

A bankrupt sense of debt

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It used to be a source of shame, but now bankruptcy is all too easy - we need to take more responsibility for our own liabilities

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There used to be a stigma about not paying off debt. Charles Dickens's father was packed off to Marshalsea, a debtors prison in Southwark, because he owed £40. Dickens Jr took inspiration from the episode for his novel *Little Dorrit*. It was published as a series between 1855 and 1857, and then in 1869 the Debtors Act was passed abolishing imprisonment for debt where debtors did not have the means to pay. Perhaps as well as inventing Christmas, Dickens was also responsible for that.

Who knows. But we do seem to have swung a bit too far in the other direction. Avoiding bankruptcy where possible should be regarded as a moral issue as well as a financial one. We talk of people being "forced into bankruptcy" but sometimes this is not really the case. Sometimes it is a choice.

Figures from the Insolvency Service show bankruptcies are at record levels. The final three months of last year saw 19,100 people being declared bankrupt. This was a 22% jump on the same period a year earlier. Of course there should be a lot of sympathy for people in such plight. There will be plenty of personal tragedies behind these statistics - dreams shattered, homes lost, marriages destroyed. Some of the blame rests not on the financial imprudence of the 19,100 but of Gordon Brown.

But there were a further 10,000 people who avoided bankruptcy by taking out Individual Voluntary Arrangements. This is a procedure in which debt interest is frozen and a monthly repayment level is agreed. Unlike bankrupts, the individuals concerned retain the responsibility to ultimately pay off their debts. "What is especially interesting is that more people have gone down the bankruptcy rather than the IVA route," says insolvency practitioner Alan Tomlinson. This is interesting - but not for the technical explanation he gives. Rather that we have lost our sense of shame. Bankruptcy has ceased to be a last resort. The trend Tomlinson describes predates the recession. Bankruptcy is seen as the soft option.

Risk-taking is synonymous with the capitalist dynamic. I understand the point that limited liability for companies keeps the show on the road. With all the discouragement to risk-taking it evens up the equation. As it is, we are not exactly overrun with thrusting go-getters starting new businesses at the moment. But a moral, responsible capitalism has clear rules, for both individuals and companies, about just who is taking the risk. It should be with your own money, not someone else's.

Bankruptcy now lasts for one year not three. Bankrupts used not to be allowed bank accounts - now they are. We have cases of graduates taking bankruptcy as an option to avoid paying back student loans. You can even file for bankruptcy online. How very convenient. Except for the people you owe money to. BBC Woman's Hour cheerily reports: "The Consumer Credit Counselling Service says that bankruptcy is the best solution for many more women than actually take it up."

We have come a long way from Dickens's time. Perhaps a bit too far. For bankrupts to merit our sympathy we should know that it is an onerous state that they find themselves in that they will have done everything possible to avoid. That is far from clear under the present rules.

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