

MEDIA RELEASE

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SMALL DEBT IN A BIGPOND – PENSIONER TO LOSE HOME IN BANKRUPTCY OVER A \$1000 TELSTRA INTERNET BILL

Consumer Action Law Centre has begun acting for a 60 year old pensioner who has sought help after being bankrupted for what started as a Telstra Internet services bill for less than \$1,000.

Nicole Rich, Director – Policy & Campaigns, said it was sickening that Australia's bankruptcy laws still allowed a creditor to bankrupt a person and take their home over such a small debt, and that some debt collectors actually resorted to such tactics.

"Our client is a full-time carer for her daughter and her sole income is a Carer's Pension of just over \$670 a fortnight. She has been bankrupted by Telstra's debt collector, Accounts Control Management Services (ACMS), over a 2001 Internet services bill for less than \$1,000 and will now lose her home, her only asset," said Ms Rich.

"We are instructed that ACMS has aggressively pursued our client and has refused to negotiate with her or accept her offer to repay the debt at \$100 per fortnight, an amount she could afford."

"Telstra cannot try to wash its hands of its responsibilities to collect debts fairly, appropriately and legally by selling them off to debt collectors."

Ms Rich said the woman's son asked her to get an Internet account when he was living with her many years ago, promising to pay the bills. The bills reached close to \$1,000 and when he didn't pay, the woman could not afford to repay Telstra.

"We are instructed that our client did not understand that she was responsible for the Internet bills in her name if her son did not pay and tried to explain to Telstra that the bills were her son's."

"When she did not hear from Telstra she thought the matter was resolved. She was contacted years later by ACMS telling her Telstra had sold them the debt. They got a court judgment against her to pay a debt of \$2,057, which included interest and costs on the original bills."

"Our client instructs us that when she tried to explain she could not afford to pay \$2,057 upfront and tried to negotiate a payment plan, ACMS refused and sent her bankrupt."

"Our client's bankruptcy trustee has now added over \$20,000 in fees to her bill, which will be recovered by selling her home. She needs to pay over \$23,000 to pay out the bankruptcy."

Ms Rich said Australia's bankruptcy laws currently allow a creditor to bankrupt a person for any debt above \$2,000. The Federal Government has recently proposed raising the minimum threshold over which a creditor can bankrupt someone to \$10,000.

"The Government must raise the bankruptcy threshold but must also specify that this threshold applies to the original debt, not to the debt after late fees, interest and costs are added. Otherwise, unscrupulous creditors or collectors can simply wait until the debt grows large enough to be able to use bankruptcy," said Ms Rich.

"Reputable creditors and debt collectors should not use bankruptcy to collect small debts. There are more appropriate legal avenues available. Bankruptcy leads to unnecessary trustee fees that strip even more equity out of people's homes."

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