

## **BANKRUPTCY (AMENDMENT) BILL 2009 TO INTRODUCE DEBT REPAYMENT SCHEME**

The Bankruptcy (Amendment) Bill 2009 was read a second time and passed by Parliament today. The Bill amended the Bankruptcy Act to introduce the Debt Repayment Scheme (DRS).

2. The DRS is a pre-bankruptcy scheme that seeks a win-win outcome for both the debtor and his creditors.

3. A wage-earning debtor with debts not exceeding \$100,000 will be able to enter a debt repayment plan under the DRS with his creditors and avoid bankruptcy, its attendant disabilities<sup>1</sup> and social stigma. Importantly, the debtor will have the opportunity to remain in employment. To repay his debts, the debtor will apportion part of his monthly income, make adjustments to his lifestyle and realise some of his assets. If the debtor dutifully meets his financial obligations under the DRS, he will be released from his debts and have a fresh start.

4. To ensure that the interests of the creditors are protected, the Official Assignee (OA) must be satisfied that the proposed debt repayment plan is sufficiently rigorous and make the appropriate modifications before approving it. The aim is that the creditors will receive no less than what they would have otherwise received had the debtor gone into bankruptcy. If a debtor does not abide by the terms of the repayment plan or fails to fulfill his duties under the DRS (e.g. consistently defaulting on repayment), the OA will issue the debtor a certificate of failure. The creditors can then institute bankruptcy proceedings against the debtor.

5. The DRS also cannot be used repeatedly by debtors to avoid the full repayment of their debts. A debtor who has undergone a DRS, or was a bankrupt, in the preceding five years would not qualify for the DRS.

6. The DRS will also emphasise rehabilitation and the inculcation of financial responsibility in debtors to avoid future financial embarrassment.

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<sup>1</sup> Under the Bankruptcy Act, a bankrupt is not allowed to:

- leave Singapore without the permission of the Official Assignee;
- obtain credit exceeding \$500 without disclosing to the lender that he is a bankrupt;
- act as a trustee or personal representative in respect of any trust, estate or settlement without the permission of the Court, or
- play a direct or indirect part in the management of a company or a business or to act as a director of a company without the sanction of the Court or the Official Assignee.

**ISSUED BY THE MINISTRY OF LAW AND THE INSOLVENCY &  
PUBLIC TRUSTEE'S OFFICE**

**19 JANUARY 2009**