Part X vs Bankruptcy

When a Personal Insolvency Agreement is the smarter path

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Prepared for: Company Directors & Business Owners
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There are two paths -- and one is a deal

Dear Director,

When personal debt gets to the point that something formal has to give, most people assume bankruptcy is the only option. It isn't.

A Part X Personal Insolvency Agreement (PIA) is a binding deal between you and your creditors that can replace bankruptcy. You put forward a proposal, creditors vote on it, and if it's accepted, those terms become the agreement.

This explainer covers what a Part X is, how it stacks up against bankruptcy, why creditors back them, and when it's the smarter, cleaner path.

What is a Part X agreement

A Part X Personal Insolvency Agreement is a binding arrangement between you and your creditors. You put forward a proposal -- typically a lump sum, instalments, or a combination -- creditors vote on it, and if accepted, it replaces bankruptcy.

Think of it as the personal version of a business restructuring arrangement: negotiated, structured, and commercial rather than punitive.

Part X vs Bankruptcy -- side by side

Control of the outcome:
- Part X: You drive the proposal and the terms.
- Bankruptcy: The Trustee controls the process.

Creditor vote:
- Part X: Yes -- creditors vote based on whether they get a better return than in bankruptcy.
- Bankruptcy: No vote. The law dictates the process.

Ability to remain a company director:
- Part X: Yes -- you can continue as a director.
- Bankruptcy: No -- automatic disqualification.

Duration:
- Part X: Flexible -- depends on what is agreed.
- Bankruptcy: Typically 3 years, can be extended.

Travel:
- Part X: Generally unrestricted once the agreement is completed.
- Bankruptcy: Travel can be restricted during the bankruptcy period.

Credit record impact:
- Part X: Still recorded, but generally viewed more favourably than bankruptcy.
- Bankruptcy: More severe and longer-lasting impact.

Assets:
- Part X: Often preserved if structured properly.
- Bankruptcy: Assets may be sold by the Trustee.

Income contributions:
- Part X: As negotiated in your proposal.
- Bankruptcy: Compulsory income contributions may apply.

Privacy and reputation:
- Part X: Less public exposure.
- Bankruptcy: More public and formal disclosure.

Costs:
- Part X: Negotiated and transparent.
- Bankruptcy: Statutory costs that can reduce what creditors receive.

Certainty:

- Part X: High -- once accepted, the terms are locked in.
- Bankruptcy: Less certain -- the Trustee can investigate and extend matters.

Why creditors might accept a Part X

Creditors will support a Part X if they believe it delivers a better return than bankruptcy. They typically look for:

- A higher overall payment than they would receive in bankruptcy.
- Structured, realistic contributions over time.
- Your ability to keep earning -- and therefore keep paying.
- Avoidance of Trustee costs that would otherwise reduce their recovery.

In short: if your proposal makes commercial sense, creditors will usually back it.

Practical benefits for you

A Part X is often the better option if you:

- Want to stay in business or remain a company director.
- Have ongoing income that would be disrupted by bankruptcy.
- Can offer a genuine contribution to creditors.
- Want more control over the process and less interference.
- Want to reduce reputational damage compared with bankruptcy.

Straight talk

Bankruptcy is a blunt legal process. It hands control to a Trustee and strips away options.

A Part X is a deal. You negotiate, you commit to a plan, and if you deliver, you move on with your life and business intact.

If you can put a credible proposal on the table and want to keep operating, a Part X is usually the smarter, cleaner path.

The Nature of Our Role

Resolve provides administrative support, coordination, and acts as your point of contact. We are not licensed to provide financial, legal, or investment advice -- where that's needed for your matter, we coordinate the right specialist practitioners (registered trustees, solicitors, accountants) around you.

That way you get the experience and firepower of a full team -- with us holding the whole picture together so nothing falls through the cracks.

> *Bankruptcy is a process imposed on you. A Part X is a deal you build. If you can put a credible proposal on the table and creditors get a better return than bankruptcy, the deal is usually the cleaner path forward.*
>
> — Resolve Business Solutions -- Over 35 Years Helping Australians Through Financial Distress

Next Steps

Director, if bankruptcy is the conversation on the table and you want to know whether a Part X is a realistic alternative, that's the conversation worth having before any petition gets filed.

Whenever you're ready, you can:

- Reply to this email
- Call us directly on 0499 499 899
- Email us at advisor@resolve.net.au

We'd rather work the proposal with you now than have you go through the bankruptcy process when it didn't have to be that way.