

The Bulk Sales Act (Ontario) — Repealed

March 30, 2017

This article was updated in 2021.

On March 22, 2017, the [Burden Reduction Act, 2017](#) (the Act), part of an initiative to reduce the regulatory burden on Ontario businesses, received Royal Assent and came into force. The Act repeals the [Bulk Sales Act](#) (the BSA), which was enacted in 1917 and had long been a source of frustration for parties involved in asset sale transactions in Ontario, including the sale of a business by way of asset sale.

The BSA was intended to protect trade creditors from a situation in which a vendor liquidates its assets over a short period of time, leaving its trade creditors unpaid. Compliance with the BSA was an important consideration for both the purchaser and the vendor in an asset sale transaction in Ontario, particularly because non-compliance with the BSA could result in the transaction being declared void by an Ontario court upon application by an affected creditor and causing the purchaser to be liable to account to the creditors of the vendor for the value of certain purchased assets.

Rather than comply with the BSA, which compliance in some transactions could be quite onerous, it was common for a purchaser in an Ontario asset sale transaction to accept an indemnity from the vendor and/or the vendor's parent company in respect of non-compliance with the BSA. Typically, the purchaser made a decision as to whether to comply with the BSA or accept an indemnity from the vendor after completing due diligence to ascertain the amounts payable by the vendor to its creditors and determining which payables would be assumed by the purchaser or paid by the vendor from the proceeds of the sale.

Overall, the costs and risks of applying for an exemption from the BSA, complying with the BSA or opting out of compliance with the BSA were burdensome and out of line with other provinces as Ontario was the only remaining Canadian jurisdiction with bulk sales legislation.

The adoption of the Act and [the repeal of the BSA](#) signals that Ontario lawmakers have concluded, like their counterparts in other provinces, that the costs of complying with the BSA are no longer justified when other rights and remedies exist for trade creditors (for instance, under bankruptcy and insolvency and assignment and preference legislation). The Bulk Sales Act repeal should be a welcome change for those involved in asset sale transactions in Ontario.

The authors would like to acknowledge the contribution of Samantha Breaks in preparing this article

By:

[Pierre Permingeat](#)

Services:

[Mergers & Acquisitions](#), [Private Company](#), [Corporate Commercial](#)

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.

© 2023 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.