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Sujet traité : Les faillites de consommateurs canadiens ont atteint un sommet en près de cinq ans / Canadian consumer insolvencies at highest in almost five years

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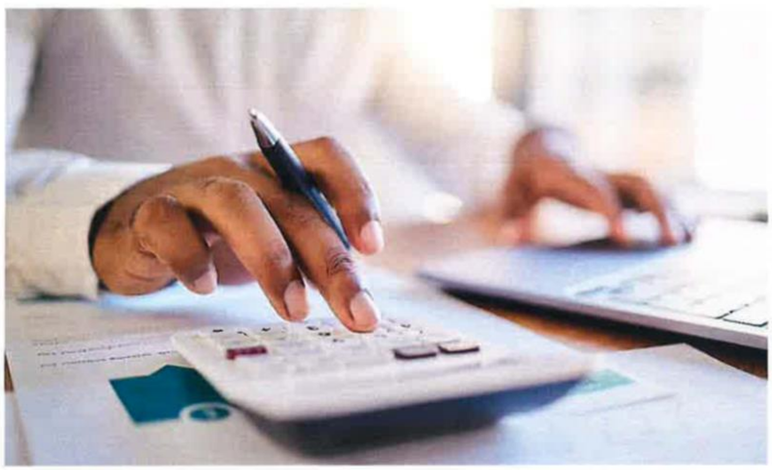
Industry news

Canadian consumer insolvencies at highest in almost five years

And businesses are also continuing to face overwhelming finances



By Steve Randall

Jul 02, 2024

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Canadians have shown remarkable resilience in the face of tough economic conditions, but families and businesses struggling with debts and higher costs have a breaking point.

The latest data from the Office of the Superintendent of Bankruptcy (OSB) reveals that consumer filings reached 12,195, the highest monthly volume seen since October 2019, marking an average of 393 filings by Canadians per day.

In May, consumer insolvencies increased 3.4% compared to April, making it the fifth consecutive month of increases, while comparing 12 month periods, the one which ended May 31, 2024, saw an 18% increase in filings compared to the previous 12 month period, to a total 130,802.

Saskatchewan saw the highest rate of increase year-over-year for consumer insolvencies in May, increasing 18.8% to 347 filings. Both Ontario and Quebec shared the second-highest rate of increase at 16%, reaching 4,561 filings and 3,110 filings respectively in May.

"Consumer insolvency data shows many Canadians are facing ongoing financial challenges," observed André Bolduc, Licensed Insolvency Trustee and Chair of the Canadian Association of Insolvency and Restructuring Professionals (CAIRP). "Despite interest rates declining, the high cost of living and the high cost of servicing debt continue to strain budgets."

Bolduc added that reduced interest rates will take time to positively impact Canadian households materially, especially as there is no set path for further rate cuts, although many economists believe multiple BoC rate cuts are still on the cards in 2024.

The issues facing Canadian households are amplified for those who will renew their mortgages in the months ahead. Rates will be significantly higher for those who locked in their fixed rate five years ago, even if there are further rate cuts this year.

"For Canadians grappling with mounting debt burdens, rising living costs, and the prospect of higher mortgage payments, seeking timely advice from a Licensed Insolvency Trustee can be beneficial to determine if debt-relief options are necessary," said Bolduc. "Measures such as debt consolidation, consumer proposals or bankruptcy can offer relief for those who are deeply indebted."

Business concerns

Many businesses are also finding conditions unsustainable, with borrowing and cost of doing business inflated, while customers may be cutting back on spending.

Business insolvency filings as noted by the OSB (totaling 530) were up more than 47% year-over-year in May, marking a persistent two-and-a-half years of continuous year-over-year increases, although there was a 3.8% decrease month-over-month.

"The latest insolvency numbers show businesses are filing for insolvency at levels beyond what we were seeing pre-pandemic, and there are likely more businesses in financial distress that have chosen to simply close up shop and walk away without formally filing for insolvency. The numbers are just the tip of the iceberg," explained Bolduc.

He added that the CEBA loan deadline this year added pressure for many businesses that were already trying to manage high operating and debt servicing costs.

"We are seeing insolvencies continue to climb, and now more businesses are delaying tax payments as they juggle other financial obligations, increasing their debt burden," he said.

As with consumers, Bolduc says businesses with financial problems should not ignore the issues but seek professional advice.