

# 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 800 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](http://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](mailto:unsubscribe@blg.com) or manage your subscription preferences at [blg.com/MyPreferences](http://blg.com/MyPreferences). If you feel you have received this message in error please contact [communications@blg.com](mailto:communications@blg.com). BLG's privacy policy for publications may be found at [blg.com/en/privacy](http://blg.com/en/privacy).

© 2026 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.