



Office of the Superintendent
of Bankruptcy Canada

An Agency of
Industry Canada

Bureau du surintendant
des faillites Canada

Un organisme
d'Industrie Canada

An Overview of Canadian Insolvency Statistics

Up to 2004



Canada



Protecting the
Integrity of the
Insolvency System

Protéger l'intégrité
du système
d'insolvabilité

© Industry Canada, 2006
ISSN XXXX-XXXX
XXXXXX



An Overview of Canadian Insolvency Statistics

Office of the Superintendent of Bankruptcy

365 Laurier Avenue West, 8th Floor

Jean Edmonds Tower South

Ottawa, Ontario, K1A 0C8

Tel.: (613) 941-1000

Fax: (613) 941-9490

E-mail: osb-bsf@ic.gc.ca

Web site: <http://osb-bsf.gc.ca>

January 2006

Table of Contents

Glossary of Terms and Abbreviations Used in this Document	1
Demographic Profile of Insolvent Consumers, by Type of Insolvency (2004)	2
Marital Status of Insolvent Consumers, by Type of Insolvency (2004)	4
Average Net Annual Income of Insolvent Consumers, by Type of Insolvency (2004)	6
Estimated Average Liabilities and Assets of Insolvent Consumers, by Type of Insolvency (2004)	8
Most Frequent Types of Liability Reported in Consumer Insolvencies (2004)	10
Average Estimated Value of Liabilities of Insolvent Consumers, by Type of Debt and Type of Insolvency (2004)	12
Most Frequent Types of Asset Reported in Consumer Insolvencies (2004)	14
Average Estimated Value of Assets of Insolvent Consumers, by Type of Insolvency (2004)	16
Total Insolvency, Canada (1968-2004)	18
Consumer Insolvency, Canada (1968-2004)	20

Business Insolvency, Canada (1968-2004)	22
Proportion of Consumer and Business Insolvencies, Canada (1968-2004)	24
Total Liabilities, as Declared by Debtors, in Consumer and Business Insolvencies, Canada (1987-2004)	26
Liabilities to GDP Ratio, Canada (1987-2004)	28
Total Assets, as Declared by Debtors, in Consumer and Business Insolvencies, Canada (1987-2004)	30
Liabilities-to-Assets Ratio, Consumer and Business Insolvencies, Canada (1987-2004)	32
Consumer Bankruptcies, Canada (1993-2004)	34
Consumer Proposals, Canada (1993-2004)	36
Business Bankruptcies, Canada (1993-2004)	38
Business Proposals, Canada (1993-2004)	40
Total Insolvency by Major Region, Canada, 1987-2004	42
Consumer Insolvencies by Major Region, Canada (1987-2004)	44

Consumer Insolvencies per Thousand People Aged 18 and Over for Canada and its Major Regions (1987-2004)	46
Business Insolvencies by Major Region, Canada (1987-2004)	48
Business Insolvencies per Thousand Businesses and by Major Region, Canada (1998-2004)	50
Business Insolvency by Major Activity Sector, Canada (1987-2004)	52
Number of Cases of Business Insolvency per Thousand Businesses and by Major Industry Sector, Canada (1998-2004)	54

Glossary of Terms and Abbreviations Used in this Document

Bankruptcy: A legal situation whereby a debtor has made an assignment to his or her creditors or has been put into official receivership.

BIA: *Bankruptcy and Insolvency Act*

Business Bankruptcy: Bankruptcy filed by a corporation or by an individual whose commercial debts account for more than 50% of the value of his/her total debts.

Business Proposal: Proposal filed by a corporation or by an individual whose commercial debts account for more than 50% of the value of his/her total debts.

Consumer Debtor: Individual with more than 50% of liabilities related to consumer spending.

Debtor: Individual or corporation that owes a debt to other parties.

GDP: Gross Domestic Product

Insolvency: For simplification purposes, in this document, the term is used to mean both bankruptcies and proposals.

OSB: Office of the Superintendent of Bankruptcy.

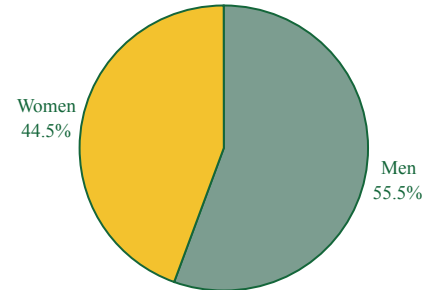
Proposal: Proposal from a debtor to his or her creditors.

Demographic Profile of Insolvent Consumers, by Type of Insolvency (2004)

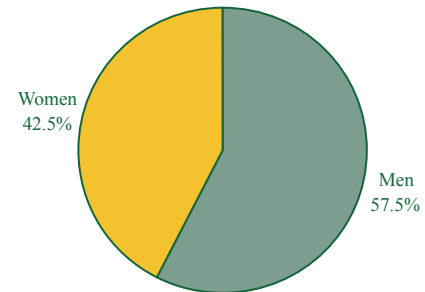
Average Age of Debtors by Type of Insolvency



Distribution of Bankruptcies by Gender of Debtor



Distribution of Proposals by Gender of Debtor



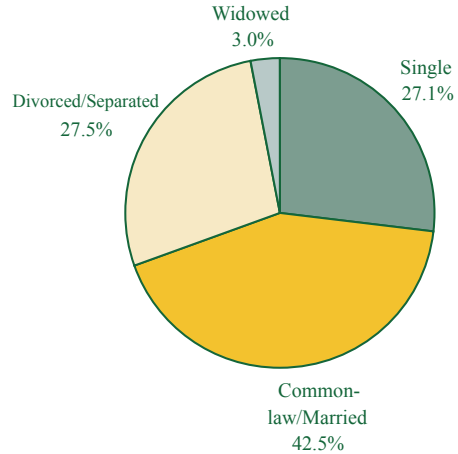
The average age of debtors who filed a bankruptcy in 2004 was 42.5 years, which is only 0.4 years older than those who filed a proposal. In comparison, the average age of the Canadian population was 38.3 in 2004. During the same period, the average age of bankrupts in the United Kingdom was 41, and was 40 for bankrupts in Australia. On average, insolvent individuals who filed with the OSB in 2004 were 4.3 (bankruptcies) and 2.3 (proposals) years older than insolvent Canadians in 1995.

Most bankruptcies (55.5%) and proposals (57.5%) were filed by men in 2004, whereas the Canadian population is composed of 49.5% men and 50.5% women. In Australia, the percentage of bankruptcies filed by men was the same as in Canada. In the United Kingdom, the percentage of bankruptcies filed by men was much higher, at 61.5%.

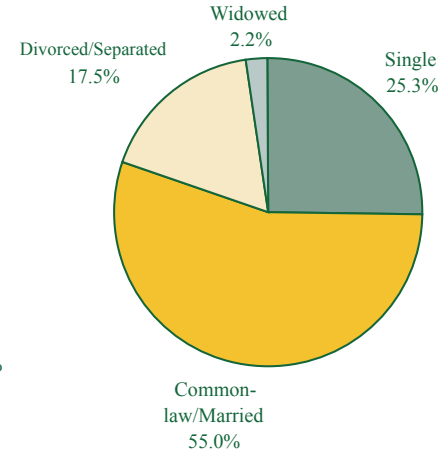
NOTES

Marital Status of Insolvent Consumers, by Type of Insolvency (2004)

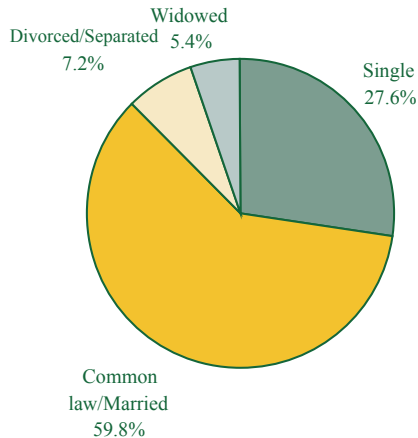
Bankruptcies



Proposals



Canadian Population*

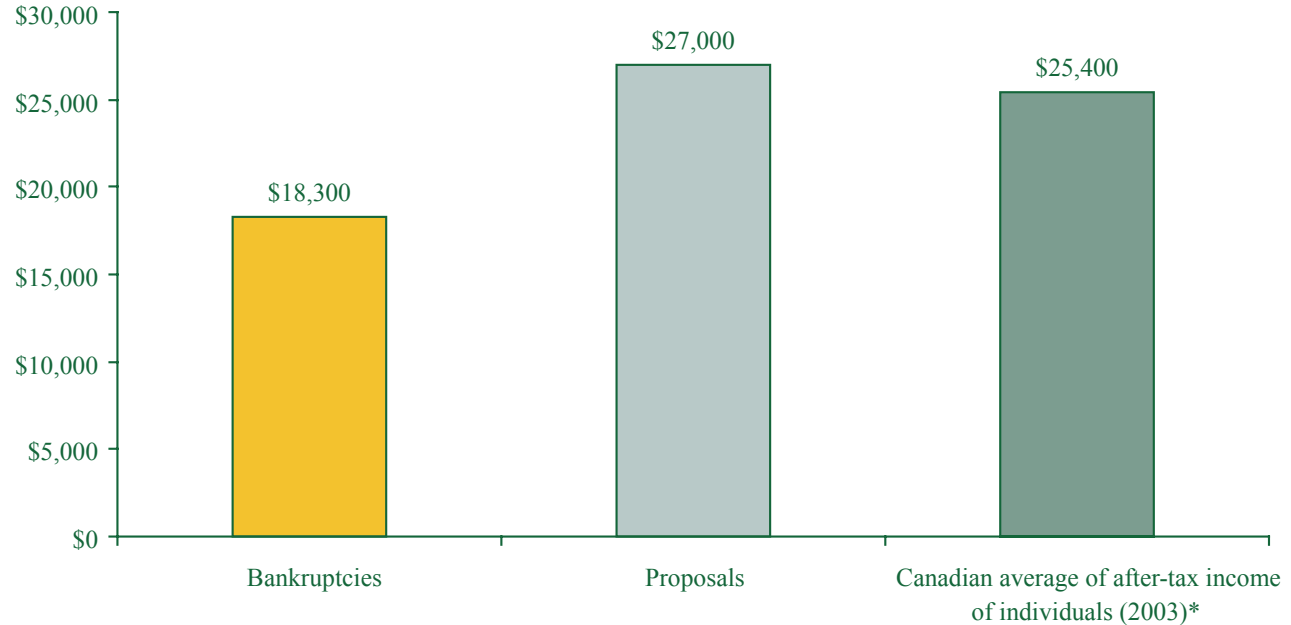


* Data from the *Labour Force Survey*, Statistics Canada.

Generally speaking, more divorced/separated people file bankruptcies (27.5%) than proposals (17.5%), whereas the proportion of common-law/married people is higher for proposals (55.0%) than bankruptcies (42.5%). When compared with the Canadian population as a whole, divorced/separated people are over-represented among those who have filed bankruptcies or proposals, while common-law/married people are under-represented. This suggests a link between divorce and the financial difficulties that may arise from it and that may lead to insolvency.

NOTES

Average Net Annual Income of Insolvent Consumers, by Type of Insolvency (2004)

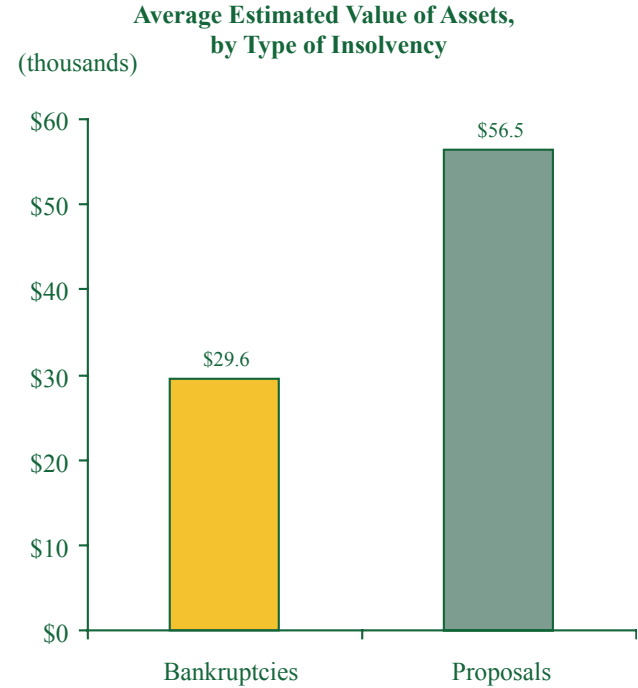
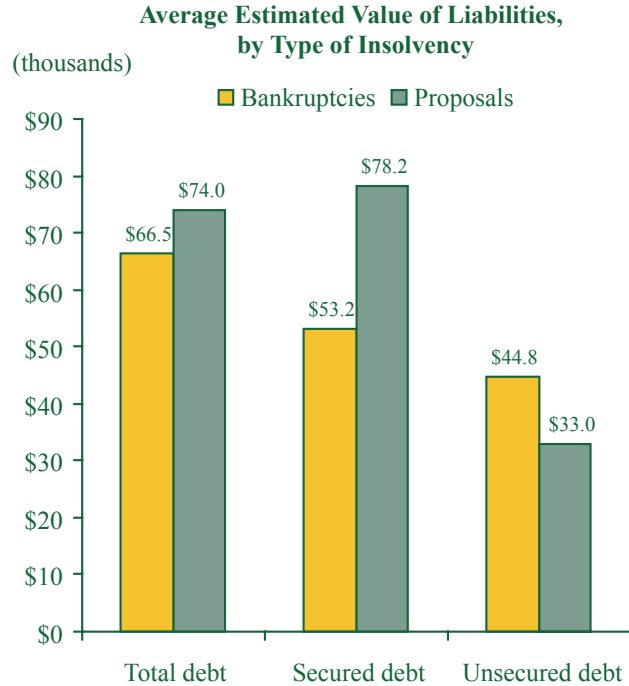


* Data from the *Survey of Labour and Income Dynamics*, Statistics Canada. Latest available figures.

In 2004, the average net annual income of consumers who filed for bankruptcy was \$18,300; 28.0% lower than the Canadian average of \$25,400 (2003 data). The average net annual income of debtors who filed a proposal was \$27,000; 6.3% higher than the Canadian average. At the time of filing for bankruptcy, just over 62% of bankrupts received employment income, while 7.8% had no income.

NOTES

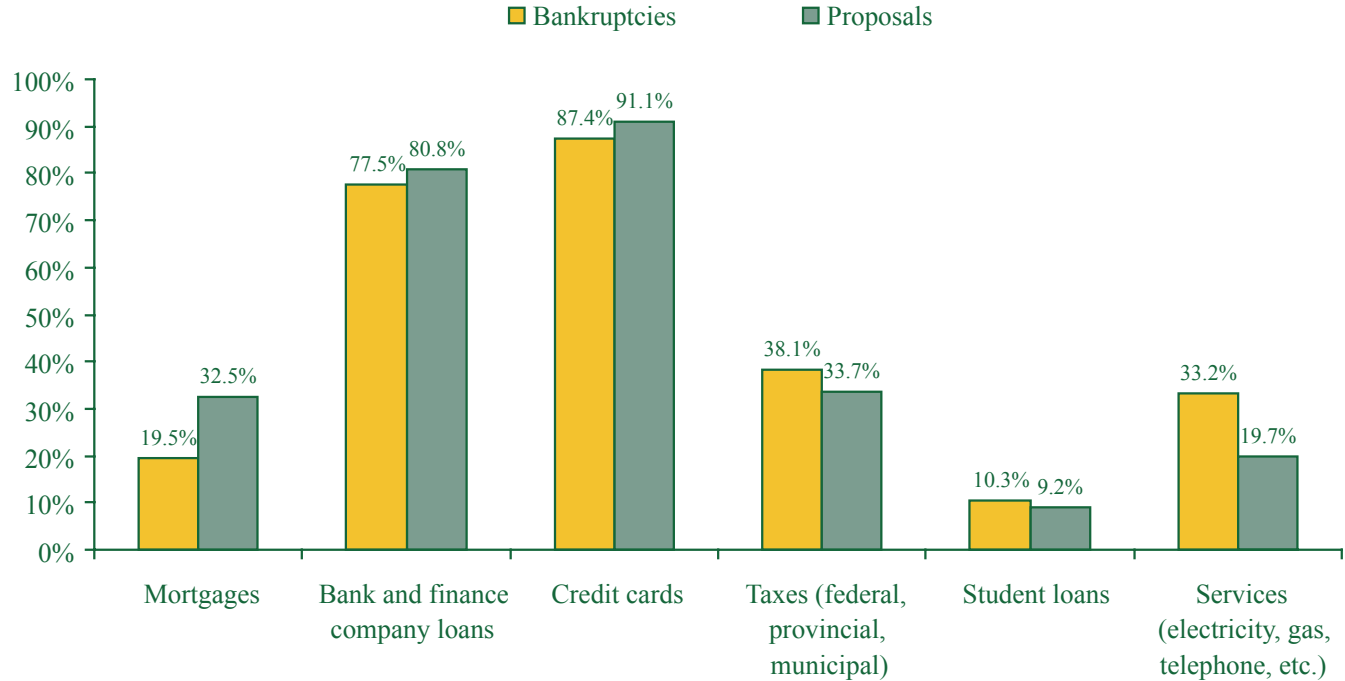
Estimated Average Liabilities and Assets of Insolvent Consumers, by Type of Insolvency (2004)



In 2004, the estimated average value of total debt was \$74,000 for proposals, compared with \$66,500 for bankruptcies. Secured debt was also higher for proposals (\$78,200) than for bankruptcies (\$53,200). Conversely, average unsecured debt was higher for bankruptcies (\$44,800) than for proposals (\$33,000). Consumers filing proposals reported estimated average assets of \$56,500; almost double the assets reported by consumers filing bankruptcies (\$29,600).

NOTES

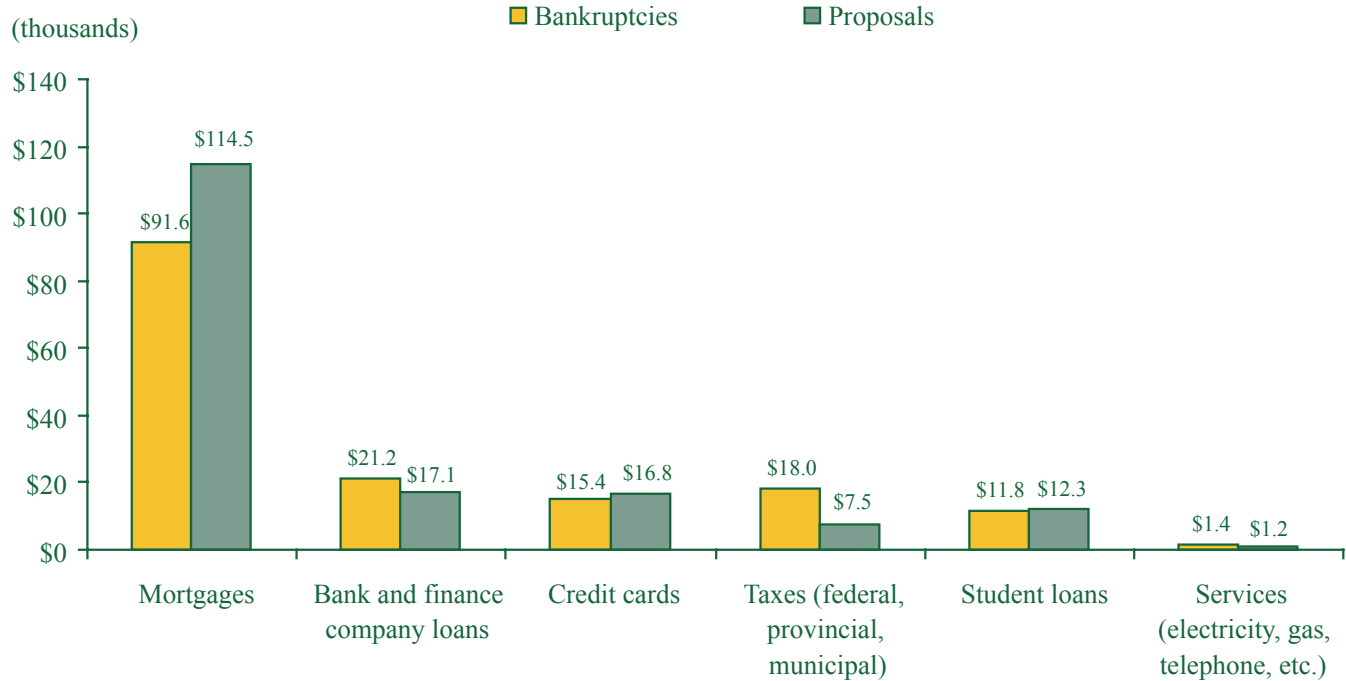
Most Frequent Types of Liability Reported in Consumer Insolvencies (2004)



In 2004, 87.4% of bankruptcy cases and 91.1% of proposals involved credit card debt, the most frequently reported type of debt. This was followed by bank and finance company loans, which occurred in 80.8% of proposals and 77.5% of bankruptcies. It should be noted that mortgage debt was relatively more frequent with proposals (32.5%) than with bankruptcies (19.5%). More than one third of insolvent consumers had declared tax debt; 38.1% of bankruptcy cases and 33.7% of proposals involved this type of debt.

NOTES

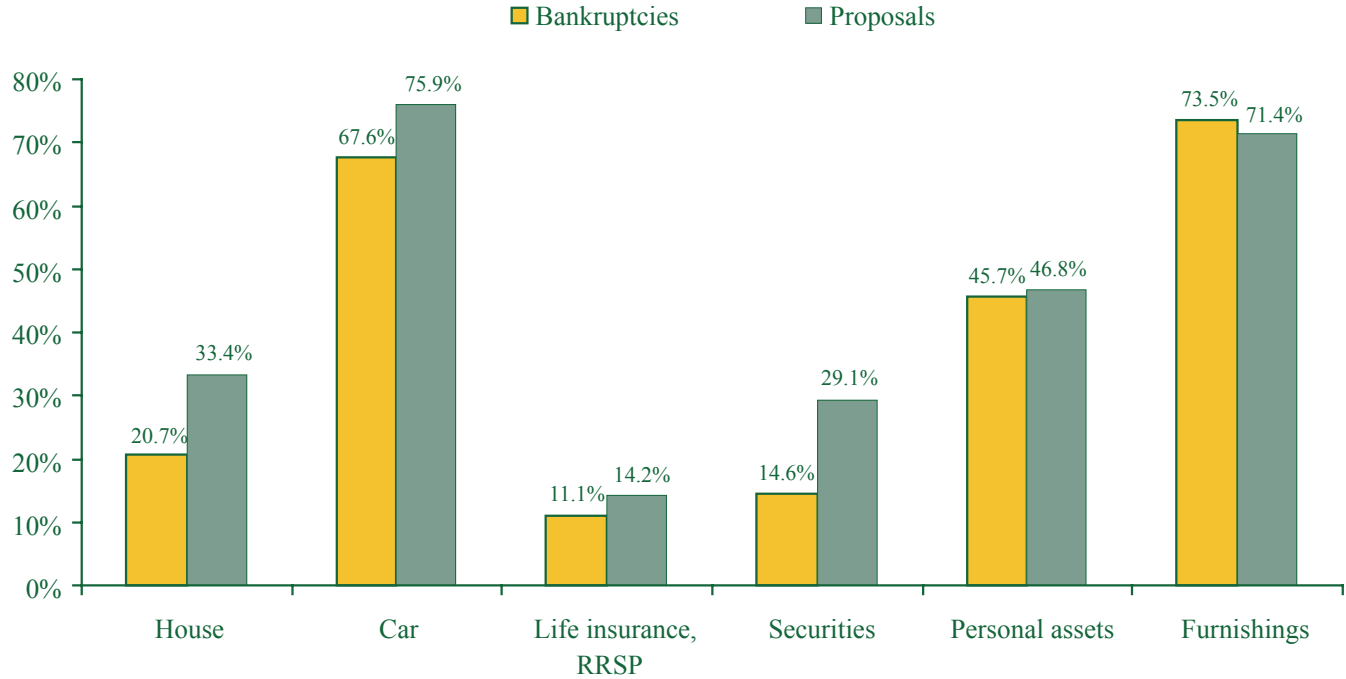
Average Estimated Value of Liabilities of Insolvent Consumers, by Type of Debt and Type of Insolvency (2004)



Mortgages represented the highest average value of debt for both bankruptcies (\$91,600) and proposals (\$114,500). Tax-related debts averaged \$18,000 for bankruptcy cases, more than double the value reported by those filing proposals (\$7,500). The average value of credit card debt, the most frequently reported form of debt, was \$15,400 for bankruptcies and \$16,800 for proposals.

NOTES

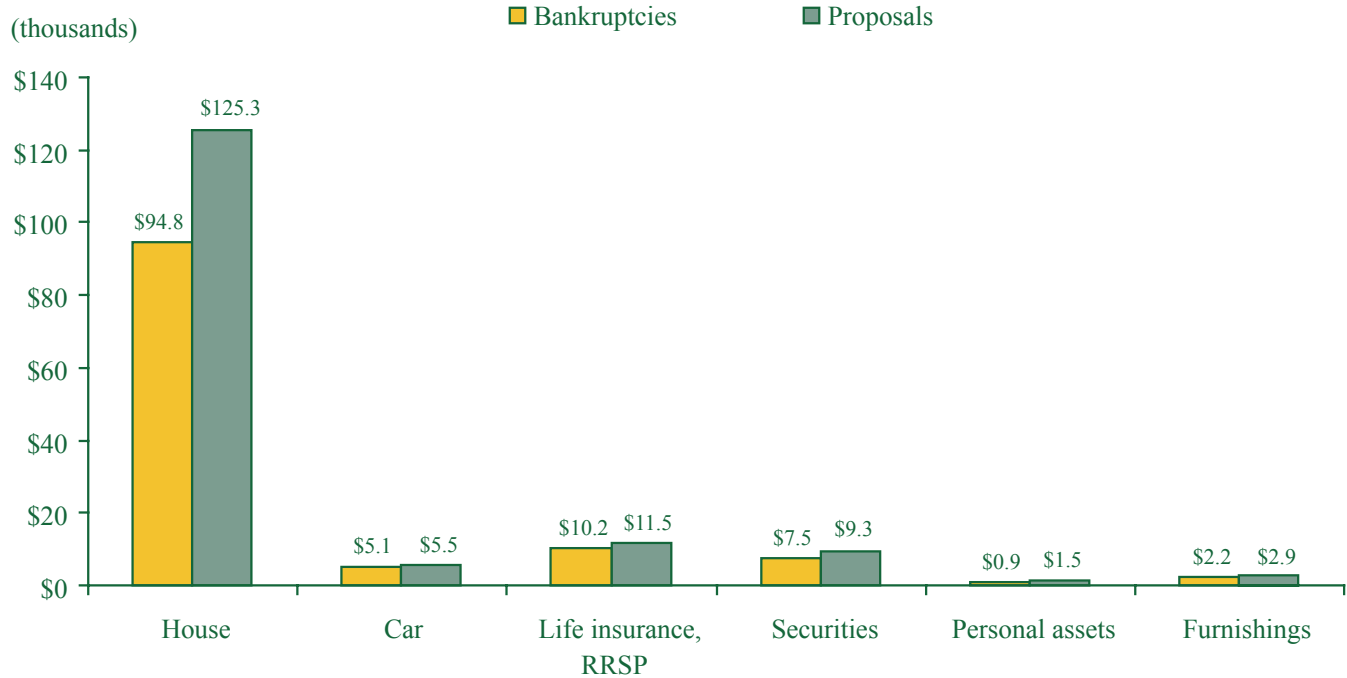
Most Frequent Types of Asset Reported in Consumer Insolvencies (2004)



At the time of filing, 73.5% of bankruptcies and 71.4% of proposals listed assets in the form of furnishings. Cars were also widely reported as assets by insolvent consumers, appearing in 67.6% of bankruptcies and 75.9% of proposals. It should be noted that 33.4% of those who filed a proposal listed a house as one of their assets, while only 20.7% of bankrupts did so.

NOTES

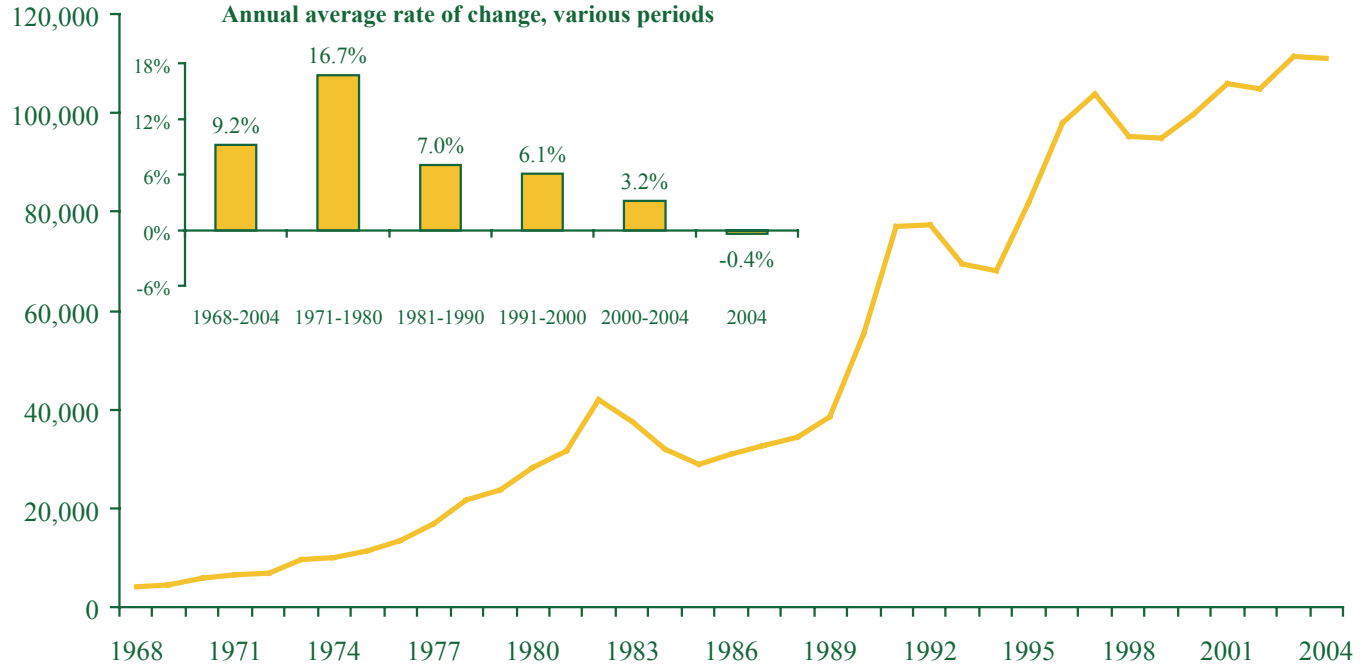
Average Estimated Value of Assets of Insolvent Consumers, by Type of Insolvency (2004)



Houses are by far the asset category with the highest average estimated value: \$94,800 for bankruptcies and \$125,300 for proposals. In general, the average value of assets was higher with proposals than bankruptcies.

NOTES

Total Insolvency, Canada (1968-2004)



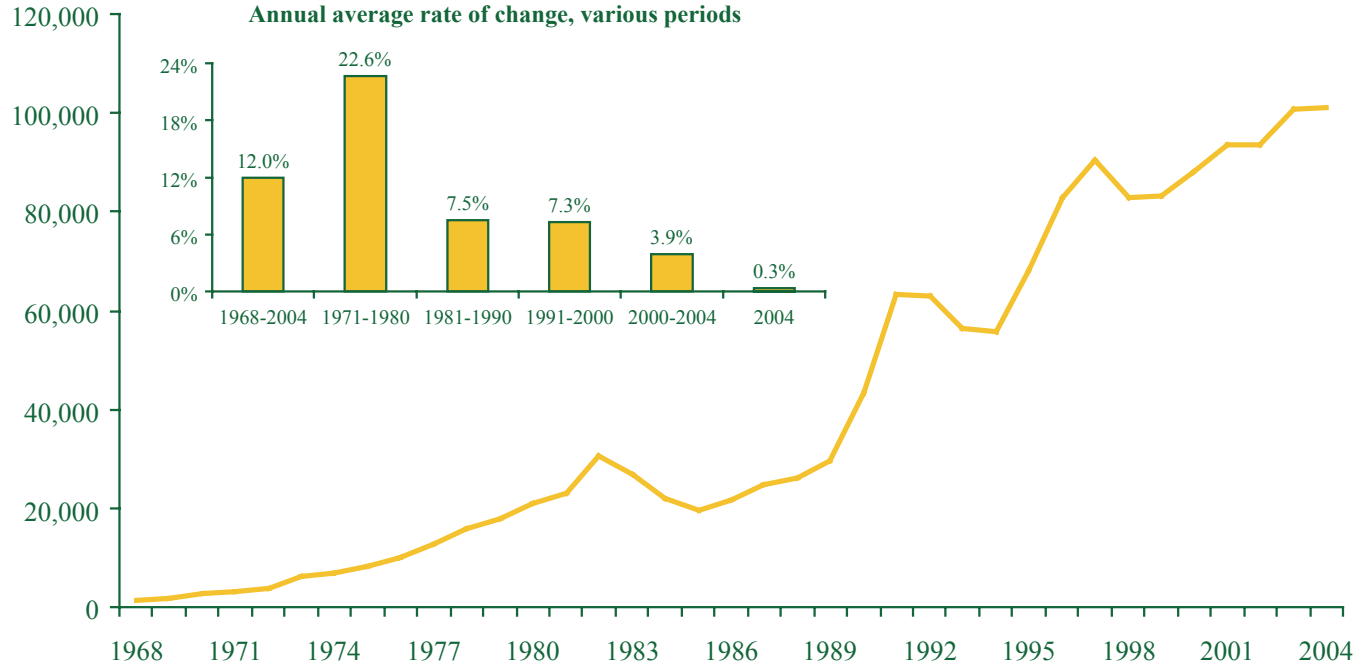
From 1968 to 2004, the number of insolvency cases filed with the OSB increased an average of 9.2% annually. The sharpest annual increases occurred in the 1970s. The rate slowed significantly over the following decades, and since 2000, average growth has been 3.2%. In 2004, the number of insolvency cases filed with the OSB fell by 0.4%.

This graph shows that insolvency filings are sensitive to economic fluctuations. During the 1981 and 1990-91 recessions, there was a rapid increase in the number of insolvency cases, followed by a decrease when the economy recovered. The 1997 increase, however, is more likely due to statutory changes.

Some elements of the 1997 reforms – those involving student loans, for example – may have encouraged many debtors to file before the reforms were enacted.

NOTES

Consumer Insolvency, Canada (1968-2004)



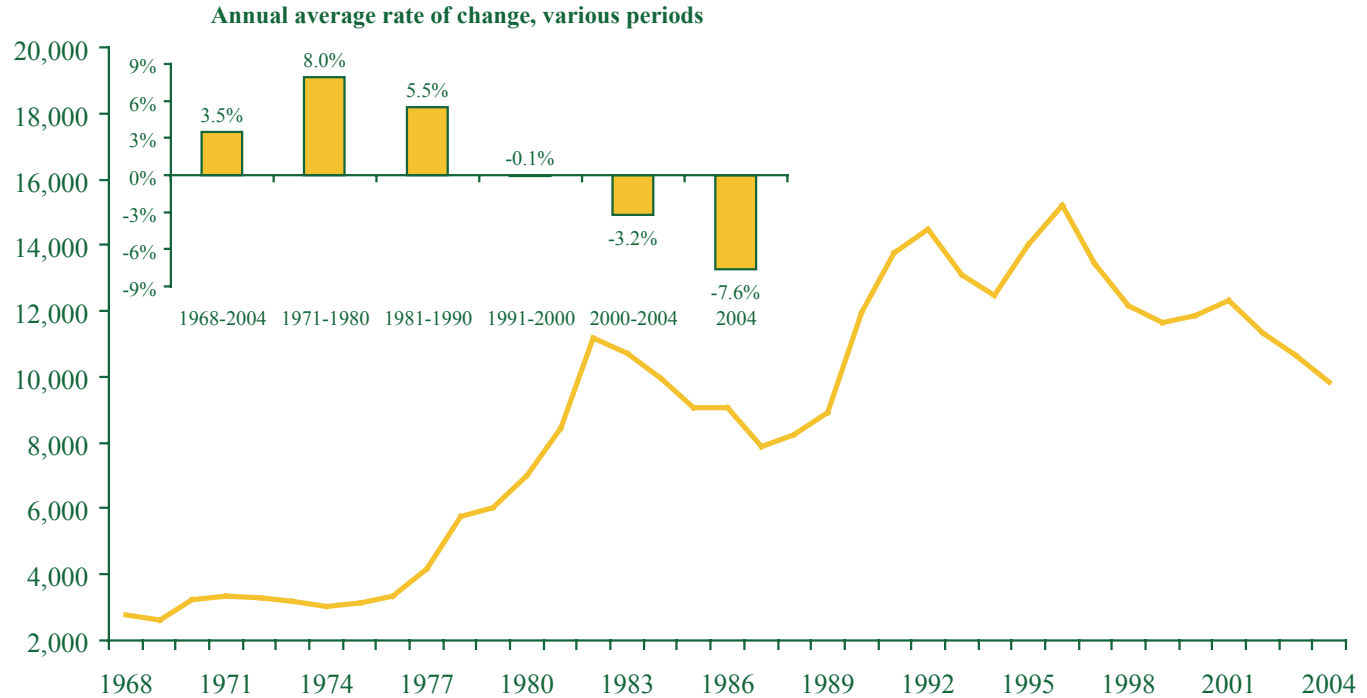
The fastest rise in consumer insolvencies occurred in the 1970s.

In the 1980s and 1990s, average growth was close to 7.5%.

Since 1997, there has been a significant slowdown: for the 2000-2004 period, the average rate of increase was 3.9%, and it was only 0.3% in 2004. Many factors can explain this rise in consumer insolvency. Some of the causes that are mentioned by insolvent debtors are linked to job loss or unemployment, changes in income, excessive debt or overuse of credit, marital or other family problems, health issues, and business mismanagement.

In 1980, the insolvency rate (the number of insolvencies divided by the population) was 1.1 per thousand Canadians. Twenty-five years later, the rate had almost quadrupled to 4.0. South of the border, the insolvency rate was 1.8 in 1980 and increased to 7.0 in 2004. In the United Kingdom and Australia, the insolvency rate was lower in 2004, at 1.1 and 1.6 respectively. There are three key factors behind these international variations: first, there are differences in bankruptcy legislation; second, the social stigma associated with bankruptcy varies from country to country; and finally, access to credit varies depending on the country.

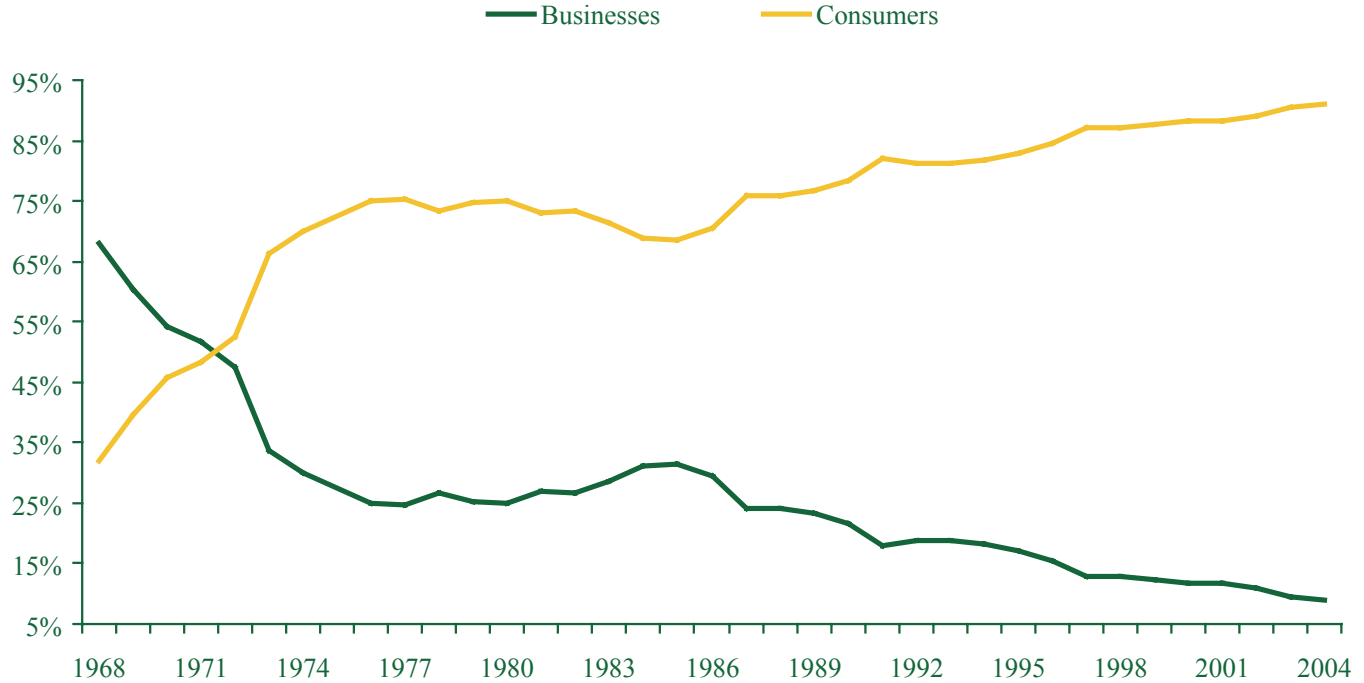
Business Insolvency, Canada (1968-2004)



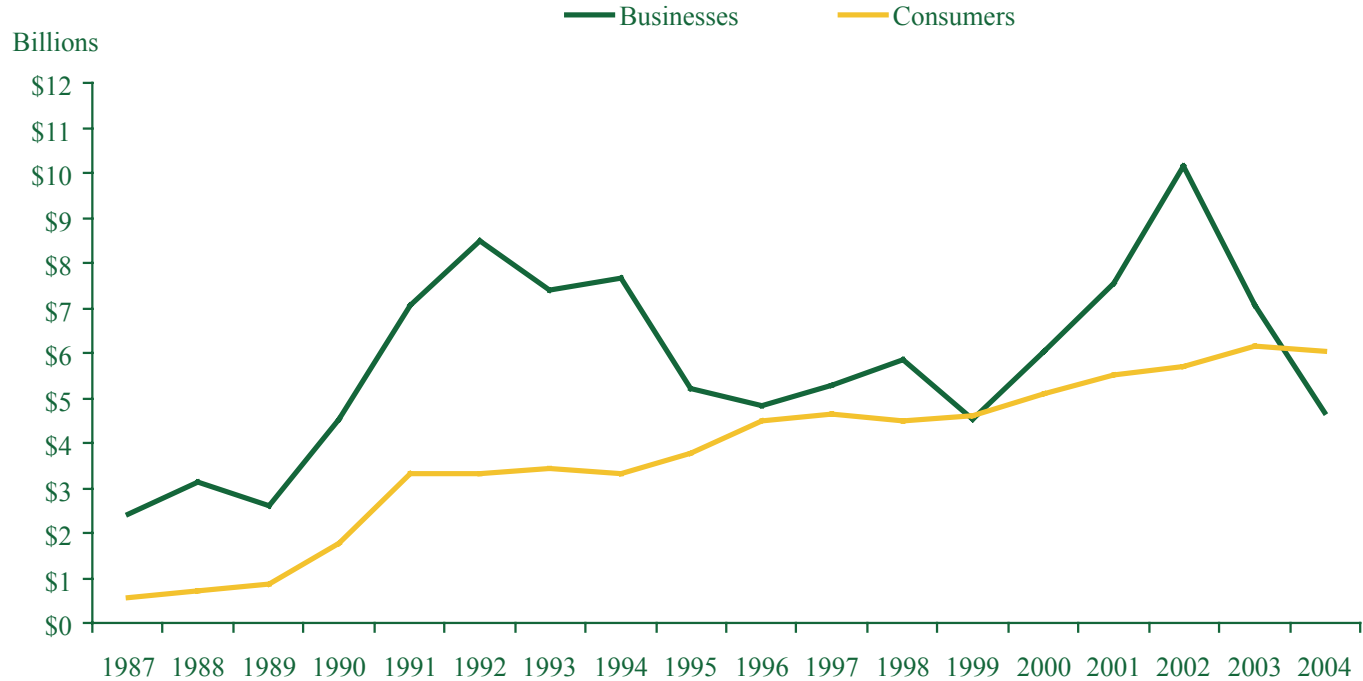
Business insolvencies rose steadily until the late 1980s, with the trend reversing after the early 1990s. From 2000 to 2004, annual growth averaged -3.2%. In 2004, the number of business insolvency cases fell by 7.6%. A decrease in interest rates, which represent the cost of business financing, is one of the key factors behind the decline in business insolvencies that began in 1996.

NOTES

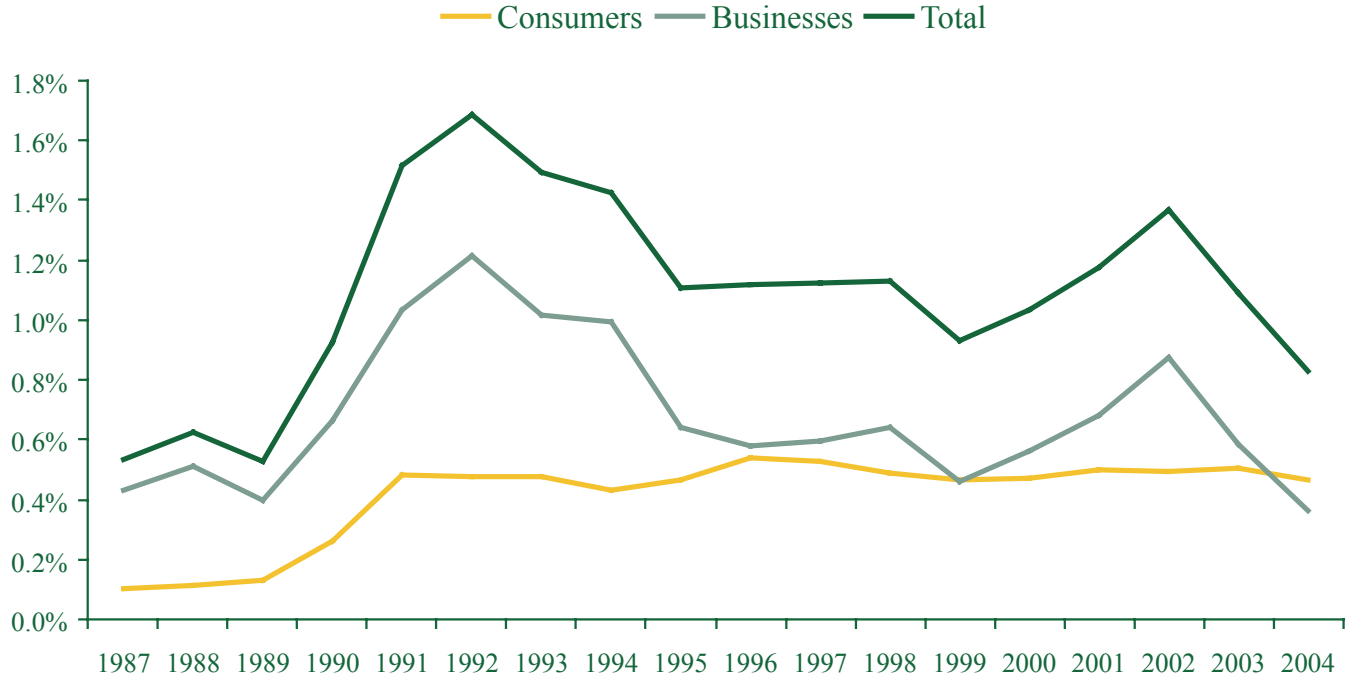
Proportion of Consumer and Business Insolvencies, Canada (1968-2004)



Total Liabilities, as Declared by Debtors, in Consumer and Business Insolvencies, Canada (1987-2004)



Liabilities to GDP Ratio, Canada (1987-2004)



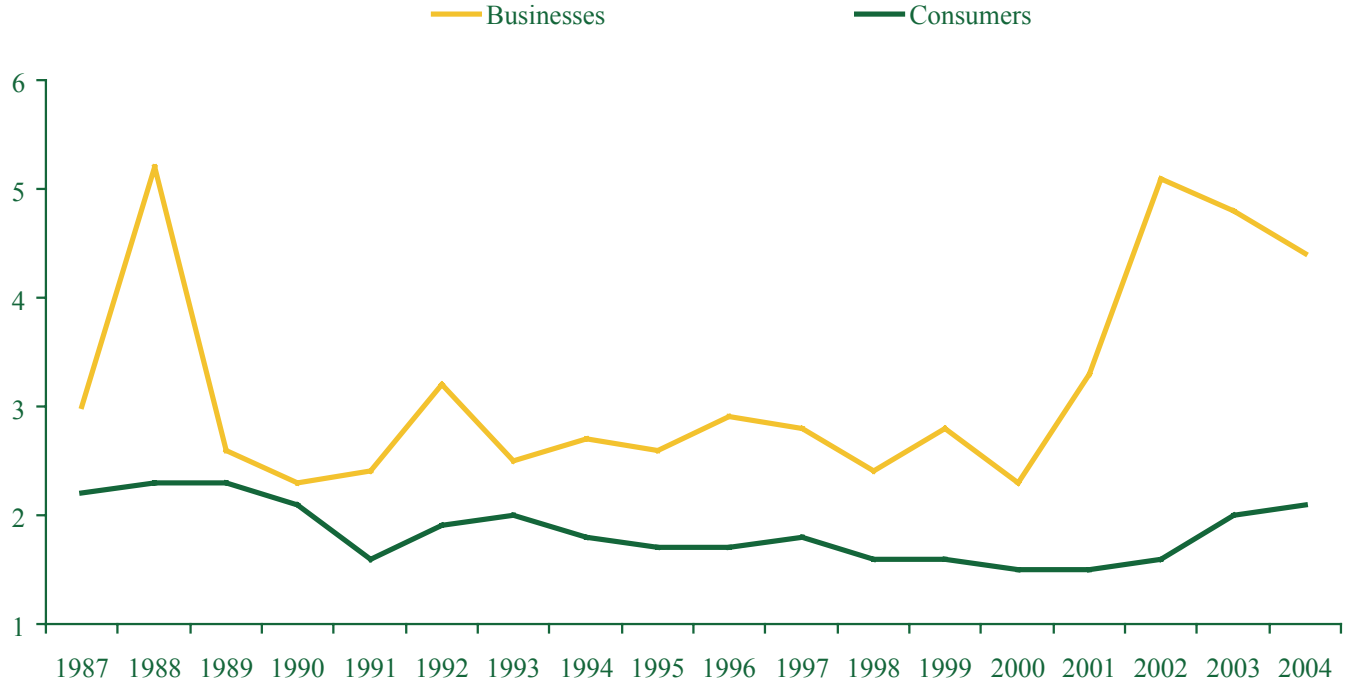
Liabilities reported in insolvency cases as a proportion of Gross Domestic Product (GDP) peaked at 1.7% in 1992. After that, the ratio gradually declined until 1999, and then began to rise again, reaching 1.4% in 2002. In 2004, it reached its lowest level since 1989. The variations observed in the last 5 years are almost entirely attributable to business liabilities.

NOTES

Total Assets, as Declared by Debtors, in Consumer and Business Insolvencies, Canada (1987-2004)



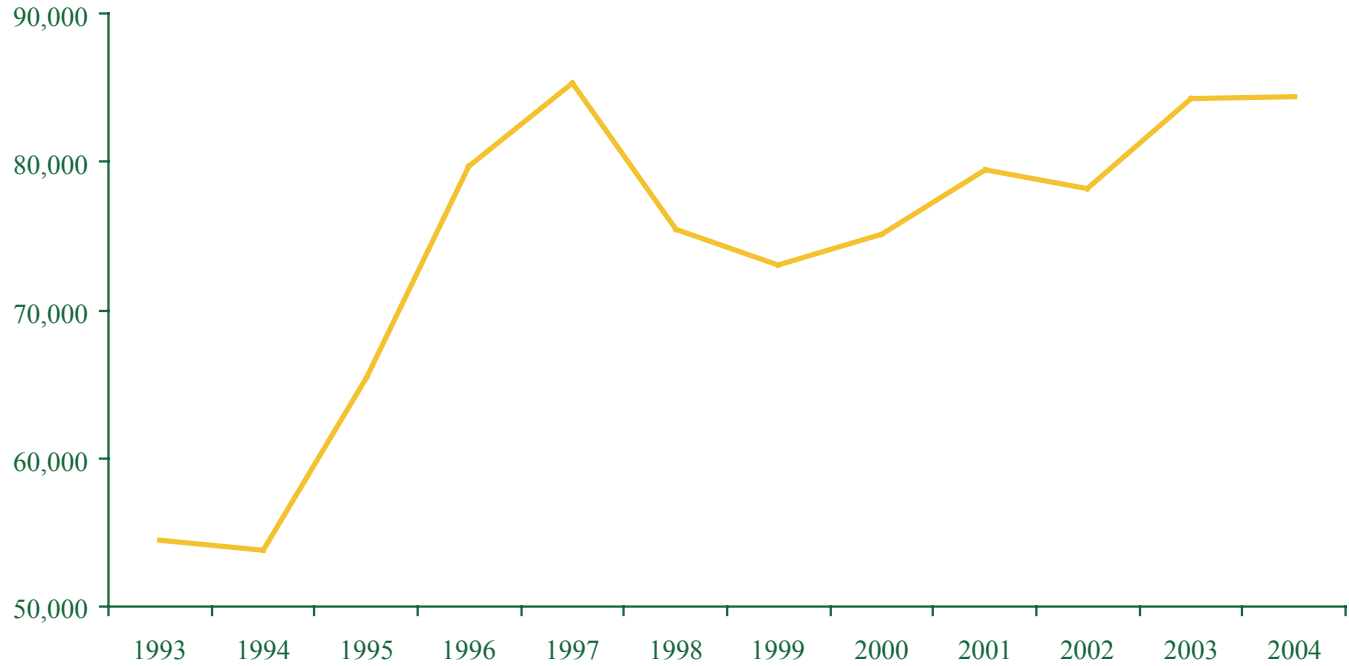
Liabilities-to-Assets Ratio, Consumer and Business Insolvencies, Canada (1987-2004)



Since 1987, the liabilities-to-assets ratio for consumer insolvencies has hovered around 2. In other words, insolvent consumers have, on average, twice as much debt as assets. According to the 1999 Survey of Financial Security, the average liabilities-to-assets ratio for Canadians was 0.16. Unlike insolvent consumers, the average Canadian would have six times more assets than debts. The liabilities-to-assets ratio for business insolvencies is higher than for consumer insolvencies. The steep increase in this ratio in 1988 and from 2001 to 2004 was due to a small number of files with an exceptional imbalance between liabilities and assets.

NOTES

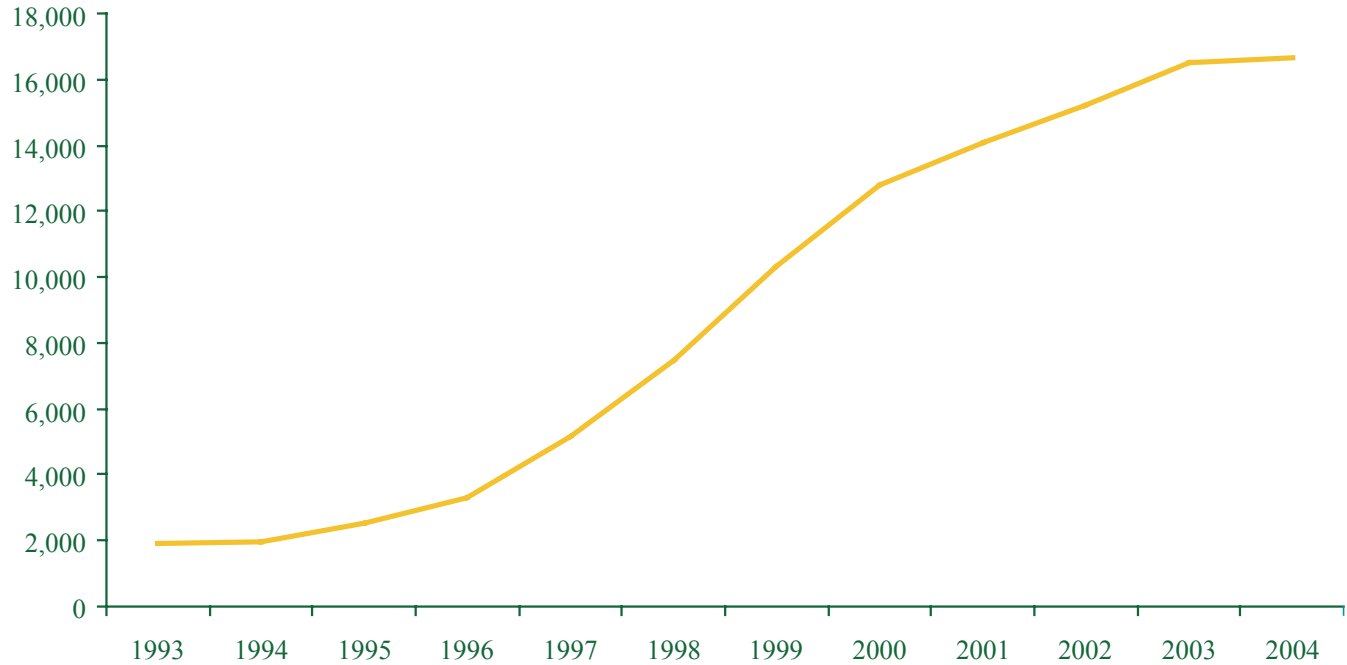
Consumer Bankruptcies, Canada (1993-2004)



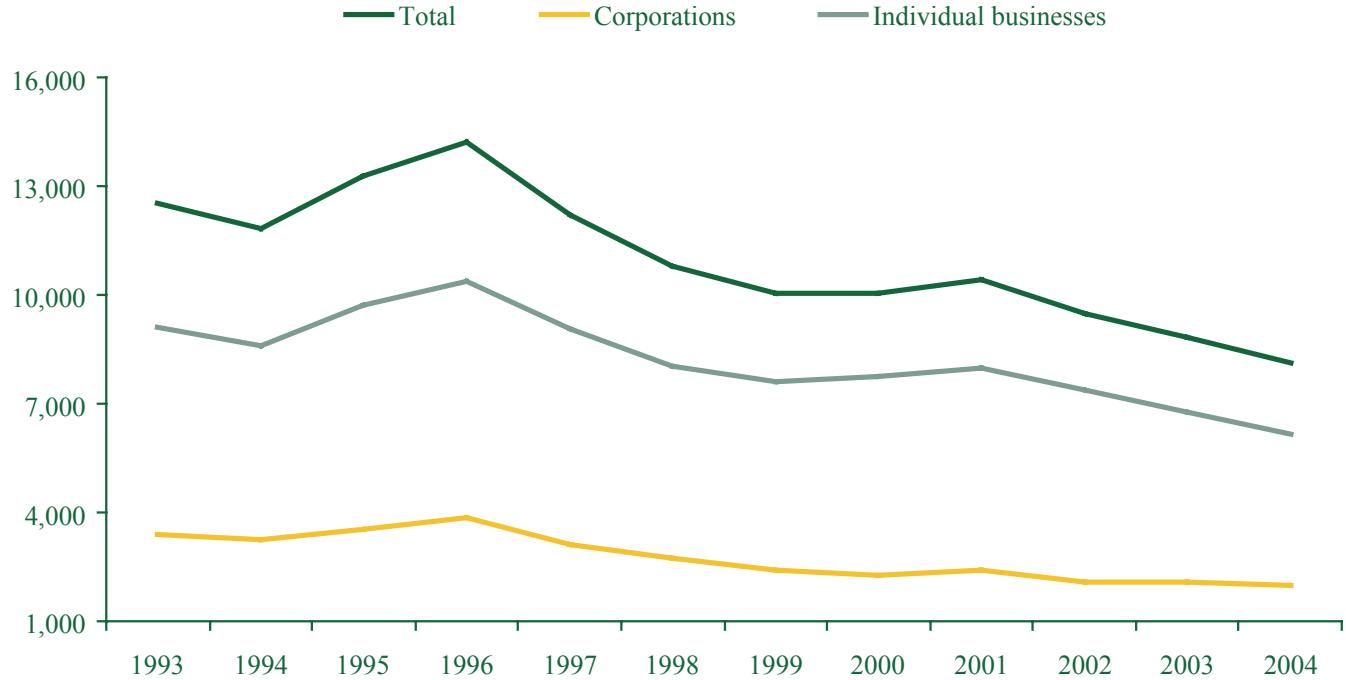
Consumer bankruptcies reached their peak in 1997, with 85,300 cases filed with the OSB. This number fell over the next two years, then increased gradually until 2004, with the exception of 2002, when there was a slight decrease. The drop in the number of bankruptcies is largely attributable to the increase in the number of consumer proposals, which provide debtors with an interesting alternative to bankruptcy. In 2003 and 2004, the number of consumer bankruptcies rose significantly, reaching 84,250 and 84,430, respectively. In 2004, consumer bankruptcies represented 83.5% of consumer insolvencies, down from 94.3% in 1997.

NOTES

Consumer Proposals, Canada (1993-2004)



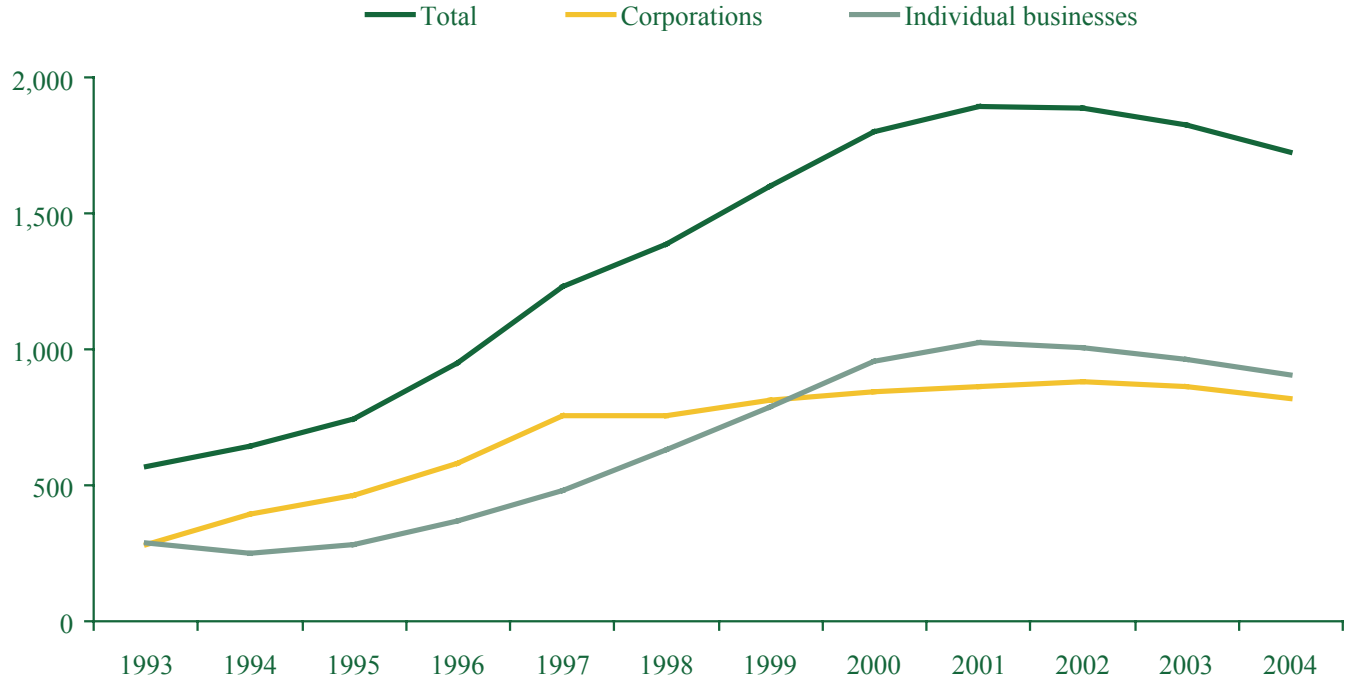
Business Bankruptcies, Canada (1993-2004)



Since 1993, there has been a downward trend in the number of business bankruptcies, both for corporations and individual businesses. Almost one in four business bankruptcies in Canada is filed by a corporation. In 2004, business bankruptcies represented 82.5% of business insolvency cases, compared with 95.7% in 1993.

NOTES

Business Proposals, Canada (1993-2004)



NOTES

After increasing steadily from 1993 to 2002, the number of business proposals has just experienced its second consecutive decrease. For 2004, the number of business proposals declined by 5.4% to 1,728. This is a decrease of 8.7% from the peak reached in 2001. From 1993 to 2004, the average annual increase in the number of business proposals was 10.6%.

Total Insolvency by Major Region, Canada, 1987-2004



On an annual basis, most of the cases filed with the OSB are in Ontario and Quebec. This can be readily explained by population size and the number of businesses operating in these two provinces. In 2004, the number of insolvency cases filed with the OSB fell in British Columbia, Alberta and the Manitoba/Saskatchewan region, and increased in the other three regions. The Atlantic region experienced the strongest increase (8.0%), followed by Ontario (1.3%) and Quebec (0.7%).

NOTES

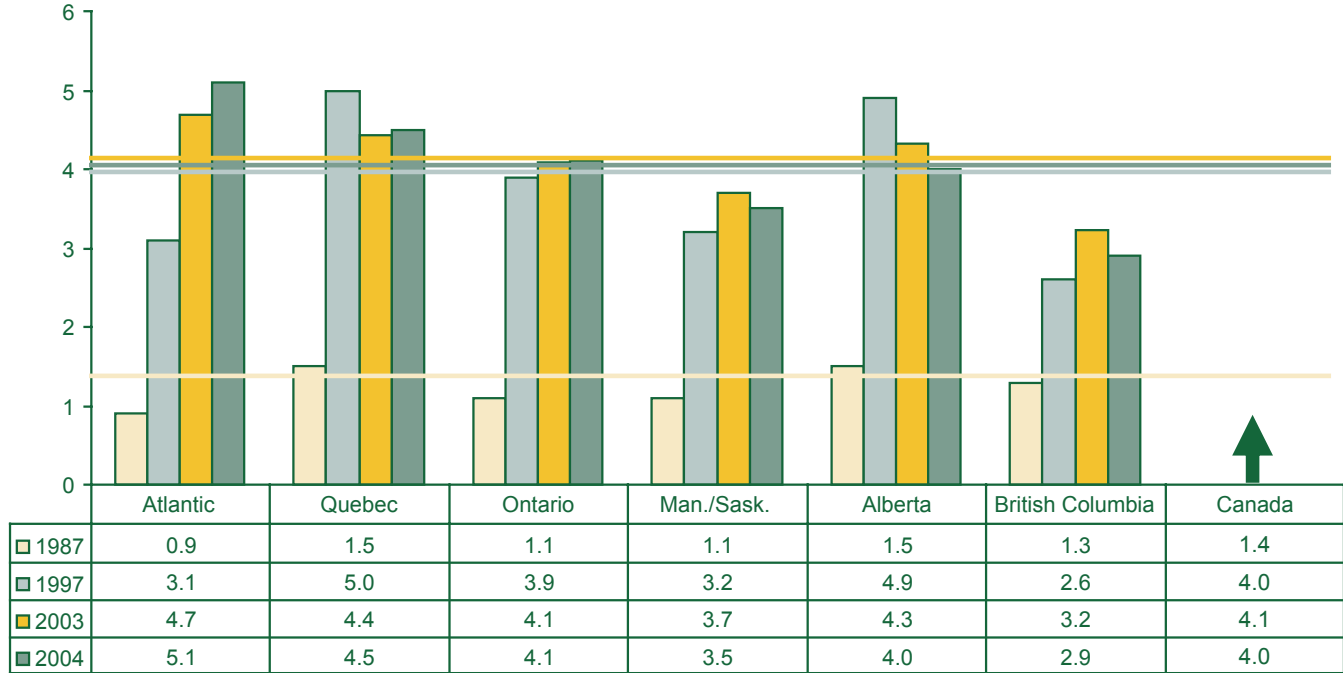
Consumer Insolvencies by Major Region, Canada (1987-2004)



In 2004, the number of consumer insolvencies filed with the OSB was down in British Columbia (-9.8%), Alberta (-4.4%) and the Manitoba/Saskatchewan region (-3.8%), while it increased in all other regions. The strongest increase was in the Atlantic region (8.9%), followed by Ontario (2.1%) and Quebec (1.9%).

NOTES

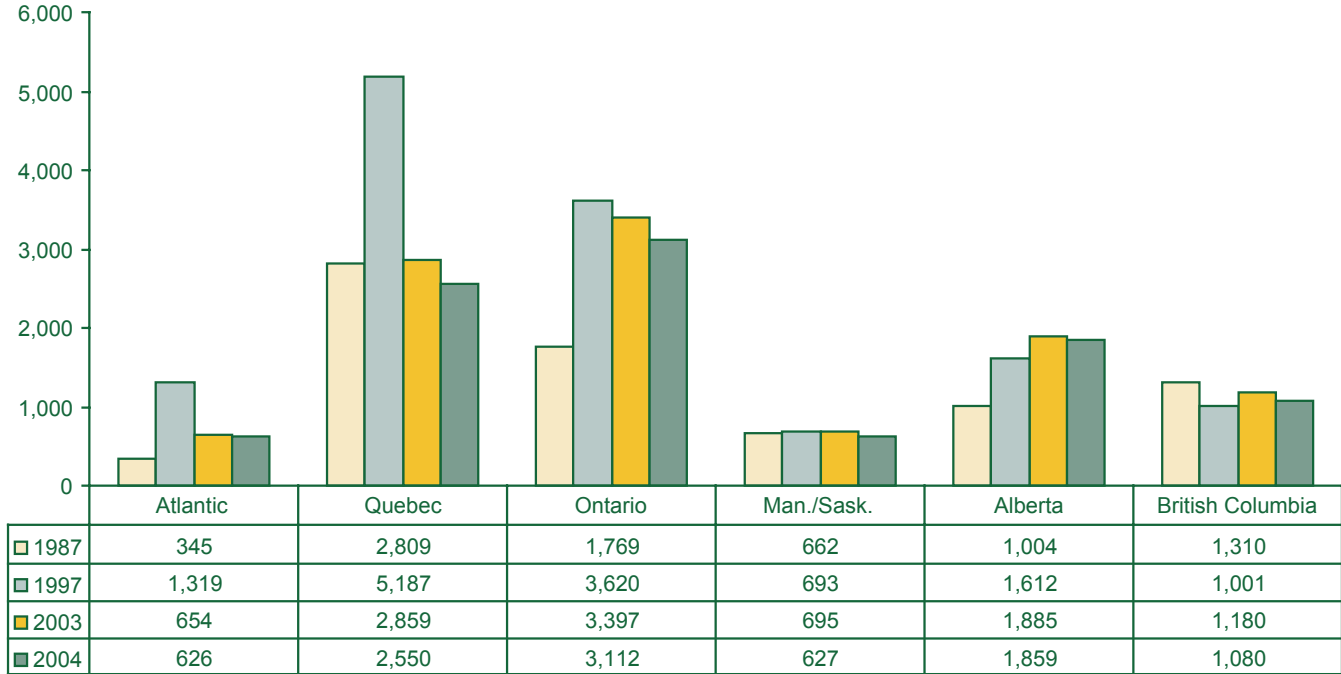
Consumer Insolvencies per Thousand People Aged 18 and Over for Canada and its Major Regions (1987-2004)



The number of consumer insolvency cases per thousand residents aged 18 and over increased significantly between 1987 and 1997. From 1997 to 2004, this ratio remained relatively even across Canada. In 2004, the number of insolvency cases per thousand inhabitants reached a new peak in the Atlantic region, at 5.1. In Quebec and Alberta, the 2004 ratio was still below the 1997 peak. British Columbia was the region with the lowest number of consumer insolvencies per thousand people, at 2.9 cases.

NOTES

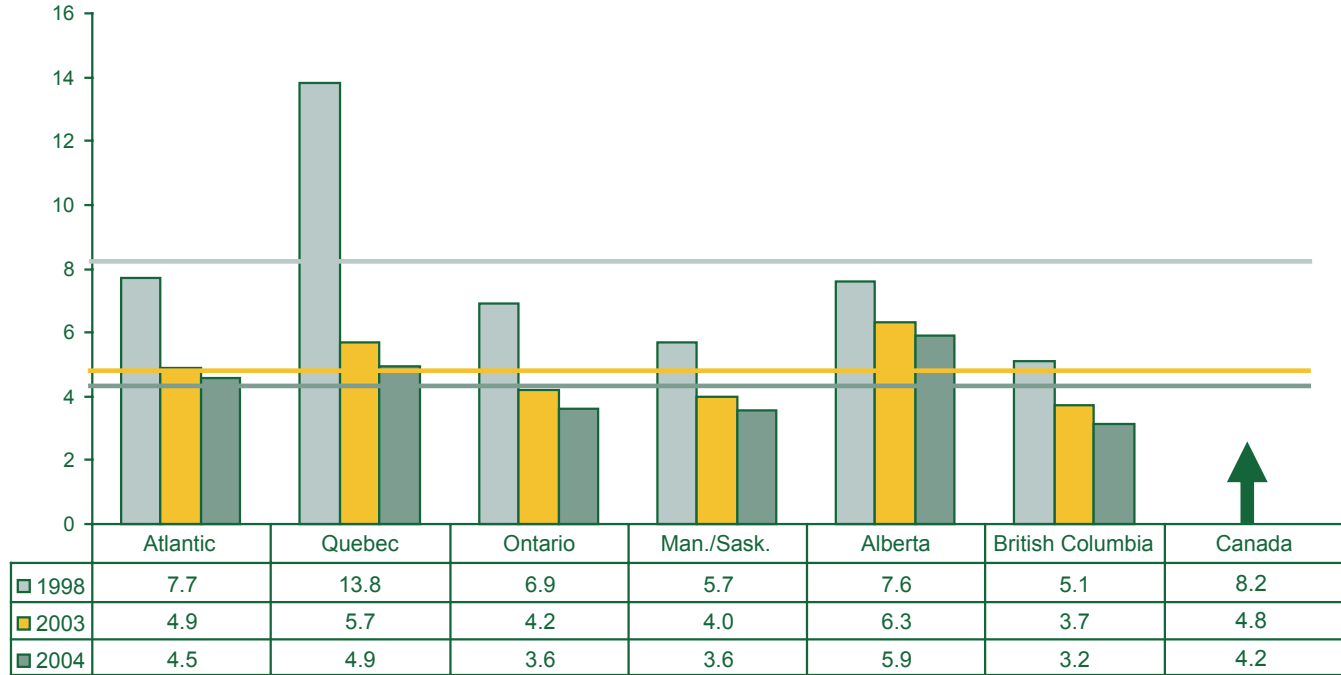
Business Insolvencies by Major Region, Canada (1987-2004)



In 2004, the number of business insolvencies filed with the OSB fell in all six of the country's major regions. The decrease was greatest in Quebec (-10.8%), followed by the Manitoba/Saskatchewan region (-9.8%), British Columbia (-8.5%), Ontario (-8.4%), the Atlantic (-4.3%) and Alberta (-1.4%). Since 1997, the number of business insolvency cases filed has declined an average of 9.6% per year in Quebec, and 10.0% in the Atlantic region.

NOTES

Business Insolvencies per Thousand Businesses and by Major Region, Canada (1998-2004)



The number of insolvency cases per thousand businesses in Canada fell from 8.2 in 1998 to 4.2 in 2004. The decline was felt in all provinces. In Quebec, the decrease between 1998 and 2004 was nothing short of spectacular; from 13.8 cases per thousand businesses, the highest in Canada at the time, to 4.9.

In 2004, Alberta was the region with the highest ratio, at 5.9 cases per thousand businesses. It was followed by Quebec and the Atlantic region, with 4.9 and 4.5 cases per thousand businesses, respectively. With 3.2 insolvencies per thousand businesses, British Columbia was the region with the lowest ratio in Canada.

NOTES

Business Insolvency by Major Activity Sector, Canada (1987-2004)



The highest numbers of business insolvency cases filed with the OSB were in the services and retail and wholesale sectors. In 2004, the number of business insolvencies fell in 7 of the 8 major activity sectors in Canada, with only the finance sector posting an increase. Since 1997, business insolvencies decreased by an average of 7.7% annually in the accommodation and food sector, and 7.1% in the retail and wholesale sector.

NOTES

Number of Cases of Business Insolvency per Thousand Businesses and by Major Industry Sector, Canada (1998-2004)



For all sectors, the number of insolvencies per thousand businesses fell from 8.2 in 1998 to 4.2 in 2004. The accommodation and food as well as the retail and wholesale sectors posted the strongest improvements. In 2004, the accommodation and food sector and the manufacturing sector had the largest number of business insolvencies per thousand, at 9.5 and 9.1, respectively. In contrast, the services (2.3) and primary (2.7) sectors had the lowest number of insolvency cases per thousand businesses.

NOTES

