



How is my spouse affected by my proposal or bankruptcy?

A marriage or common law relationship does not make your spouse legally responsible for your debts. It may be considered matrimonial debt in the event of marriage breakdown, but it is not legal debt as far as your liability to the third-party creditor. If you personally signed the loan or credit agreement along with your spouse, you are considered a party to the contract and would be legally responsible for the entire debt.

The ownership of assets in an insolvency situation does not necessarily follow the lines of the Matrimonial Courts. For example, ownership of a residence is determined by who is legally registered on the title as the owner. Matrimonial Courts may look to the relationship between the parties, as well as to legal ownership, in determining the ultimate outcome of the property.

On the other hand, the registration of a vehicle does not necessarily determine ownership of the vehicle in a bankruptcy or proposal. The issues of who normally drives the vehicle or contributes to loan payments are important factors.

A spouse will be affected mainly where you have signed on joint agreements or where assets are owned jointly, particularly where it is an asset that is being lost in a bankruptcy.

It is also important to know how an insolvency proceeding such as a proposal or a bankruptcy can affect a Matrimonial Property Settlement. If marriage problems are occurring along with money problems, you should seek the advice of a Trustee while you are dealing with your lawyer. You should know your rights and options in sorting out assets and debts with your lawyer.

It is recommended to obtain professional advice from a Trustee for a complete understanding of how your spouse's Proposal or Bankruptcy will affect you.

Donna Carson, CGA, CIRP, Trustee is a Senior Vice President with Meyers Norris Penny Limited in Calgary. For more information, call Donna at 403.538.3187 or email donna.carson@mnp.ca. Consultation calls and meetings are free and confidential. For more information, you can also visit www.mnpdebt.ca.

Meyers Norris Penny Limited Advisory Services will be providing a series of 10 articles relating to insolvency, bankruptcy and consumer proposals. This is the seventh article in the series. Raising awareness and educating the public is the best way to prevent consumers and businesses from serious financial dilemmas. Our series of articles will address the early warning signs to flag, explore options in a financial crisis and explain the truth behind bankruptcy, proposals and legal actions. If you miss any of these published articles in the series, you can visit our website www.mnpdebt.ca where we will have an archive of all previously published articles.