Insolvency: Warning signs of financial distress

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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 fall 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

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