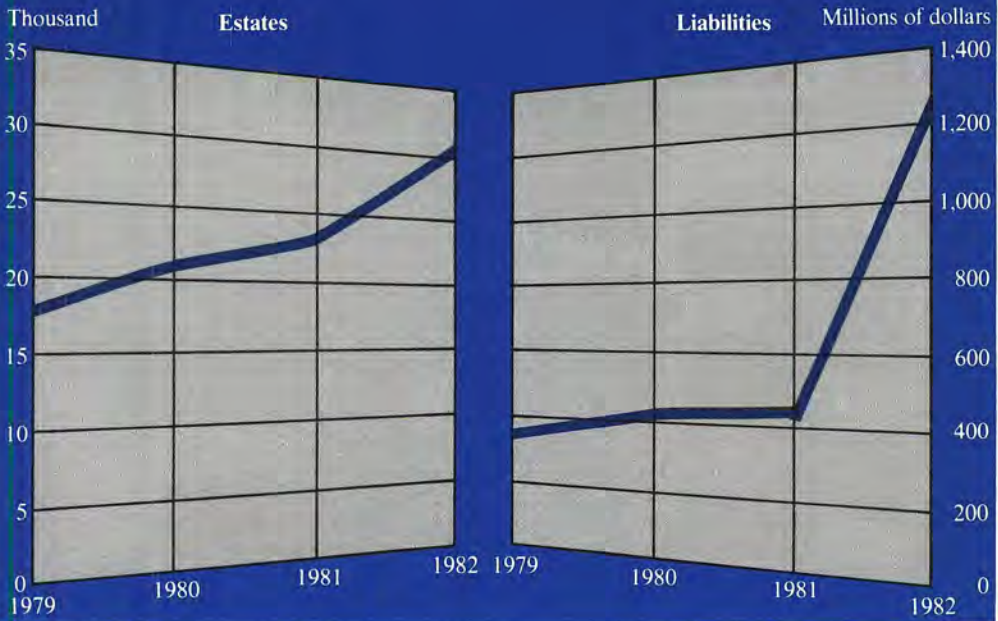


Chart 18.2

Consumer bankruptcies

two groups within the industry (see *Financial institutions*, Statistics Canada Catalogue 61-006).

Assets and liabilities given in Table 18.21 are from the department of insurance report for 1979, the last year that department collected such data.

An act to amend the Small Loans Act and to provide for its repeal and to amend the criminal code was approved by the Senate and received royal assent in December 1980 (SC 1980-81-82-83, c.43). Under this act the limits on interest rates previously set for small loans, not over \$1,500, no longer applied for new loans. Formerly, for example, lenders not licensed under the act could not charge more than 1.0% interest a month. In future the only limit to rates applicable would be set out in the criminal code. The new act defines the criminal rate as an effective annual rate of interest, calculated in accordance with generally accepted actuarial practices and principles, that exceeds 60% on the credit advanced.

18.3 Insolvency

The term "insolvency" refers to the state or condition of a person (or of a company engaged in business) when he is no longer able to pay his debts as they normally become due for payment.

Bankruptcy may be defined as a legal process which stays all legal actions pertaining to a debtor's debts and which, in general, involves a summary and immediate seizure of all debtor property as assets by a trustee, distribution of these assets among the estate creditors, and discharge of the debtor from future liability for most of the debts which existed at the moment of bankruptcy.

While involving essentially the same administrative principles and processes under the Bankruptcy Act, a distinction is made between a consumer bankruptcy and a commercial bankruptcy because of different conceptual objectives and the impact of provincial legislation respecting the property of an individual which is exempt from seizure in a bankruptcy. A consumer bankruptcy is viewed primarily as a mechanism for providing relief to a financially overburdened debtor from legal actions such as the seizure of assets and the imposition of wage garnishments. A commercial bankruptcy is usually more complex and it is primarily a mechanism for the orderly and equitable distribution of assets of an insolvent company to free them for eventual reintegration into the economy.

Responsibility for the supervision of the bankruptcy process rests with a superintendent of bankruptcy appointed by the Governor-in-Council