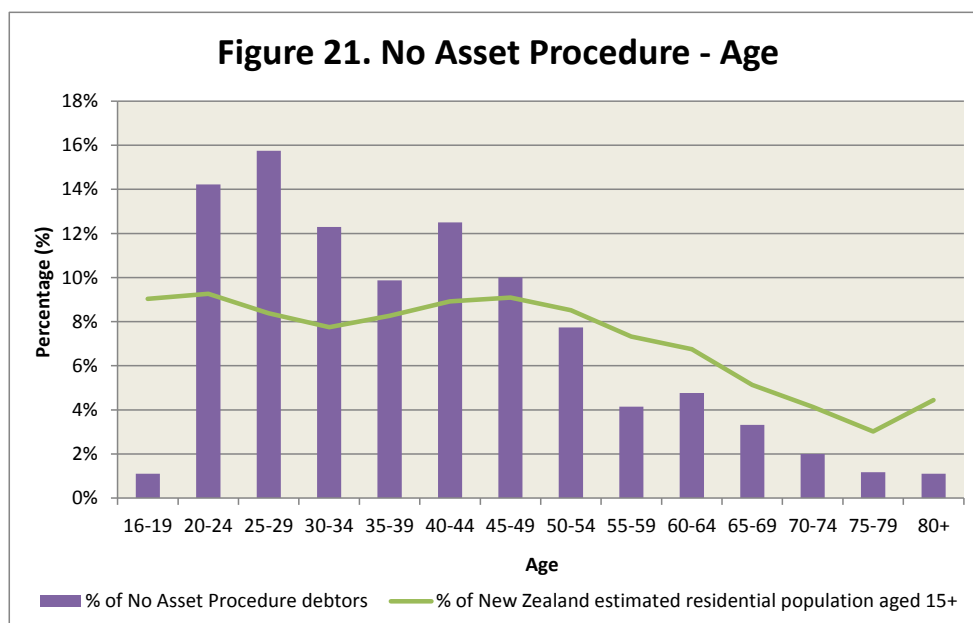
In 2012/13, 1% of No Asset Procedures were terminated, the most common cause being 'debts over \$40,000' which accounted for 63% of all terminations.

Age and Gender



60% of debtors who entered into a No Asset Procedure in 2012/13 were female, 40% were male.

The most common age of debtors entering into a No Asset Procedure in 2012/13 was between the ages of 25-29, followed by 20-24 years. Debtors in their 20's alone accounted for 30% of all No Asset Procedure debtors, as compared to making up 18% of the estimated New Zealand residential population aged 15 and over⁸. Debtors in their 40's was the next most represented age group, making up 23% of No Asset Procedure debtors compared to 18% of the estimated New Zealand residential population.

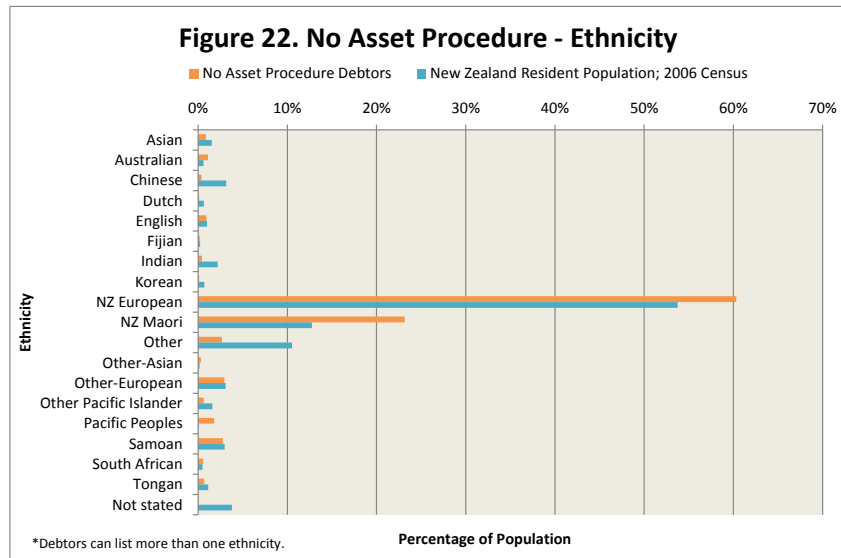


The median age of males and the median age of females who entered into the No Asset Procedure in 2012/13 was 35-39 years.

⁸ The New Zealand residential population statistics are sourced from Statistics New Zealand (2013), *Demographic trends: 2011*. Wellington: Statistics New Zealand.

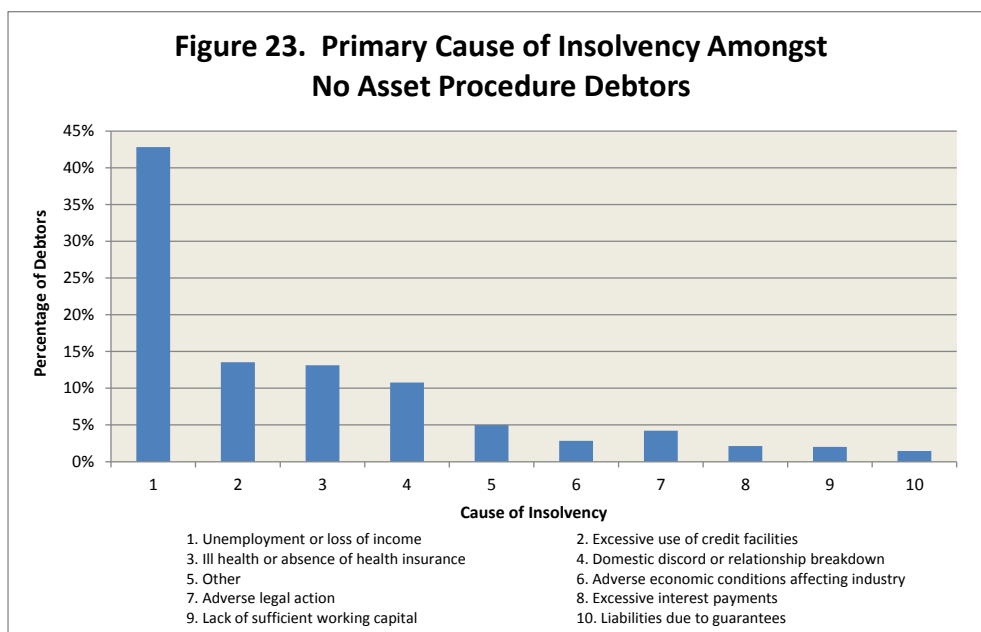
Ethnicity

60% of No Asset Procedure debtors in 2012/13 identified as being of New Zealand European descent, 23% identified as being New Zealand Maori. Both ethnicities are over-represented in comparison to the New Zealand population breakdown as recorded in the 2006 National Census⁹.



Cause of Insolvency

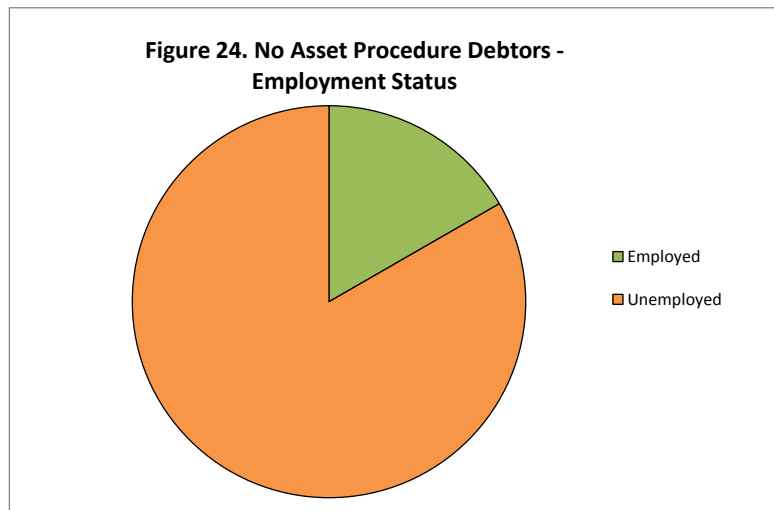
43% of No Asset Procedure debtors listed 'unemployment or loss of income' as the primary cause of their insolvency in 2012/13. The next most common causes were 'excessive use of credit facilities' and 'ill health or absence of health insurance' which accounted for 14% and 13% respectively.



⁹ The New Zealand resident population statistics are sourced from Statistics New Zealand (2013), *2006 Census Data*. Wellington: Statistics New Zealand.

Employment

In order to gain entry into the No Asset Procedure, debtors are subject to a means test to determine whether they have the ability to repay any amounts towards their debts. Debtors who are in the position to make on-going contributions towards their debts will not be accepted into the procedure. For this reason, No Asset Procedure debtors are less likely to be employed than debtors who enter into alternative insolvency procedures.

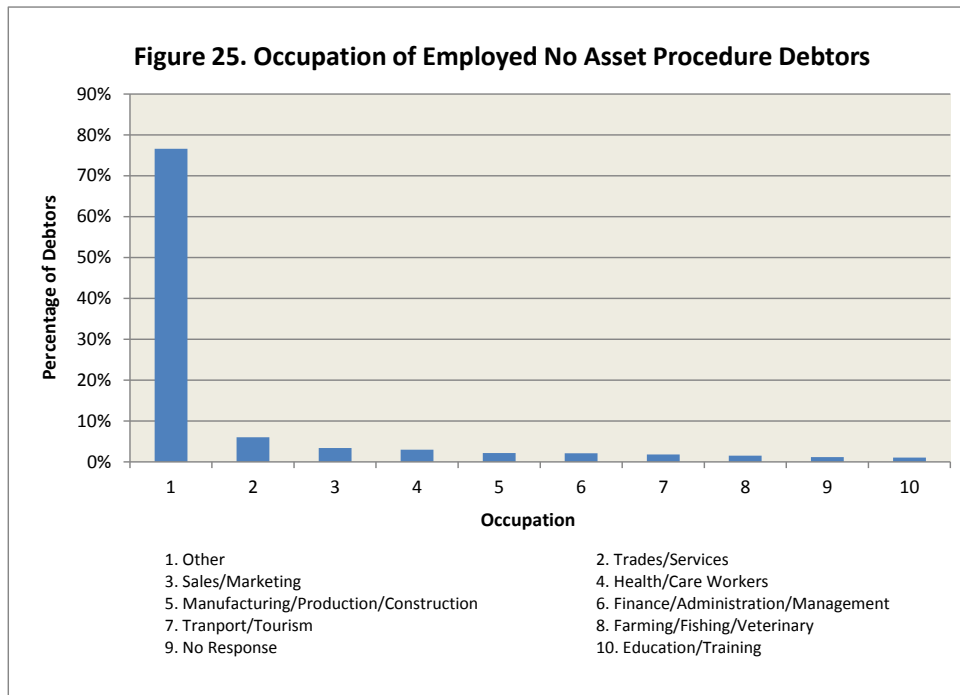


17% of No Asset Procedure debtors noted that they were employed in their Statement of Affairs; this is represented by 17% of male debtors and 16% of female debtors.

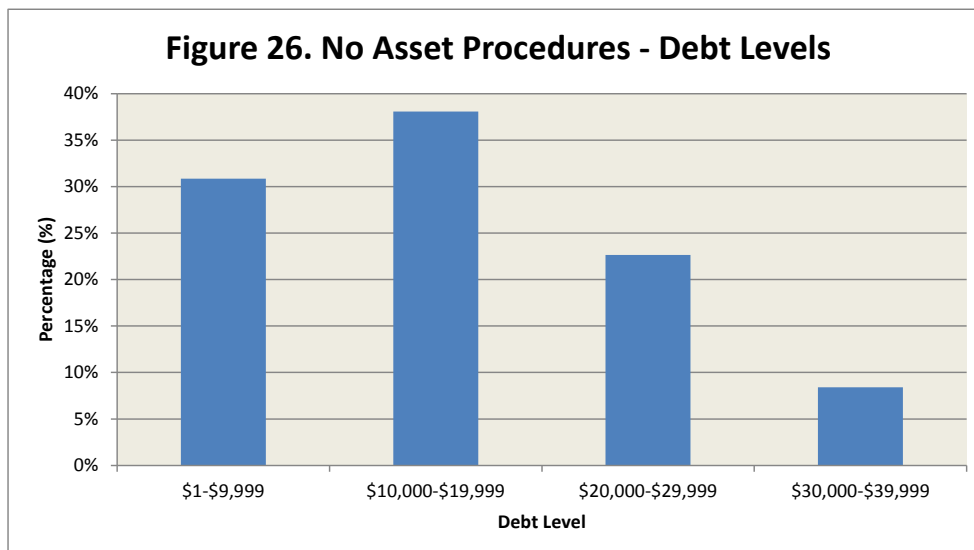
| Table 10. Employment Status of No Asset Procedure Debtors | | | |
|--|-------------|---------------|----------------|
| Description | Male | Female | Total % |
| Unemployment benefit | 21% | 26% | 24% |
| Other benefit | 8% | 23% | 17% |
| Currently Employed | 15% | 10% | 12% |
| Sickness benefit | 13% | 11% | 12% |
| Unemployed no benefit | 17% | 6% | 10% |
| Retired | 12% | 5% | 8% |
| Sickness Benefit/ACC | 7% | 6% | 6% |
| Employed part-time with benefit | 2% | 6% | 4% |
| Student | 2% | 2% | 2% |
| Other | 1% | 2% | 2% |
| Domestic | 0% | 2% | 1% |
| Unpaid family worker | 0% | 1% | 1% |

The most common employment status of males and females who entered the No Asset Procedure in 2012/13 was to be on the unemployment benefit; 26% for females and 21% for males.

Of the No Asset Procedure debtors who were employed, 77% were employed in an undefined category, 6% were employed in 'trades/services', and 3% in 'sales/marketing' occupations.



Debt Levels

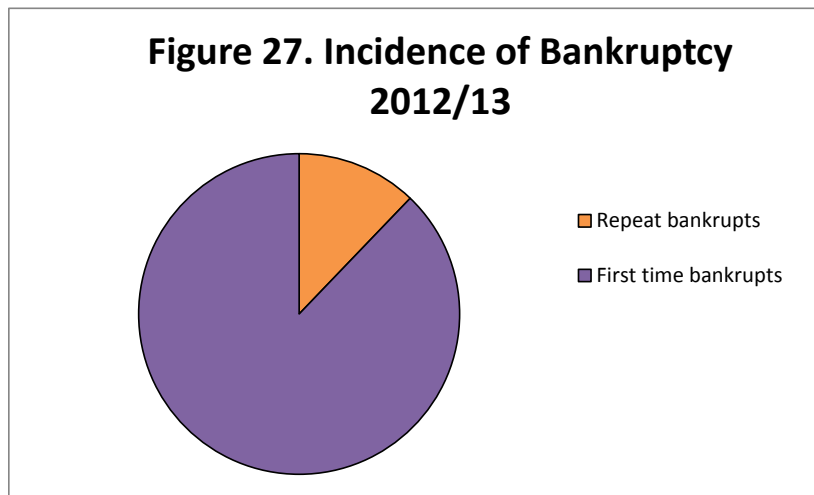


In 2012/13, the most common level of debt amongst No Asset Procedure debtors was \$10,000-\$19,999 (38%). 31% of debtors had debt levels of \$1,000-\$9,999, 23% had debt levels of \$20,000-\$29,999, while 8% had debts over \$30,000.

5. Bankruptcies

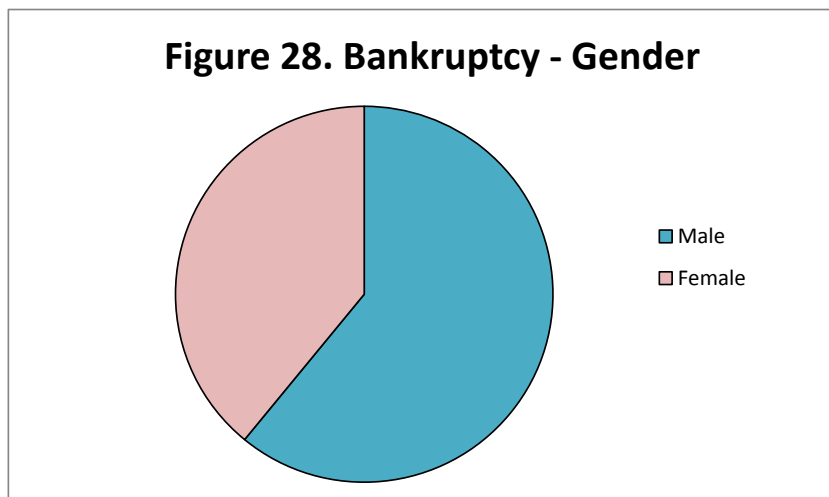
Incidence of Bankruptcy

12% of debtors adjudicated bankrupt in 2012/13 had been bankrupt previously, while 88% of debtors were first time bankrupts. The level of repeat bankruptcy was higher for those adjudicated by way of a debtor's application with a repeat bankruptcy rate of 14%, compared to creditor's applications which had a repeat rate of 9%.



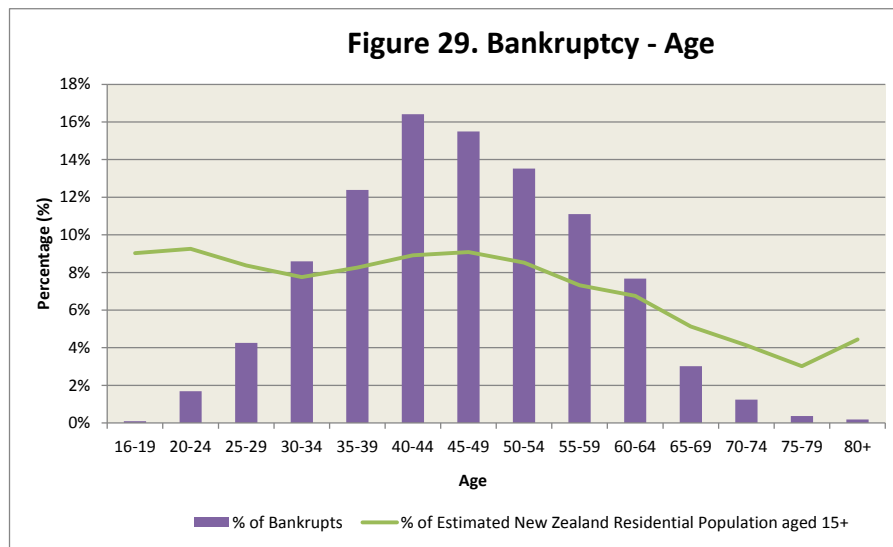
Age and Gender

61% of bankrupts adjudicated in 2012/13 were male, 39% were female. The gender ratio varied between debtor's and creditor's applications with creditor's applications having a higher portion of male debtors (69%) than debtor's applications (56%).



The most represented age group of bankrupts in 2012/13 was 40-44 years. 31% of Bankrupts were between the ages of 40-49, as compared to 18% of the estimated New Zealand Residential

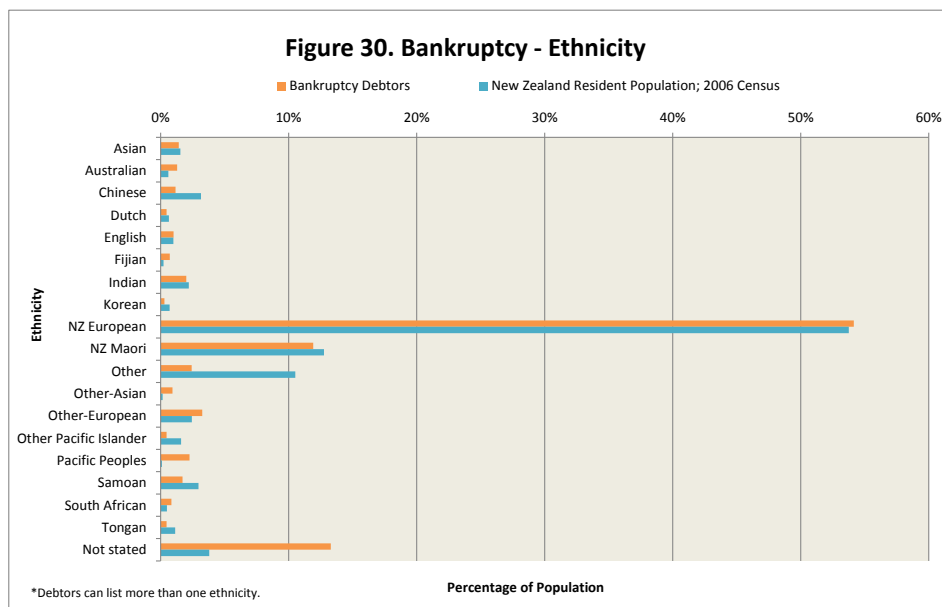
Population aged 15 and over¹⁰. Debtors in their 30's and 50's were also over-represented compared to their respective New Zealand residential population age-group percentages.



The median age of females who became bankrupt in 2012/13 was 40-45, for males it was 45-49.

Ethnicity

54% of bankrupts adjudicated in 2012/13 identified as being New Zealand European compared to 54% of the estimated New Zealand residential population¹¹. 13% did not state their ethnicity while 12% identified as being New Zealand Maori.



¹⁰ The Estimated New Zealand Resident Population statistics are taken from Statistics New Zealand (2013), *Demographic trends: 2011*. Wellington: Statistics New Zealand.

¹¹ The New Zealand resident population statistics are taken from Statistics New Zealand, *2006 Census Data*. Wellington: Statistics New Zealand.

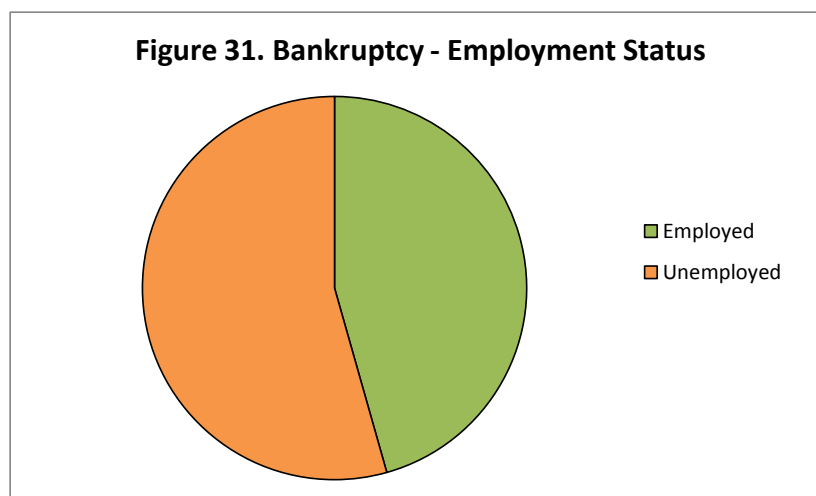
Cause of Bankruptcy

The most common cause of insolvency selected by bankrupts who were adjudicated in 2012/13 was 'unemployment or loss of income'. 19% of debtors listed this reason as the primary cause of their insolvency. 'Adverse legal action' and 'liabilities due to guarantees' were the only other primary causes identified to be selected by at least 10% of bankrupts.

| Table 11. Primary Cause of Bankruptcy | | | |
|---|--------------------|----------------------|-------|
| Cause | Debtor Application | Creditor Application | Total |
| Unemployment or loss of income | 28% | 5% | 19% |
| Adverse legal action | 4% | 23% | 12% |
| Liabilities due to guarantees | 9% | 15% | 11% |
| No response | 0% | 24% | 10% |
| Domestic discord or relationship breakdown | 11% | 3% | 8% |
| Adverse economic conditions affecting industry | 9% | 6% | 8% |
| Other | 8% | 5% | 7% |
| Failure to provide for taxation | 4% | 8% | 6% |
| Excessive use of credit facilities | 8% | 1% | 5% |
| Ill health or absence of health insurance | 7% | 1% | 5% |
| Lack of sufficient working capital | 4% | 3% | 3% |
| Excessive interest payments | 3% | 2% | 3% |
| Lack of business ability including under-quoting or | 2% | 1% | 2% |
| Inability to collect debts due to disputes, faulty work | 1% | 1% | 1% |
| Failure to keep proper books of account and cost | 1% | 1% | 1% |
| Gambling, speculation and extravagance in living | 1% | 0% | 1% |

Employment

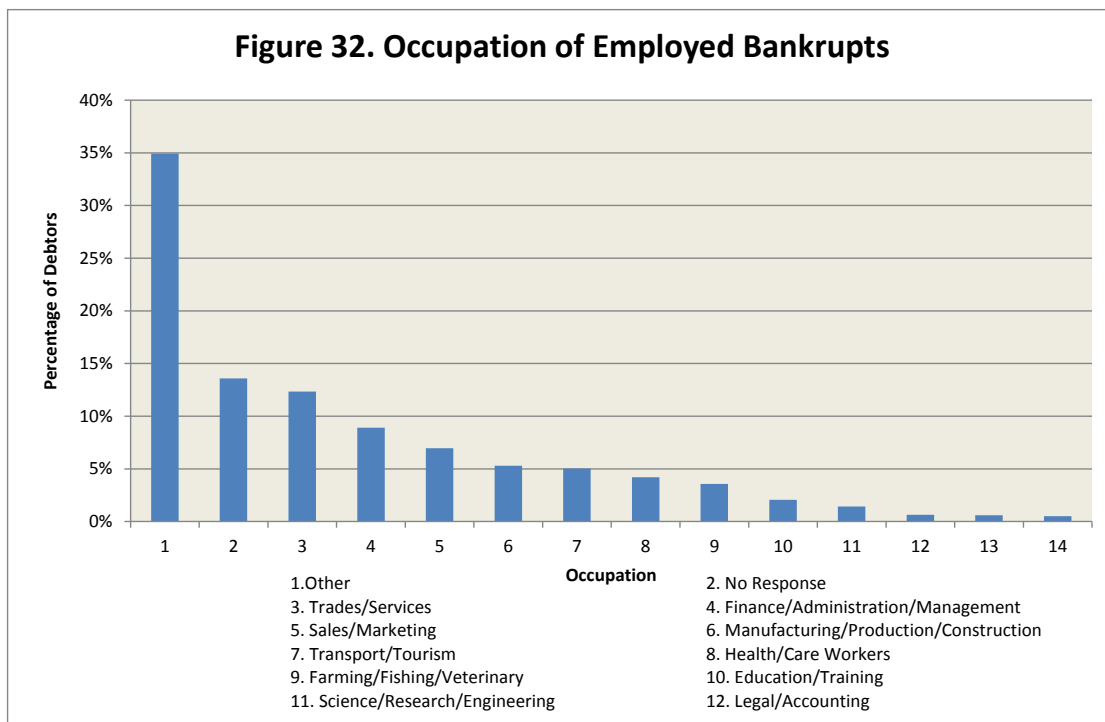
46% of bankrupts adjudicated in 2012/13 were employed at the date of adjudication, 54% were unemployed. Bankrupts who were adjudicated by way of a debtor's application had a higher employment rate (49%) than those adjudicated by way of a creditor's application (41%).



40% of debtors adjudicated bankrupt in 2012/13 were employed by third parties while an additional 6% were either trading as a director/shareholder or trading on their own account.

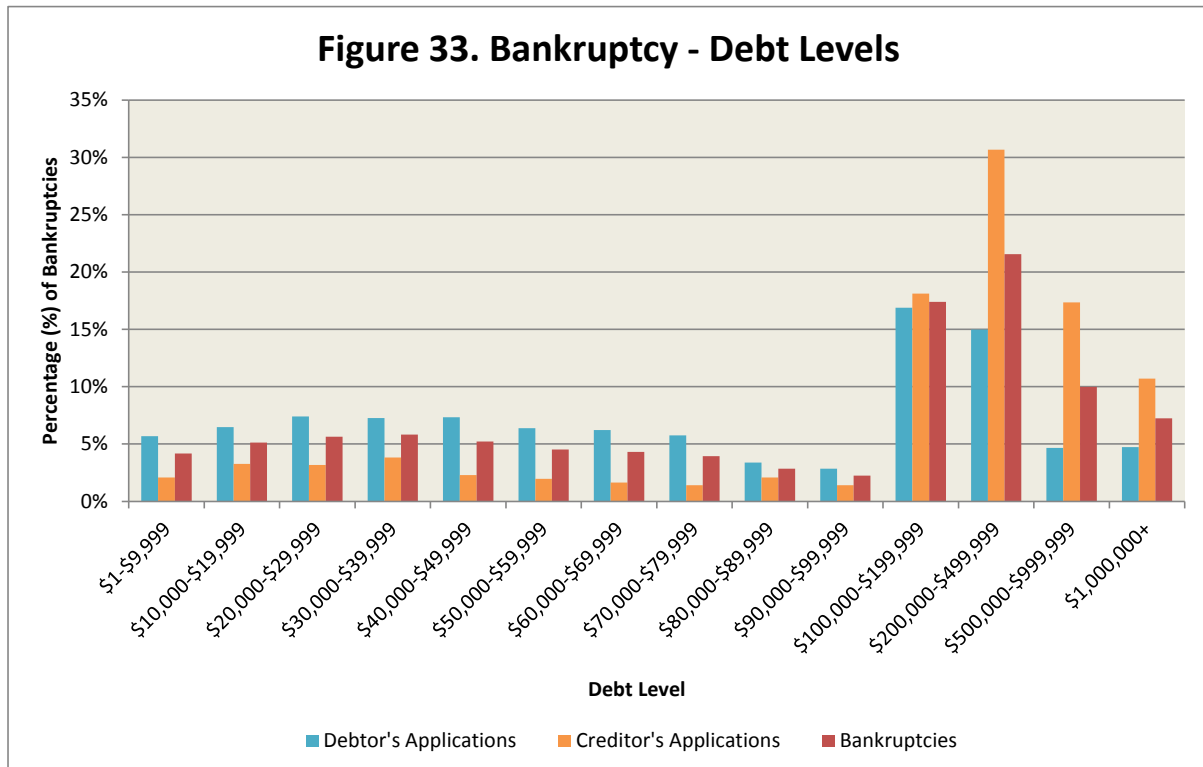
| Table 12. Employment Status of Bankrupts | | | |
|---|-------------|---------------|----------------|
| Description | Male | Female | Total % |
| Currently employed | 39% | 36% | 37% |
| No response | 11% | 7% | 12% |
| Unemployed no benefit | 13% | 9% | 11% |
| Unemployment Benefit | 9% | 12% | 10% |
| Other Benefit | 3% | 9% | 5% |
| Sickness Benefit | 5% | 5% | 4% |
| Retired | 4% | 4% | 4% |
| Trading on own account | 4% | 2% | 3% |
| Sickness benefit/ACC | 4% | 3% | 3% |
| Employed part-time and receiving benefit | 1% | 5% | 3% |
| Trading as director/shareholder | 3% | 1% | 3% |
| Other | 2% | 2% | 2% |
| Unpaid family worker | 1% | 2% | 1% |
| Domestic | 0% | 1% | 1% |

Amongst employed bankrupts, ‘trades/services’ was the highest defined occupational category with 12% of bankrupts working in these fields, the second most common occupational field identified was ‘finance/administration/management’.



Debt Levels

Unlike No Asset Procedures and Summary Instalment Orders there is no upper limit to the level of debt a bankrupt can have. 56% of bankrupts adjudicated in 2012/13 had debt of over \$100,000. 39% of bankrupts had debt levels of over \$200,000 and 17% had debt levels over \$500,000.



6. Corporate Insolvencies

Cause of Liquidation

Upon the commencement of a liquidation the Official Assignee seeks to obtain a completed Statement of Affairs for the company. In 2012/13, 'economic conditions affecting industry' was listed as the primary cause of liquidation by those who completed a company Statement of Affairs and provided a response to this question.

| Cause | Percentage |
|--|-------------------|
| No response | 32% |
| Economic conditions affecting industry | 19% |
| Adverse legal action | 11% |
| Failure to provide for taxation | 11% |
| Other | 6% |
| Failure of another business organisation | 4% |
| Lack of sufficient working capital | 3% |
| Inability to collect debts | 3% |
| Withdrawal of credit facilities | 2% |
| Liabilities due to guarantees | 2% |
| Failure to keep proper books and records | 1% |
| Ill health or absence of health insurance | 1% |
| Excessive interest payments | 1% |
| Excessive drawings | 1% |
| Excessive use of credit facilities | 1% |
| Domestic discord or relationship breakdown | 1% |

Debt Level

69% of liquidations administered by the Official Assignee in 2012/13 had company debt of more than \$100,000, 23% of liquidations had debt of more than \$500,000.

