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RESEARCH ARTICLE

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Challenging assumptions about American and Canadian consumer bankruptcy online education models

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Abstract

Bankruptcy counselling and debtor education (which can now occur online) have been linked to recidivism rates. But there is little research on online service delivery related to credit counselling and little empirical evidence on the effectiveness of short-duration, online bankruptcy modules or courses. This research commentary explores assumptions surrounding American and Canadian online bankruptcy education models with a focus on factors that might shape the effectiveness of online delivery and improve consumer self-efficacy to reduce recidivism. After describing both models, the discussion turns to the effectiveness of online delivery models in general, bankrupts assuming responsibility for self-directed learning, assumptions around both their readiness and motivation for e-learning, e-learning under stress, senior e-learners, and assessing successful online learning. The intent is to stimulate future research on this under-researched aspect of the insolvency phenomenon.

1 | INTRODUCTION

This research commentary is about North American consumer bankruptcy legislation, which has joined the digital world by augmenting remedial credit counselling with online debtor education.[1] Yet little research exists on this policy innovation, whether its effectiveness (reduced recidivism) or personal self-efficacy (sense that one can control one's behaviour and influence the future). Braucher referred to the 'wishful thinking' that informed the original policy decision to mandate credit counselling and debtor education in the United States (US), and that was before this digital innovation.[2]

Preventative, in-person credit counselling began 65 years ago to:

> assist consumers to better understand their financial situations, manage debts, and avoid bankruptcy.[3]

But many people do not avail themselves of credit counselling (digital or otherwise) until times of substantial financial distress (e.g., high rates of delinquent payments, ballooning debt levels, and declining credit scores). This delay in seeking preventative help is unfortunate.[4] Indeed:

> once one reaches the possibility of bankruptcy stage, counselling can be long overdue. If preventative personalized support and financial awareness education (i.e., credit counselling) had been sought and openly available, needing legal remedial help might have been prevented.[5]

Choosing the legal route requires people to complete *remedial* credit counselling to obtain a discharge rather than *preventative* credit counselling to avoid insolvency in the first place. Historically, bankruptcy policy makers have assumed that remedial credit counselling will reduce recidivism (aka. repeat or prior filings) by contributing to self-efficacy.[6] This assumption is challenged herein because remedial bankruptcy counselling and debtor education have ironically been negatively linked to recidivism rates[7] with 10% considered the historical norm.[8] The 2023 US recidivism rate was 36%,[9] while the 2021 Canadian rate was 22% (most recent statistic).[10]

This intimated causal link is based on observations that remedial bankruptcy counselling and education are ineffectual because they are too late, inadequate, irrelevant, and impractical for people's immediate needs and post-discharge life.[11] This is unfortunate because:

> when strengthened with situation-specific skills, processes, and competencies… bankrupts and consumer debtors should be able to minimize future financial distress, increase their financial health (rehabilitation), get a fresh start, and mitigate recidivism.[12]

In the absence of targeted research on how well the digital, online consumer bankruptcy education model is working in both the US (mandatory) and Canada (optional), this research commentary explores assumptions surrounding its anticipated contributions to the burgeoning insolvency dilemma. Of interest herein are factors that might shape the:

1. effectiveness of online delivery modes (instead of in-person); and
2. improvement of consumer self-efficacy to reduce recidivism in post-discharge life.

In truth, there is:

> little research on online service delivery related to credit counselling [in general].[13]

Equally, there is little empirical evidence on the effectiveness of short-duration, online learning modules or courses.[14] The few studies that do exist report contradictory results for online course-delivery effectiveness.[15]

To address this research lacuna, this research commentary has mirrored Green et al.'s effort to:

> upset longstanding assumptions… of how bankruptcy works.[16]

It does so by identifying and challenging assumptions about the remedial online delivery model to stimulate future research on this under-researched aspect of the insolvency phenomenon. The commentary begins by describing each nation's existing online model followed by factors potentially contributing to their effectiveness and self-efficacy, including:

1. the effectiveness of online delivery models in general;
2. bankrupts assuming responsibility for self-directed learning;
3. assumptions around both readiness and motivation for this learning mode;
4. e-learning under stress;
5. assumptions about bankrupt senior e-learners; and
6. assessing the success of online learning.

2 | AMERICAN AND CANADIAN BANKRUPTCY COUNSELLING AND DEBTOR EDUCATION MODELS

Regarding the legal foundation for counselling in the insolvency process, mandatory counselling for Canadian bankrupts and consumer debtors (consumer proposals) was introduced in 1992 when amendments to the 1985 *Bankruptcy and Insolvency Act* (BIA) made financial counselling a prerequisite for receiving an unconditional discharge. The first counselling Directive was issued in 1993.[17] About a decade later, section 106 of the US 2005 *Bankruptcy Abuse Prevention and Consumer Protection Act* (BAPCPA) prohibited American debtors from filing for Chapter 7 bankruptcy or a Chapter 13 repayment plan until they had:

> received a briefing from an approved [non-profit] budget and credit [counselling] service.[18]

Bankrupts can be denied discharge if they fail to:

> complete an instructional course concerning personal financial management.[19]

2.1 | The American model

Americans seeking bankruptcy (whether Chapter 7 or a Chapter 13 repayment plan) must complete one or both of two courses—pre-filing and post-filing—that can be delivered online, in person, or over the phone. They complete:

1. a credit counselling (CC) course (individual or group) *before* deciding to file for bankruptcy; and

2. a debtor education (DE) (financial management) course *after* filing to obtain discharge.

The CC component *counsels* people by completing a financial analysis, helping them understand the bankruptcy process and identifying the option of working out a payment plan with creditors outside of court *instead* of filing for bankruptcy. The DE component *educates* bankrupts, so they can avoid post-discharge financial distress. They learn about money management, consumer protection, repairing their credit, planning successful financial strategies, and dealing with unexpected financial crises.[20]

After completing the CC, anyone considering bankruptcy must speak with a US trustee-certified credit counsellor who reviews key points covered in the course, gathers any additional information, and responds to the person's questions or concerns. People are issued a *Certificate of Credit Counselling* (course completion) that allows them to proceed with bankruptcy *if* they elect to do so. Bankrupts must complete the DE course (with a course-completion certificate) to be discharged. Only certified credit counselling organizations and debtor education course providers may issue these certificates.[21] Both courses have been described as 'self-study instruction',[22] but:

> the exact 'financial management' course is not detailed in the law.[23]

This means that its content can be tailored to meet clients' needs.

2.2 | The Canadian model

Canadians must complete two sessions of mandatory in-person counselling *after* formally filing for bankruptcy or entering a consumer proposal (consumer debtor) (akin to Chapter 13). Each session is prefaced with an optional online component; the portal went live in 2019.[24] The OSB's approval is required to complete the counselling sessions on the phone, via video conference, or at a site other than the office of the Licensed Insolvency Trustee (LIT).[25]

The first in-person counselling session deals with budgeting and setting financial goals. During the second session, counsellors help people identify any nonbudgetary causes of their financial difficulties (e.g., gambling abuse, compulsive behaviour, substance abuse, employment concerns, and marital or family difficulties) with referrals to specialized counselling when warranted.[26] The optional online educational modules are intended to prepare people for mandatory in-person counselling. Consequently, module one concerns budgeting, and goal setting in preparation for the first counselling session. The remaining three deal with future-planning issues: post-insolvency goals, spending habits, and credit usage.[27]

The OSB has explicitly framed these online experiences as 'self-directed online learning'.[28] Both LITs (usually accountants) and private-sector BIA Insolvency Counsellors can adjust the sequencing of the four modules to suit their clients' needs.[29]

3 | EFFECTIVENESS OF ONLINE SERVICE DELIVERY MODELS

Wong et al. affirmed that e-learning platforms:

> are useful and appealing to a variety of learners [with their learning effectiveness affected by] topic, content, and difficulty.[30]

Also, the:

> effectiveness [of online instruction] often depends on the specific course or training, what the person is being asked to learn, and how the knowledge is then used.[31]

That said, despite their *cost* effectiveness, there is a dearth of empirical evidence on the *learning* effectiveness of short-duration, online learning modules,[32] such as those used in American and Canadian bankruptcy processes.

Fortunately, despite no guarantee that financial education will improve long-term financial behaviour, such education normally improves immediate financial knowledge levels.[33] This bodes well for more effective in-person bankruptcy counselling sessions as the knowledge gained from online material will be applied fairly soon. Moreover, people can repeatedly access online sites,[34] thus keeping the information fresh and retrievable during the insolvency process.

3.1 | The American context

In a rare American study, Lyons et al. reported that bankrupts wanted an online course because it allowed more time to go over material and complete learning activities.[35] Two years later, Lyons (with a slightly different team) evaluated the online *Money Management International* (MMI) bankruptcy course ($N = 32{,}554$) approved by the US Trustees' Executive Office.[36] Although bankrupts experienced low actual knowledge gain (11.4%) after completing the online course, virtually all (97%) reported *feeling* more knowledgeable, and 91% felt their overall ability to manage their finances had improved. This result intimates perceived improved self-efficacy.

Previous knowledge level and demographics also played a hand. Those with higher initial financial knowledge were most successful in increasing their knowledge level, as were homeowners. Older bankrupts, minorities, and those less educated had the least knowledge gain (all statistically significant). Pre-course financial knowledge level affected whether the knowledge gained was incremental or substantial.[37] Their 15-year-old study suggests that an online bankruptcy education delivery model may be more effective if the association with previous knowledge level and certain socio-demographics is respected. More research is needed to augment this earlier study.

3.2 | The Canadian context

The inaugural evaluation of the Canadian optional online bankruptcy education modules revealed that nearly half (47%) of bankrupts and consumer debtors used one or more of the four modules. Nearly half (42%) completed the budgeting module. A lower percentage (20%) completed all four modules, trending upwards to 33% two years after their 2019 launch. Unfortunately, this means that two thirds did *not* use the educational modules prior to mandatory credit counselling sessions. Those who did rated the modules 'very useful' (73.2%), 'somewhat useful' (26.4%), and 'not very/not useful at all' (0.64%).[38]

This finding is not surprising because research affirms that learners always spend more time on the first modules (topics) of a course than subsequent ones,[39] and budgeting is the first module. Canadian usage results also revealed that:

> the use of [optional] online modules prior to [mandatory] insolvency counselling sessions is associated with higher perceived usefulness of insolvency counselling. [Furthermore], the more modules a debtor completed, the more likely they [sic] were to indicate that the insolvency counselling was 'very useful'.[40]

More research is needed to augment this inaugural assessment.

4 | BANKRUPTS' ASSUMING RESPONSIBILITY FOR LEARNING

> Individuals must take personal responsibility for securing their financial future.[41]

In principle, this responsibility also carries over to insolvent situations. Indeed, online bankruptcy education models presume that people can assume more ownership of and take control over their financial situation. Of relevance herein is that assuming primary responsibility for one's learning is also an important requirement for online learning success.[42]

In its purist form:

> self-directed learning [is] a learning process in which the key element is the learner's conscious *acceptance of responsibility* for the learning.[43]

If people accept responsibility of their own volition, they agree to act, make choices, and live with consequences.[44] However, it may be presumptuous to assume that bankrupts and consumer debtors will willingly accept responsibility for learning financial concepts of their own volition. Although both nations referred to their models as self-directed learning or self-study instruction, they are not self-directed learning in its purist sense because people are not *choosing* to learn online—instead, they are strongly influenced or required to do so, which is different from a voluntary undertaking.

This lack of volition may complicate bankrupts' propensity to accept responsibility to engage with and complete online material.[45] To reiterate, although two thirds of Canadian debtors did not complete the optional online modules, those who did tended to perceive mandatory counselling as 'very useful'.[46] Counsellors and debtor educators are, thus, encouraged to frame this self-directed/self-study learning experience as a chance to take control of one's life and strengthen one's knowledge base to better ensure future solvency and no recidivism. People who voluntarily participated in financial education became more future oriented,[47] which bodes well for reduced recidivism.

5 | BANKRUPTS' PRESUMED READINESS FOR ONLINE LEARNING

Instructionally sound internet-based courses are recognized as valuable opportunities to transfer information, expand knowledge, and augment skills and competencies.[48] But the soundness and effectiveness of instructor-free e-learning is directly tied to learners' readiness to self-learn with readiness (i.e., willing and without hesitation) positively correlated with successful learning.[49] Thus, if bankrupts and consumer debtors approached the online material in a state of learning unreadiness, their ability to learn the financial concepts before the counselling sessions might be compromised.

The readiness factor is key to the effectiveness of any online learning.[50] Policymakers must temper their assumptions about this aspect of the bankruptcy process. Both nations' models assume that counsellors will focus on people's unique concerns rather than allocate very limited time to teach financial concepts one on one. Their role, instead, is to confirm whether people knew or learned the concepts while completing the online material and then address any self- or counsellor-identified gaps in person. Whether the bankruptcy e-learning method is sound remains to be seen, but all parties should heed the import of readiness to self-learn.

6 | ASSESSING ONLINE SELF-LEARNING READINESS

To elaborate, most people facing e-learning have experience with traditional classroom environments but not with online learning environments, which are digital spaces for sharing content, learning exercises, and assessments.[51] Both nations must question their assumption that most people are ready for online learning. To aid this process, university distance-learning departments have developed online self-learning readiness assessment tools that may prove useful for evaluating the success of the bankruptcy education online delivery model. Although these modules and courses will be convenient for those inclined to access material online,[52] convenience is no guarantee of successful learning.[53]

Learners who tend to succeed online are self-motivated and independent, meaning they undertake or continue tasks without another's prodding or supervision. They do not need anyone to guide or scaffold them.[54] This could prove problematic if people seeking insolvency relief are not self-motivated because both countries have an instructor-free model. Although self-motivation may not be automatic, it might come later if the e-learning material is engaging and bolsters self-efficacy. The more motivated the learner, the more successful the e-learning.[55]

Perceived readiness to learn online is assessed along several criteria:

1. learning environment and climate;
2. self-discipline and task orientation;
3. self-determined learning style and preferences;
4. study habits and concentration;
5. computer access, tech savviness, and tech aptitude; and
6. computer features (e.g., internet access and connections, software, and operating system).[56]

These six factors correlate with Guglielmino's theory of e-learning readiness comprising two major components: self-directed learning readiness and technical readiness.[57]

Successful self-directed learners can also ignore or effectively deal with online and in-person interruptions and distractions because they tend to create a quiet place to study and work. They can also manage their time, see something through to the end, stay on task, effectively organize things, and pick themselves up when discouraged. They can comprehend what they have read, take notes, and willingly ask for help. And they can use computers and readily seek assistance for technical issues instead of giving in to frustration.[58]

Research has confirmed that levels of self-directed learning readiness exist along a continuum with some people keen and ready to learn this way and others preferring direct, in-person instruction.[59] That said, the proven strategies for increasing self-directed learning readiness will not work in the American and Canadian insolvency process as they are simply not conducive to short-term online modules. Examples include problem-based learning, learning contracts, independent learning projects, cooperative learning, and tailored, individualized instruction. The existing one-size-fits-all content acquisition model, delivered online through a static, information-transfer delivery system, may *suffice* to prepare people to learn financial content before counselling or discharge,[60] but future research should confirm or refute this assumption.

7 | BANKRUPTS' MOTIVATION AND SELF-DIRECTED LEARNING

To reiterate, Americans must complete a credit counselling course *before* declaring bankruptcy and a debtor education course *before* discharge (written, audio, or video).[61] For an automatic discharge, Canadians must complete two in-person credit counselling sessions *after* entering the legal state of bankruptcy or a consumer proposal with the option to complete online education modules beforehand.[62] Assuming any other motivation for self-directed learning at the onset, aside from discharge from the legal process, is presumptuous.

That said, as people progress through the modules or courses, they may come to enjoy learning about financial concepts and become motivated to continue. If Canadians' completion of the first module leads to a successful first counselling session, they may become or remain motivated to complete the remaining three modules for the second session. If Americans file for bankruptcy, they must complete the DE course (which can be accessed online) with discharge as their main motivation. The extent of people's continuing engagement is directly tied to their motivation, which shapes their perseverance in learning.[63]

That said, being legally compelled to complete the online learning component may initially curb motivation relative to having a choice.[64] Thorne and Porter commented that this education may be 'most useful when it is voluntary'.[65] The possibility of curbed motivation, thus, prompts counsellors to frame the online learning experience as a valuable, integral part of the mandatory counselling process rather than an annoying add-on or prerequisite with no perceived value beyond release from the legal insolvency process.

On the other hand, Lyons et al. posited that these courses could be teachable moments if they increased self-awareness of current financial practices and habits thus making people:

> motivated to want to take action and improve their financial situation.[66]

Indeed, virtually all (97%) respondents in their US study who had completed mandatory counselling said they would likely seek help again if they faced future financial issues. This intimates that they:

> appreciated the educational value of the counselling and did not feel that the requirement [i.e., lack of choice] had been a burden.[67]

Indeed, the more modules that Canadians voluntarily completed, the more likely they were to judge in-person counselling as 'very useful'.[68]

8 | PERSONAL RELEVANCY AND MOTIVATION

Self-learners' motivation is also related to how well the online course content relates to them personally.[69] Many bankrupts in Sousa's US study wanted the mandatory course to be less standardized and more tailored to their unique financial and personal situation.[70] Canadian LITs and counsellors believed that mandatory counselling content was less relevant for people who had lost their business, were living with addictions, or were victims of circumstance (beyond their control).[71]

The OSB subsequently standardized educational content in such a way that it addressed the needs of *most* consumer debtors and bankrupts,[72] similar to Clancy and Carroll's recommendation.[73] At the same time, the OSB gave LITs and counsellors leeway to tailor sessions to better ensure personal relevancy,[74] which should bolster motivation and lessen recidivism. US counsellors can also tailor their offerings.[75] In that event, the most important topics for a specific learner should be offered at the beginning of the short online time frame or counselling session when attention tends to be highest.[76]

9 | FINANCIAL MISMANAGEMENT AND MOTIVATION

The majority (62%) of Canadian bankrupts and debtors cited financial mismanagement as the primary cause of their insolvency followed with insufficient or loss of income and unemployment (38%). In addition to mismanagement, something usually happened to send things over the brink (e.g., divorce, illness, job loss, reduced hours, or unexpected circumstances such as a house fire, labour strike, or major car or home repair).[77] Similarly, financial mismanagement, in concert with events that pushed people over the brink, was presumed the most likely cause of American bankruptcies.[78]

With financial mismanagement such a powerful factor underpinning insolvency, it must be better understood.[79] It is management that, intentionally or not, is:

> 'wrong, bad, careless, inefficient or incompetent' and that will reflect negatively upon the financial standing of [an] individual.[80]

As a result, people's financial stability is compromised, which is unfortunate because:

> financial stability leads to financial resilience and financial security in that people can weather unforeseen life events, financial stressors, and shocks.[81]

To be fair:

> most people do not intentionally set out to mismanage their finances but before they know it they've racked up a pile of debts, in most cases well beyond their control.[82]

Osunbayo has identified several ways that mismanagement can come about:

1. living without a budget or having one and not following it;
2. lacking a financial focus, direction, and control;

3. having no or misplaced priorities;
4. living beyond one's means or being forced to use credit to make ends meet;
5. addictions;
6. unwise familial or household distribution of responsibilities for managing income flow and expenses; and
7. neglecting to acknowledge, anticipate, take steps to, or successfully mitigate economic circumstances beyond one's control that impact income sources and flow.[83]

Acknowledging these factors would make the online learning experience more personally relevant and motivating.

10 | PRESUMED E-LEARNING UNDER STRESS

Alini has noted that nearly one third (30%) of Canadians in a 2017 IPSOS nationwide poll ($N = 2000$, $SD \pm 2.5\%$) said they were worried about going into bankruptcy.[84] This number jumped to nearly half (46%) in 2025 as reported in MNP's consumer debt index.[85] Nearly half (45%) of Americans were especially worried and stressed about medical or health bankruptcies—the leading cause of bankruptcy (66%) in the US.[86]

> With many Canadians living in financial stress each month, it's little surprise to see that only a minority express full confidence in their financial planning abilities [including] understanding the concepts of bankruptcy and insolvency.[87]

Their entrenched stress was further exacerbated by a marked lack of confidence in debt payment strategies, setting and following a budget, creating an emergency fund, understanding the impact of interest rates, and understanding credit scores.[88]

> As perceived by attorneys, [Americans] who file bankruptcy often are 'incapacitate [d]' by stress, and their financial situations are 'perhaps too painful to them.' For some people who contemplate filing, the added stress of bankruptcy's requirements may stop them from ever filing.[89]

These North American statistics powerfully highlight the financial vulnerability and stress levels of many indebted citizens leading to 434,064+ annual American filings[90] and 120,000+ annual Canadian filings.[91]

> [US] bankruptcy filings surged by 18% in 2023 on the back of higher interest rates, tougher lending standards… We expect the increase… to continue in 2024 given the… increased cost of funds, higher interest rates, rising delinquency rates, and near historic levels of household debt.[92]

The similar recent surge in Canadian filings (up 23% in 2023)[93] is expected to:

> remain elevated [because of] mounting financial pressures on Canadian households due to high living costs, debt servicing expenses, and the lingering impacts of

> rapid inflation. [People are] experiencing constant stress or losing sleep over financial worries.[94]

Indeed, bankrupts and consumer debtors are inordinately stressed when they file for bankruptcy or enter a consumer proposal.[95] Yet, somehow, they are expected to partake in and learn from mandatory or optional debtor education before mandatory counselling or discharge. Lupica et al. lamented that:

> these courses are offered to debtors at a time when they are in the throes of a financial and emotional crisis and thus are less likely to absorb any substantive content.[96]

Policy makers and other stakeholders should understand that personal (emotional) stress and financial stress are related. Personal stress in an insolvent situation is the angst people experience when facing financial distress, which includes instances of compromised credit worthiness, the risk or existence of delinquency, and unrecoverable insolvency.[97] In addition to not being able to pay bills on time, people often face wage garnishment, aggressive collection agents, stigma, and a sense of personal failure. Their life is:

> fraught with struggles, recriminations, what ifs, and I should've, could've, would've.[98]

Most people seeking bankruptcy have struggled for some time before seeking debt relief.[99]

Biologically speaking, when stressed people perceive a threat to their environment, their amygdala becomes activated (regulates emotions and motivation), thus putting them on alert for any need to fight, flee, freeze, or fawn.[100] Unfortunately, people's memory of these stressful experiences lingers, especially for bankrupts,[101] thus creating negative emotions (e.g., anxiety, anger, shame, guilt, fear, and hopelessness).[102] Moreover, these emotions are negatively related to motivation in online learning environments.[103] Worse still, stress impairs memory retrieval.[104]

This complex situation is further exacerbated when people are stressed because their thinking is confused and distorted, and their short-term memory is suppressed.[105] This is unfortunate because the US and Canadian counselling and education models depend on consumer debtors and bankrupts drawing on their short-term memory (i.e., information from the online modules) while working on their insolvent situation both alone online and in person with counsellors. This is happening while people are dealing with:

> the emotionally overwhelming impact of bankruptcy.[106]

In another twist, not only does stress prevent memory storage and retrieval in the short term (by as much as 30%),[107] it also reduces the long-term integration of new information into existing memories, especially if the stress existed before the learning experience,[108] as it often does for insolvent consumers.[109] This biological fact has implications for the bankruptcy online delivery model because these findings hold regardless of material learned.[110]

To wit, counsellors and debtor educators may have to lower their expectations of how much people can learn when completing the online modules or courses and approach each in-person counselling session with an appreciation of this limitation. Also, people under stress remember emotional material related to the context better than neutral material. To respect this fact, course designers could build in positive emotional reinforcement at or near key financial concepts thus assigning them an emotional context, so they are better remembered (e.g., emoticons, thumbs-up, music clips, or video clips).[111]

Experiencing:

> stress before learning… may hinder the successful transfer of knowledge and reduce cognitive flexibility in problem solving.[112]

This makes it difficult for bankrupts and consumer debtors to achieve two key objectives of the counselling sessions:

1. develop a budget and create goals; and
2. address any nonbudgetary causes of insolvency.[113]

As well, experiencing stress close to and within the context of the information to be learned (e.g., while completing the online material) has a high negative effect on memory and recall.[114] All said and done, stress:

> modulates human learning and memory processes, with critical implications for educational contexts.[115]

This includes bankruptcy education. Consequently, bankruptcy stakeholders must remain cognizant of how stress impacts e-learning. Unfortunately, the human brain can 'learn to stay stressed', which does not bode well for already-stressed debtors. When this happens, stress short circuits key executive brain functions that are essential to learning: self-control, impulse control, memory, and reasoning.[116] To mitigate this stress, online course designers can prompt learners to take short breaks (time outs), breath, and stretch during their online time. Time management, distraction mitigation, and meditation are also recommended.[117]

11 | DEBUNKING BANKRUPTCY MYTHS TO REDUCE STRESS

Many people are unnecessarily stressed because they harbour misplaced myths about bankruptcy and consumer proposals, which can hinder their decision to seek legal relief from both aggressive creditors and the stress associated with insolvency.

> Studies show that only a fraction of people with serious debt problems file for bankruptcy protection.[118]

Hoyes and Terrio have debunked prevailing Canadian bankruptcy myths.[119] Allaying these myths could alleviate a lot of worry and pressure, thus making online learning more accessible, enjoyable, and effective.

To elaborate, very few bankrupts lose their home or their possessions. It is illegal to fire anyone for declaring bankruptcy, so fear of job loss is unfounded. Unless people hide things and transfer property to others to avoid disclosing asset ownership, few go to jail. Spousal credit is not affected (with some restrictions around jointly held debts). People can usually renew their mortgage if they are still making payments. Most lending institutions will consider approving a new mortgage while people are in bankruptcy. If the lender forecloses and sells the house but does not get enough money and tries to get the difference from the bankrupt, this mortgage shortfall is exempt (except for certain provinces). Finally, taxes owing are fully dischargeable unless there is evidence of tax fraud or evasion.[120]

Maegli has debunked similar US myths. Few lose their property. People are not sent to jail for delinquent payments.[121] The stigma is disappearing; people are less likely perceived as a failure or leech on the system; filing is not public knowledge. People's credit is not ruined forever, although it may take a year or two to acquire new credit. People can purchase a new home and vehicle after bankruptcy, although it may take a couple of years to qualify. Whether a spouse can be held liable for debts depends on the specifics of their financial situation.

Bektic and Morgan have clarified that not all institutions close bankrupts' bank accounts.[122] Discharged people may have to wait a year to open a new account. Most retirement funds are protected. Medical bills can be discharged. Married spouses do not have to file together, but this can be affected by pending separation or divorce. People can file a Chapter 7 bankruptcy every eight years. Courts can take back monies paid to cover debts to family and friends. Bankruptcy is now viewed as a Constitutional right rather than unethical or immoral.

12 | FILING REDUCES STRESS

From a different perspective, it is possible that once people officially file for bankruptcy protection or enter a consumer proposal, most stress falls away, thus making it easier for them to learn the online content. Kain, a US bankruptcy trustee, concurred, having observed that when people filed for bankruptcy and their legal liability to pay many of their debts was removed, they felt a palatable sense of relief and reduced stress levels.[123] Their perception that they had a *fresh start* lowered their financial and personal stress. They may, thus, be able to learn and retain more from the online modules. This hypothesis merits further study.

13 | BANKRUPT SENIORS AND ONLINE LEARNING

The number of Canadian bankrupts aged >65 nearly doubled within the last 17 years and is holding at 11%. More than one third (36%) were aged >50 in 2023.[124] Similarly, Americans aged >55 accounted for 20% of all filings in 2023, with this number doubling within the last 16 years.[125] If this trend continues, approximately three in 10 people taking the online modules or courses will be senior learners (30%).

This may not be overly problematic as seniors use the Internet for ever-widening reasons,[126] and the modules are available on the Internet. More than 80% of Canadian seniors aged >65 used the Internet in 2022.[127] Most (87%) American adults aged 50 to 64 and 82% aged 65 to 69 were also online.[128] It may be reasonable to assume that most senior bankrupts and consumer debtors will be relatively comfortable with online learning. However:

> seniors who are older, less affluent or with lower levels of educational attainment continue to have a distant relationship with digital technology.[129]

And older learners, whether insolvent or not, face age-related online learning barriers that must be accommodated.

To elaborate, seniors' unique (often declining) cognitive and technological prowess must be considered when creating online bankruptcy education modules and courses.[130] Foxwood explained that, when confronted with complex website features, older learners can become confused and overwhelmed.[131]

> This increases their cognitive load by causing them to focus too much mental energy on simply understanding how to navigate the course, thus affecting their ability to follow along with the content, comprehend key points, and retain information for later use.[132]

This does not bode well for already-stressed bankrupts and consumer debtors.

Notess and Lorenzen-Huber have recognized that people's memory, comprehension, information processing, and working memory all change with age, leading to a general, progressive slowing down of cognitive abilities that are needed when using a computer and accessing online information.[133] Despite this medical fact, more than half of older adults attributed problems with accessing online material to web design issues rather than their cognitive decline.[134]

Regardless, online content designers must be mindful of both age-related cognitive issues and website-design issues. An ill-designed course can:

> unwittingly encourage learned helplessness and increase attrition rates.[135]

This is because older adults are twice as likely as younger adults to give up if they cannot learn, especially if they perceived they made a mistake. They tend to have lower self-confidence when it comes to e-learning and are afraid to make mistakes when using information and communication technology (ICT).[136] Learned helplessness negatively impacts motivation to learn online,[137] and the fear of making mistakes can increase amygdala activity (i.e., brain processing centre for emotions, memory, and motivation) thus decreasing cognitive processes.[138]

14 | WEBSITE DESIGN STRATEGIES

Suggestions for a well-designed online course delivery system include psychologically assuring people that:

1. the learning portal is trustworthy;
2. everyone has the right to participate in online learning; and
3. repeated site access increases confidence and learning.

On the technical front, the website should use sans serif typeface font that lacks tails or feet (e.g., Arial, Tahoma, or Verdana), 12 to 14 pitch, left justification, double spacing, and grade-six reading level to accommodate vision and cognitive decline, respectively.[139]

To continue, content should be organized using simple, consistent, and straightforward logic. Older adults prefer a mix of readability and aesthetically attractive layouts along with slower-speed audio presentations. They appreciate examples and learning activities relevant to everyday life. And they often refer back to previous sections to reinforce content and information retention. This process is called back-jumping and supports cognitive changes in memory processing. To accommodate this behaviour, the course should contain regularly timed review sessions. Information should be broken down into small, manageable chunks to reduce cognitive overload. Visual and auditory impairments (especially with seniors) must also be considered.[140]

These web-design features augment:

> self-directed e-learning and moving at one's own pace.[141]

To help senior learners move through the online material, course designers should also:

1. provide an index or map of course content;
2. leave breadcrumbs, so learners can find their way back to previous sections;
3. present content simultaneously in text and video; and
4. incorporate assistance or help options in every section (e.g., live-chats, help buttons, frequently asked questions [FAQs], or a real person).[142]

Put simply, course designers should strive for a simplified, aesthetically pleasing user interface coupled with engaging, authentic, and motivating online content designed purposefully to accommodate natural cognitive declines and technological resistance or fear.

15 | ASSESSMENT OF BANKRUPTS' SUCCESSFUL E-LEARNING

On a final note, just as readiness to self-learn is a valid concern, so is whether people *actually* learned. Defining success in online learning environments has always been a challenge, with success differing depending on whose perspective—the instructor, the learner, or a third party.[143] In the Canadian delivery model, bankrupts and consumer debtors can attend in-person counselling sessions without completing the modules,[144] which is not the case in the US. For Canadians who do complete the modules, three types of evidence serve as proof that they learned the material:

1. debtors complete a budget and set goals and provide these documents at the counselling session;
2. counsellors assess debtors' ability to field financial concepts as they are introduced and used in the counselling process; and
3. learning gaps are not articulated during the in-person counselling sessions.

16 | FORMATIVE AND SUMMATIVE ASSESSMENT

The US Consumer Financial Protection Bureau (CFPB) recommended that financial education curricula include a range of formative and summative assessments[145] (as should a sound online course).[146] Formative assessments support learning as it is happening, and summative assessments at the end validate that learning has occurred.[147] No summative assessment is required for the Canadian model, whereby a passing or failing grade would be generated upon completion of the online modules. The OSB has clearly said: 'this is not a test'.[148] The American model does not have a summative test either.[149]

That said, online bankruptcy course designers should give the issue of formative assessment full consideration because immediate, real-time feedback supports and motivates learners as they progress through the material. Indeed, formative assessment is not about grades but progress. It:

1. helps learners to identify their strengths;
2. flags areas that need improvement and builds in time to improve;
3. helps determine what still needs to be learned;
4. gives learners time to acquire the predetermined information and skills for the identified learning objectives; and
5. helps them more fully grasp the financial concept or apply the knowledge gained.

Regarding recidivism, formative assessment stimulates people to strive for success and fosters lifelong learning.[150]

17 | CONCLUSION

Despite the deep significance of the online (digital) education component of the American and Canadian consumer bankruptcy systems, little research has examined its effectiveness and impact on consumers' self-efficacy. Research shows that bankrupts with high self-efficacy were more likely to make the effort to create a sustainable money management system after discharge with the potential to reduce recidivism.[151] This research commentary identified seven under-researched aspects of consumer bankruptcy online delivery models that might contribute to reduced recidivism and improved self-efficacy.

This matters because recidivism comes with crippling costs:

1. slower economic growth for a nation;
2. challenges to a nation's bankruptcy system and policies;
3. increased bankruptcy administration costs; and
4. economic post-discharge costs and stressors to debtors.[152]

Researchers in both nations are, thus, encouraged to:

1. challenge the assumptions underlying the online, self-directed, self-study mode; and
2. investigate the effectiveness and self-efficacy of short-duration, online learning as part of the bankruptcy and consumer proposal legal process.

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