

## **JOINT PRESS RELEASE**

### **DEBT REPAYMENT SCHEME TO COMMENCE ON 18 MAY 2009**

From 18 May 2009, the High Court may refer a debtor with debts of less than \$100,000 upon a bankruptcy application to the Insolvency and Public Trustee's Office (IPTO) to be considered for the Debt Repayment Scheme (DRS). A debtor who is employed and earning a regular income may then be able to avoid bankruptcy if he is found suitable for the DRS.

#### **Background**

2. In January 2009, Parliament approved amendments to the Bankruptcy Act to introduce the DRS to Singapore's pre-bankruptcy regime. The DRS provides a non court-based approach that gives the debtor a reasonable opportunity to pay off his debts over a period of time. Currently, about 42 per cent of the bankrupts had debt liabilities of less than \$100,000 when they were made bankrupt. The average number of bankrupts per year was about 3,200 over the past five years. Based on this, IPTO expects up to 1,300 debtors to be considered for the DRS every year.

3. The DRS, administered by IPTO, seeks an outcome that would be beneficial for both the debtor and his creditors. It helps a debtor in employment avoid losing his job as a result of bankruptcy. He will also be expected to repay as much of his debt as possible with his income, through the realisation of his assets and adjustments to his lifestyle. He will be required to propose a debt repayment plan, which must be approved by the Official Assignee (OA). Generally, the debtor should complete the plan within three to five years under the OA's supervision.

4. The OA will make the necessary and appropriate modifications to the proposed debt repayment plan to ensure that the interests of debtors and creditors are adequately considered. The debtor must cooperate with the OA in the administration of the plan. Dishonesty, failure to cooperate with the OA or comply with the terms of the plan or duties under the Bankruptcy Act and the Bankruptcy (Debt Repayment Scheme) Rules, may result in the OA issuing a Certificate of Failure on the debtor in the DRS. Creditors may then proceed to initiate fresh bankruptcy proceedings against the debtor.

5. A debtor in the DRS will also be required to go through financial education, which will emphasise the importance of financial discipline and instill greater awareness of financial responsibility. If a debtor dutifully meets his obligations and complies with the requirements of the DRS, he will be able to avoid the stigma of bankruptcy, its disqualifications and disabilities, and have a fresh start.

**Implementation of the DRS**

6. Following the amendments to the Bankruptcy Act, the OA consulted industry experts and stakeholders on the detailed rules of the DRS. The subsidiary legislation setting out the detailed rules will be promulgated on 18 May 2009. From that date, the High Court may refer debtors with debts of less than \$100,000 to be considered for the DRS. Details about the DRS are available at [www.drs.gov.sg](http://www.drs.gov.sg)

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

**5 MAY 2009**