

DEBT RESOLUTION RESCUE

The Age recently ran the heart-breaking story of Aaron Szepesvary and his family who lost everything and were forcibly evicted from their suburban Melbourne home, all over an unpaid \$20,000 credit card debt. (You can read the original article here: <http://www.theage.com.au/national/riches-to-rags-a-family-made-homeless-from-a-credit-card-debt-20160226-gn4nc7>)

Through some bad advice and a good deal of heads hiding in sand, Aaron and his partner Buket made what was originally a manageable molehill into a mountain of debt that now totals almost \$300,000. Bad decisions and expensive lawyers have brought this once happy and stable middle-class family to the brink of ruin.

Aaron ran a successful audio-visual company, but after the financial crisis of 2008, business dropped off and they ran their credit cards up to about \$18,000. Things did not improve and they eventually stopped making minimum payments just to they could keep their mortgage payments up.

They ignored all demands for payment and their debt was bought by the ACM Group, who threatened bankruptcy proceedings if the debt was not settled. Aaron did not fully understand what was happening and did not know anything about the bankruptcy process. He did not attend his court date and was declared bankrupt in absentia.

They sought advice from a community legal centre who recommended accepting bankruptcy. They also accepted advice from a fellow bankrupt they met online who encouraged them to fight. And that's what they did, without any legal representation. And lost. The crippling legal fees inflated their problems to the tune of \$291,000.

Now that they were officially declared bankrupt, their bankruptcy trustees were given legal ownership of the house, and the right to evict the family. They held out for almost two months, fighting sheriffs and preparing an appeal, but they were eventually driven from their house. Aaron and Buket are now homeless. And all over a problem that could have been easily resolved.

Doug Constable, Principal Adviser and Head of Consulting at Carlton Ross Advisors says that the first thing they did wrong will be obvious to anyone who read the article: they did nothing. The whole tragedy began with the debtors burying their heads in the sand instead of facing the facts.

"Facing facts is really the only course of action, no matter how scary those facts may seem," Doug said.

"If Aaron and his partner had sought out the right advice at the outset, such as we provide, they could have negotiated a settlement – perhaps by refinancing the family home – and their problems would have been solved."

Their little hill would not have become an Everest of debt.

Some debt acquisition companies are a little too aggressive, according to Doug, and push for bankruptcy, which is not always the best course of action for the debtor. And when a house is involved, the fees can take a massive hike, which, of course, is more lucrative for the appointed trustees and the creditor. The trustee has a responsibility to act in the best interests of both creditor and debtor, but unfortunately, that does not always happen.

Even when Aaron and his partner failed to show for their original court case and were declared bankrupt in absentia, Doug could still have negotiated their settlement and had their bankruptcy annulled. "It still would have ended up costing them about \$50,000 - \$30,000 over their original debt – but they would not be bankrupt and would still have a home to live in," he said.

"It could have been resolved several different ways, if only they had not buried their heads in the sand."

And barricading themselves in the house while Sheriffs were banging on the door, and trying to lodge appeals just made everything worse, because these measures incur further costs and penalties and all these are deducted from any equity they had in the house. "It was all too late by then to save themselves," said Doug.

"The first difficulty is that people are under stress in these situations, and the problem seems too big to deal with, and many people simply can't. People need advice before they start talking to lawyers, so they can fully understand all their possible options. And that is where a debt resolution consultant comes in.

"Lawyers and trustees are very good at using language that can make the debtors feel guilty and simply overwhelmed. You need to talk to someone like me before you talk to a lawyer or trustee."

Even now, Aaron's case is not necessarily hopeless. A case could be made that the trustees did not act reasonably and if the case was strong enough, it could be taken up by the government and may result in a better outcome for the debtors.

"It's always good to remember that there is always a way out, as long as you act responsibly and confront the issues very early on," said Doug. "Never give up hope, even when things look darkest. "There is always a way out and you need a professional to assure you that things are not always as bad as they seem."