What kind of debts can be included in a bankruptcy or a proposal?

Unsecured Debts

A bankruptcy or proposal would deal primarily with unsecured debts. These are debts where there is no collateral for the loan or account. Examples of unsecured debts that can be included would be credit cards, line of credit, overdrafts, bank loans finance company loans (ie. Citifinancial, Wells Fargo, HSBC Finance), income tax debt, GST debt, amounts owing for old bills (for accounts that are no longer active) or large balances owing on current accounts (regular utility bills would need to be paid but if you have significant arrears on an account it is possible to include this. You would likely be charged a deposit from the utility company and a cosigner may be required or restrictions may be placed on the account if you need to continue the service.).

Secured Debts

If a creditor has an asset for collateral for a debt you have with them they are classified as a secured creditor. A secured creditor who financed the purchase of an asset is entitled to either the payments for the asset or the asset to be returned to them. You would have to make an arrangement directly with the secured creditor to keep an asset in this situation.

It is sometimes possible to deal with secured debts in proposals. For example, if you have a consolidation loan in the amount of $20,000 and your vehicle (worth $5,000) has been given as collateral it may be possible to propose to the secured creditor payments to cover the value of the vehicle. You might get an appraisal done on the vehicle to support the value being offered to the creditor and then offer the amount that the vehicle is worth ($5,000) plus interest as a payment to the secured creditor. The remaining balance of the loan ($15,000) would then be unsecured and become part of the proposal to the unsecured creditors. The secured creditor would have the option of accepting this offer or having the vehicle returned to them.