

"The committee feels that further study of our garnishment law should be made, for there appears to be some relation between the number of suits filed and the number of bankruptcies filed. The fact that many persons bankrupt soon after being sued is also a matter deserving further study.

"It is the hope of the committee that the attorneys who file the petitions are now and that they will continue to counsel their clients with reference to the stigma attached to bankruptcy. It is hoped that attorneys are taking full advantage of their opportunities to advise methods of setting debts in ways other than through bankruptcy, particularly so in those cases where the amount of debt appears to be so small.

"The committee admits it has no knowledge of the technical responsibility, functions and discretionary powers of the bankruptcy court, nor has it employed counsel to advise it in such matters. It relies solely in Webster's dictionary, the elementary edition, which defines a court as a place where justice is administered and on the old concept that he who comes into court must come with clean hands. At least one case came to the attention of the committee where the petitioner, in its opinion, did not go into court with clean hands. It is regrettable that this should have happened.

"Now as to those who obtain goods and services on their promise to pay at a later date and, because of their inability or inconvenience to discharge the debt seek relief in bankruptcy court, the committee feels that in too many cases petitions are filed because of poor advice or because they are mad at someone for suing them.

"It appears from the records that many petitions have been filed when much less drastic solutions could have been found. It also would appear that some petitions have been filed simply because it was an easy way out and these are the cases which appear to indicate moral degradation.

"In former years bankruptcy was considered, except in unusual cases, a badge of dishonor and disgrace. Although today it has lost some of its stigma, it is still nonetheless, considered as strictly derogatory in appraising one's fitness for trust in financial matters. As has been stated, a vast majority of the cases of bankruptcy are legitimate, but even so, many firms refuse credit solely on the basis of the fact that the person has in some previous year bankrupted. Most mortgage companies will refuse to take applications for the financing of homes from persons who have bankrupted unless the failure was a long number of years ago and the person is able to give a satisfactory explanation of the failure. Also, he must show evidence of complete recovery, and even then it is difficult for a former bankrupt to get a home financed.

"The better class retailers' requirements are about the same. Even those who do extend credit to a former bankrupt do so with a wary eye to the future, and the account is usually marked 'watch' until sufficient experience is had to assure them the person is stable. They fear that 10 per cent who will bankrupt again.

"Many persons have visited the credit bureau to see what can be done about getting that bankruptcy off my record. Their trip is in filed it becomes a part of their permanent record and remains with them 'until death do us part.' Many persons claim they were 'forced' to bankrupt, but that they have since paid off their debts, and some—very few—do.

"What does happen is that they pay the company holding the mortgage on the car, otherwise they would have to give it up. They pay the note for borrowed money on which Uncle Joe is endorser, otherwise there would be a family 'incident.' They pay the mortgage on the furniture unless it is so worn out they think the loan and finance company would not have it. They pay the installment on the TV, otherwise it goes back to the dealer. Very very few ever pay the doctor, the grocer, and the other unsecured creditors.

"The committee concludes with the advice that bankruptcy is in many cases the only solution to a serious financial disaster, but that it is a most serious step for the person filing the petition. It is something that, whether justifiable or not, will live to haunt the bankrupt the rest of his life."

(Mr. James E. Moriarty, referee in bankruptcy, U.S. District Court, Central District of California, submitted the following material on the various codes in California and the bill introduced by Assembly-