

# What to do when you're in debt

Last Updated: 23 June 2017

Having your business in debt can be a daunting experience, but there are positive steps you can take to get your business finances back on track.

On this page you can find:

- A list of warning signs that can help you tell when your debt is an issue.
- A guide on [what to do when you're in debt](#). It provides step-by-step information to help manage and reduce your debt, including:
  - [Assess your financial situation](#)
  - [Prioritise your debt](#)
  - [Chase up money owing to you](#)
  - [Talk to the organisations you owe money to](#)
  - [Seek advice and help](#)
  - [Contact your bank](#)
  - [Apply for bankruptcy or insolvency](#)

## Warning signs that your debts could lead to trouble

Issues with money coming in:

- People aren't paying you on time.
- You don't know what the total debts outstanding to your business are.

Issues with money going out:

- [Cash flow](#) is tight so paying bills is difficult.
- You're using personal finances or cash reserves set aside for tax, super or workers' compensation to cover temporary cash shortages.
- You're regularly unable to meet the payment terms of your suppliers.
- You're regularly fielding calls from creditors, getting legal/letters of demand or being taken to court.
- You're having problems with suppliers (for example supplies have stopped because you haven't been paying on time or suppliers are being stricter with their terms).
- You can't get new credit or have issues with your bank.

Business management practices:

- Your business is continually running at a [loss](#).
- You don't have a cash flow budget or know your [break-even-point](#).
- You're not keeping accurate [records](#) or [tracking financial performance](#).
- Other areas of your business are suffering because you are too busy dealing with financial problems.
- You're not prioritising all of your debts.
- You don't have a [business plan](#).
- You think that one more sale, one more contract, one big customer payment will solve the cash flow problem.
- You're not meeting your government obligations (e.g. tax, super, workers' compensation).
- There are issues with your product (e.g. constant returns, faults and disputes with clients).
- You have staffing issues.

Your wellbeing:

- You're finding it hard to concentrate.
- You're avoiding necessary day to day task and obligations.
- You're unable to sleep.
- You feel disconnecting from family and friends.

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## What to do when you're in debt

If your business is in debt, these steps can help you get your finances back on track:

- [Assess your financial situation](#)
- [Prioritise your debt](#)
- [Chase up money owing to you](#)
- [Talk to the organisations you owe money to](#)
- [Seek advice and help](#)
- [Contact your bank](#)
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### Assess your financial situation

The first thing you should do is take stock of your debts and the money owed to you.

A [cash flow statement](#) or [profit and loss statement](#) can give you a quick snapshot of the financial health of your business. Be sure to include payments you need to make on behalf of your employees such as super, tax and workers' compensation.

If you haven't already, consider setting up a [basic bookkeeping system](#) to help keep track of your financial situation.

Consider speaking to an accountant or [business adviser](#).

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### Prioritise your debt

Prioritising your debt can be a quick way to get creditors off your back. Begin by identifying:

- what you can afford to pay
- what you can pay later
- the debt you need to pay now
- when to go on a payment plan.

A budget can help plan and direct your money where it matters the most. Read [How to do a budget](#) on the Australian Investments and Securities Commission's (ASIC) MoneySmart website.

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### Chase up money owing to you

Now is the time to contact late or non-paying customers. If you're having problems receiving money owed to you, find out [what to do when you haven't been paid](#).

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### Talk to the organisations you owe money to

Speaking to your creditors early can prevent further late penalties or calls from debt collectors. When you talk to them:

- explain your circumstances
- ask if any hardship provisions are available
- ask if you can extend the due date, make a partial payment or go on a payment plan

- make sure you keep a record of your conversation.  
If your debt has been passed onto a debt collector, there are certain laws they need to comply with. Find out what your rights and responsibilities are when you're [dealing with debt collectors](#) (PDF 1.1MB) on the Money Smart website.

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### **Seek advice and help**

If your debts are becoming a problem, it's important to get help and seek advice from experts before the situation becomes unmanageable.

#### **If you need to talk to someone:**

- Call the National Debt Helpline on [1800 007 007](tel:1800007007) or go to the [National Debt Helpline](#) website.
- Contact the Australian Taxation Office on [13 28 66](tel:132866) to [register for business assistance](#).
- If you feel your debt is affecting other areas of your life contact [Lifeline](#).

#### **Get financial advice and counselling:**

- Free financial counselling services are available in every state and territory. For a list of financial counsellors in your area visit the [MoneySmart](#) website.
- Some advisory services offer free or low cost advice with finances. Search our [Advisory Services](#) to find an adviser in your local area.
- Speak to your accountant. Get help [choosing an accountant](#) if you're having trouble finding one.

#### **Access legal advice:**

- Find out your rights and the steps you should take on the [Financial Ombudsman Service Australia](#) website.
- The MoneySmart's website has information on [free legal advice](#) and services.

#### **Find financial assistance:**

- Search our [Grants & Assistance](#) for details about government grants, incentives and other funding programs available for businesses.
- Refer to our [Where to find financial](#) help topic.

Find more organisations that provide information and support to help you with your [health and wellbeing](#) on the ATO website.

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### **Contact your bank**

Talk to your bank about your finances and explain the steps you've taken so far.

Consider and discuss:

- applying for financial hardship
- working out repayments or a reasonable payment plan
- restructuring your debt
- extending the payment period.

Preparing a [profit and loss budget](#) or [cash flow forecast](#) can give your bank an insight into the issues your business is facing and help when applying for financial hardship.

For information on how banks can help you, read the [Small Business and Dealing with Debt fact sheet](#) (PDF 186KB) on the Australian Bankers' Association's website.

If you feel you can't reach a solution with your bank, consider conciliation through the [Financial Ombudsman Service Australia](#).

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## **Apply for bankruptcy or insolvency**

If you've exhausted all other options and don't think you can pay your debts you may consider applying for bankruptcy or insolvency.

Before you do anything, seek help from a professional, such as an accountant. They may be able to suggest ways you can repay your debt that don't involve bankruptcy or closing your business.

There are different insolvency arrangements that apply to sole traders and partnerships and companies. You can find information about bankruptcy and insolvency and how it applies to your business structure in our [Bankruptcy](#) topic.