

Insolvency: Warning signs of financial distress

March 26, 2020

In such turbulent times, financial institutions and their customers or borrowers may be facing significant challenges and stresses. There are signs suggesting that clients are facing financial distress and would benefit from assessing restructuring options, or that it would be time to consult with your intervention or special loans group.

Keep in mind that proactive action always reduce risks and facilitate a successful restructuring all with a view to minimize any possible losses. Delay in taking proactive measures may reduce the availability of successful restructuring options and increase the risks of losses. Many financial institutions also face increasing difficulties in their relationships with customers and borrowers who may seek to modify contractual terms or become subject to some form of insolvency proceedings. Timely and expert advice may be required in dealing with these quickly evolving situations.

Evaluate the situation if your customer or borrower is considering, has acted upon or has engaged in any of the following issues:

1. Conducting asset sales designed to generate cash flow, particularly in the short term
2. Deferring payments to creditors
3. Securing outstanding shareholder loans
4. Re-mortgaging assets
5. Transferring assets to family members or related parties
6. Laying off personnel
7. Closing places of business
8. Increasing personal liability of directors
9. Drawing the full availability on the operating loan
10. Persisting overdrafts
11. Increased shareholder/partnership disputes
12. Dependence on last minute financing or capital injections
13. Is subject to a formal insolvency proceeding
14. Signs of irritability or stress in your interactions, including delays in reporting

[BLG's Insolvency & Restructuring Group](#) is available to discuss specific situations in order to assess options and next steps with you. In particular we can evaluate what assistance, including non-legal, may be required and make timely recommendations in

that regard, including specific steps you should contemplate in order to ensure you are in the best position to weather this crisis.

Expertise

[Insolvency & Restructuring](#)

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.