



## What is a bankruptcy

**Bankruptcy is an insolvency procedure that applies to a person, not a company.**

A person is bankrupt if they have been declared bankrupt under the terms of the Bankruptcy Act and have not been discharged from bankruptcy.

A personal insolvency agreement is an alternative to bankruptcy and for the purposes of the Bankruptcy Act, is where a person enters into an agreement with their creditors without being made bankrupt.

Under the Corporations Act if you are bankrupt or have entered into a personal insolvency agreement you are automatically disqualified from managing corporations and cease to be a director, alternate director or secretary of a company unless you have been given leave by the Court to manage corporations.

### Related links

[Bankruptcy and Personal Insolvency Agreements](#)