

Alternative Lending in Canada during Covid – State of the Market

The Association for Corporate Growth Toronto Chapter hosted their 18th Annual Capital Connection Conference virtually on November 9 and 10, 2020. James Padwick, a Partner at Wildeboer Dellelce LLP, moderated the Alternative Lenders Panel, which took place on the first day of the conference. The panel discussion revolved around the alternative lending market in Canada and the impacts of COVID-19. The panel included Kevin Westfall from Accord Financial, Arif Bhalwani from Third Eye Capital and Neil MacPherson from Fiera Private Debt.

Below are 5 key takeaways from the panel discussion:

1. **The long-term effects of COVID-19 on the alternative lending market are still unknown.** The initial negative impacts of COVID-19 have settled in the alternative lending market. However, the panel agrees, the full impact on borrowers has not been fully realized due to bank and government support systems. As government stimulus packages decrease over the next 6 months and/or chartered banks take more aggressive approaches to challenged borrowers, different opportunities may arise in the alternative lending market.
2. **Increasing reliance on the character of management.** With a diminishment in the ability of lenders to perform physical and on-site due diligence, the “character” aspect of credit analysis has gained increased prominence. There is a growing trend of third-party verifications for new clients.
3. **Increase in capital.** Yields relating to alternative lending instruments continue to attract inflows of capital in spite of the COVID-altered credit landscape. The largest sized deals are concentrated to a small group of lenders, with many being foreign. The mid-market may see increased entrants in the next 6 months, while some lenders are using technology and automation in an effort to efficiently fund smaller loans.
4. **Expect more lender to lender legal conflicts.** The panel forecasts more court battles relating to lenders competing over security interests.
5. **Hardest hit industries will be challenged until a path forward is understood.** The hardest hit industries from COVID-19, such as hospitality and tourism, will continue to have challenges raising debt from parties other than their existing lenders (or perhaps equity backers) until there is a clear path to being “back on track.”

James provides business focused, practical advice primarily in the areas of banking, secured financing, and corporate/commercial transactions. He is recognized in *The Best Lawyers in Canada 2021* for his work in Banking and Finance Law and as one of Canada’s leading practitioners in the area of Asset-Based Lending in *The Canadian Legal Lexpert® Directory 2020*.

Based in Toronto, Wildeboer Dellelce LLP is one of Canada’s premier corporate, securities and business transactions law firms. The firm is ranked by Chambers Canada 2020 as highly regarded for corporate work and was selected by Canadian Lawyer Magazine as one of the ‘Top 10 Corporate Law Boutiques in Canada’.

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