



How does debt affect garnishees and legal actions?

The effect on a garnishee or legal action will depend on the type of debt that is owed. Certain debts are not discharged by a bankruptcy and depending on what it is, the creditor may or may not continue with legal actions while you are still in the bankruptcy process.

For example, claims for alimony and child support and any criminal actions are not discharged in a bankruptcy. They may continue with legal action even while you are bankrupt or in the midst of a formal proposal.

Other debts, such as some student loan lenders are prevented from pursuing you while you are bankrupt, although some of these loans will eventually survive your bankruptcy. The interest clock will continue to tick if the loan ultimately survives the process. Even in a bankruptcy, you may wish to continue to pay your Student Loan to stop the interest from accumulating. Speak to your Trustee first before you make this choice.

Credit cards, loans and income taxes will be stopped on the date of the proposal or bankruptcy. This is called a "Stay of Proceedings". Upon your formal release or discharge, these debts are then written off. If you do not receive your formal release or discharge, the creditors can then proceed against you

If you have any questions regarding a specific creditor you have, or legal action started against you, you may wish to contact a Trustee to seek professional advice, who will review copies of any legal documents you have received.

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 eighth 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.