

IN THE SUPREME COURT OF BRITISH COLUMBIA

Citation: *Guo Law Corporation v. Li*,
2026 BCSC 795

Date: 20260501
Docket: S188703
Registry: Vancouver

Between:

Guo Law Corporation and Hong Guo

Plaintiffs

And

**Zixin Li aka Jeff Li, Qian Pan aka Danica Pan, Jun Da Li,
Cai Li Chen aka Caili Chen, Ming Fu Wu aka Mingfu Wu,
Bank of Montreal, Gateway Casinos & Entertainment Limited
and Canadian Imperial Bank of Commerce**

Defendants

And

Guo Law Corporation and Hong Guo

Defendants by Counterclaim

Before: The Honourable Justice Chan

Reasons for Judgment

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Place and Dates of Hearing:

Vancouver, B.C.
March 9–11, 13, 2026

Place and Date of Judgment:

Vancouver, B.C.
May 1, 2026

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I. INTRODUCTION

[1] The plaintiff Hong Guo is a former member of the Law Society of British Columbia (“LSBC”). She was a sole practitioner at her law firm, the Guo Law Corporation (“GLC”), with an office in Richmond. In April 2016, upon her return from vacation, Ms. Guo discovered approximately \$7.4 million had been stolen from GLC’s trust account by her bookkeeper, Zixin Li, and former employee, Qian Pan. Approximately \$5.7 million of the trust funds were gambled and lost by Ms. Pan at the Starlight Casino over the span of a few weeks in February and March 2016. Ms. Guo admitted in disciplinary proceedings initiated by the LSBC that she had signed blank trust cheques and left them with Mr. Li to use for trust transactions while she was away. However, Ms. Guo disputes the number of pre-signed blank trust cheques she provided and alleges some of the cheques used in the scheme were not signed by her but contained forged signatures.

[2] Ms. Guo started an action in July 2016 against Mr. Li, Ms. Pan and three other individuals alleged to have assisted in the theft. It ultimately became this action, file no. Vancouver S188703.

[3] There are two applications before the Court. The plaintiffs seek to add as defendants British Columbia Lottery Corporation (“BCLC”) and His Majesty the King in right of the Province of British Columbia (the “Province”). The defendants Gateway Casinos & Entertainment Limited (“Gateway”), the Bank of Montreal (“BMO”) and the Canadian Imperial Bank of Commerce (“CIBC”) apply for an order that the plaintiffs post security for costs. If BCLC and the Province are joined as defendants, they also seek an order for security for costs.

[4] To properly understand the issues raised in these two applications, it is necessary to provide a summary of the theft, the aftermath, the LSBC proceedings and the procedural history of this action. I will then address the application to add BCLC and the Province as defendants before considering the defendants’ application for security for costs.

II. BACKGROUND

A. Summary of the Theft

[5] Ms. Guo maintained her law firm’s trust account at CIBC, No. 3 Road, Richmond Branch (the “CIBC Trust Account”). She had sole signing authority. Mr. Li worked as a senior bookkeeper at GLC from early 2014 to April 2016. Ms. Pan worked as a receptionist/assistant for GLC for several months until August 2015. Ms. Pan had a personal bank account at BMO. She was a customer of Gateway and had an account at the Starlight Casino (“Starlight”) in New Westminster.

[6] The theft involved 15 withdrawals from the CIBC Trust Account, from approximately February 25 to March 31, 2016. According to the plaintiffs, Mr. Li provided the stolen trust funds to Ms. Pan using GLC trust cheques and CIBC bank drafts. As I understand it, GLC trust cheques or CIBC bank drafts drawn on the CIBC Trust Account were made payable to Ms. Pan, who then took these to her own bank at BMO. BMO then deposited these into Ms. Pan’s BMO account and provided Ms. Pan BMO bank drafts payable to Gateway. Ms. Pan then took these BMO bank drafts and deposited them into her Gateway account. She then used the money to gamble at Starlight. The plaintiffs allege Mr. Li and Ms. Pan misappropriated approximately \$7.4 million. On the 15th withdrawal, however, while BMO paid out to Ms. Pan the amount of \$887,562, CIBC reversed payment on the cheque. The amount lost from the CIBC Trust Account was approximately \$6.6 million. The plaintiffs allege that Ms. Pan gambled and lost approximately \$5.7 million at Starlight.

[7] While the general scheme of the misappropriation is not disputed, the parties dispute the role Ms. Guo played in it, specifically how many of the CIBC Trust Account cheques used in the scheme were pre-signed by Ms. Guo. Ms. Guo maintains a number of these were not signed by her but contained forged signatures.

B. The Aftermath

[8] After the theft was discovered, the plaintiffs reported it to LSBC and the Richmond RCMP.

[9] Ms. Guo alleges Mr. Li and Ms. Pan in early April 2016 fled to China. Ms. Guo alleges she pursued them there and in late June 2016, they were arrested by the Chinese authorities. Ms. Guo alleges there was a prosecution of them in the Chinese courts, where they were convicted and sentenced to lengthy periods of jail.

[10] On January 6, 2017, GLC filed a notice of intention to file a proposal pursuant to the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3 (the “Bankruptcy Proposal”), sponsored by Ms. Guo. By June 2023, the Bankruptcy Proposal was fully performed.

C. The LSBC Proceedings

[11] Several disciplinary proceedings were commenced against Ms. Guo by the LSBC after the theft. The LSBC made findings against Ms. Guo that she committed professional misconduct by *inter alia* breaching trust accounting rules and failing to properly supervise her staff.

[12] The LSBC found that Ms. Guo improperly left 125 pre-signed, blank cheques drawn on the CIBC Trust Account with Mr. Li in mid-March 2016 before she departed on vacation and did not properly supervise her staff: *Law Society of BC v. Guo*, 2021 LSBC 43 at para. 16; *Law Society of BC v. Guo*, 2020 LSBC 52 at para. 48. I will discuss in more detail later the findings made by the LSBC against Ms. Guo.

[13] Ms. Guo was disbarred three times: November 17, 2023 (2023 LSBC 46); February 23, 2024 (2024 LSBC 11); and September 16, 2024 (2024 LSBC 39).

D. Procedural History

[14] Ms. Guo started an action in July 2016 against the personal defendants Mr. Li, Ms. Pan and three other individuals who are alleged to have aided them (the “NW Action”). In early 2018, Ms. Guo started an action against CIBC (the “CIBC Action”). In July 2018, Gateway and BMO consented to an order to add them as defendants to the NW Action, and in December 2018 the parties consented to an order consolidating the NW Action and the CIBC Action. In December 2018, the plaintiffs filed a new notice of civil claim in the consolidated action (the “NOCC”), file no. Vancouver S188703.

[15] Since the NOCC was filed in December 2018, the following has occurred:

- In January 2019, CIBC filed a response to the NOCC and a third-party notice against the plaintiffs;
- In February 2019, BMO filed a response to the NOCC, a counterclaim against the plaintiffs for the \$887,562 and a third-party notice against the personal defendants;
- In March 2019, Gateway filed a response, a counterclaim and a third-party notice against the personal defendants;
- In March 2019, CIBC amended its third-party notice to add the personal defendants;
- The plaintiffs filed an intention to proceed on June 30, 2020;
- In December 2020, the plaintiffs filed replies to the responses to the NOCC, the counterclaims and third-party notices;
- In January 2021, the plaintiffs obtained default judgment against Mr. Li;
- From April to September 2021, the parties exchanged lists of documents;
- The plaintiffs filed a notice of intention to proceed on November 11, 2022;
- In August 2023, the plaintiffs filed an amended response to BMO's counterclaim; and
- In January 2024, the plaintiffs filed an amended NOCC (the "Amended NOCC").

[16] The Amended NOCC seeks, *inter alia*, declarations against all the defendants that they are constructive trustees and hold all or part of the sum of \$6.6 million in trust for the plaintiffs. Under legal basis, against the corporate defendants (CIBC, BMO and Gateway) the plaintiffs plead, *inter alia*, the tort of conversion, constructive trust,

knowing assistance and/or participation in a breach of trust; knowingly dealing with trust property; knowing receipt of trust property; and negligence. As against Gateway, the plaintiffs also claimed in unjust enrichment. I am advised the negligence claims have been abandoned by the plaintiffs.

[17] With respect to BMO's counterclaim for payment of the \$887,562, the plaintiffs applied for summary judgment, arguing that it should be dismissed as that cheque ("Cheque 1117") contained a forged signature. In reasons for judgment indexed at 2024 BCSC 1121, Justice Sharma dismissed the plaintiffs' application, finding that there were genuine issues for trial, including whether Cheque 1117 contained a forged signature: paras. 82, 132.

III. APPLICATION BY PLAINTIFFS TO ADD DEFENDANTS

[18] The plaintiffs filed a notice of application on March 25, 2025, seeking to add BCLC and the Province as defendants pursuant to Rule 6-2(7)(c) of the *Supreme Court Civil Rules*, B.C. Reg. 168/2009 [SCCR]. The plaintiffs also seek leave to file a further amended NOCC.

A. The Factual Allegations Relevant to the Application

[19] The plaintiffs argue BCLC documents first disclosed on June 5, 2024 indicate that Ms. Pan lost approximately \$5.7 million at Starlight and that she cashed out approximately \$1.5 million of the stolen funds. The plaintiffs allege the BCLC documents show that on February 23, 2016 BCLC had conducted an open-source report on Ms. Pan, including a BC Court Services Online search. That search revealed two debt claims against Ms. Pan totalling more than \$50,000 and a pending foreclosure of her condo property in Richmond for being in default for \$61,000. Ms. Pan was placed under "BCLC status: WATCH". The search showed an order for alternative service on Ms. Pan was obtained in the foreclosure proceedings, suggesting that Ms. Pan was avoiding her creditors.

[20] On February 25, 2016, BCLC issued a directive which stopped further gambling by Ms. Pan. Gateway was advised. BCLC referred to Ms. Pan's matter as "Red Category".

[21] On February 26, 2016, two BCLC investigators interviewed Ms. Pan. The stated reasons for the interview were concerns regarding Ms. Pan's level of play and her being a student. Another stated concern was "background checks revealed the possibility of ongoing civil action that could pose risk given her source of cash is suspect".

[22] The summary of the interview written by BCLC investigator Tom Caverly indicates Ms. Pan told the investigators she had not been a student for some time and that her source of income was her parents. She told the investigators her parents were in the construction business in China and she was a shareholder in the company. She showed the investigators on her phone money transactions that supported her gaming, including a TD account balance on February 3, 2016 of \$150,000. She was asked about the cash in small denominations she brought to the casino on February 24, 2016. She advised she received this money from a money service in Richmond on No. 3 Road near the SkyTrain line. She did not wish to provide the name of her parents' company but when advised of the importance of the information, she wrote down the name in Chinese. She would not provide her parents' names. She advised she was not aware of the civil actions against her. She advised she had paid her default mortgage payments last month and was in the process of renewing her mortgage.

[23] After the interview, BCLC investigator comments included "there is no question that PAN's source of wealth is from her parents". The investigator also noted Ms. Pan's reluctance to provide her parents' names was "likely due to the fact that she does not want her parents to know how much money she is spending in the casino". The investigator noted "it is likely she will have to be approached again when doing background to clearly establish her source of money".

[24] The directive to prohibit further gaming was lifted on February 26, 2016 after the interview.

[25] The plaintiffs allege of the 15 occasions where wrongful withdrawals were made from the CIBC Trust Account and ultimately deposited into Ms. Pan's Starlight account, all but the first one occurred after February 26, 2016.

[26] On April 4, 2016, a note from Ross Alderson, BCLC's director for Anti-Money Laundering, Investigations and Intelligence, indicated he was contacted by a BMO investigator. Mr. Alderson was advised Ms. Pan was under investigation for fraud. He was advised Ms. Pan was receiving funds due to bookkeeper fraud. The information received was Ms. Pan was transferring the funds into her BMO account and then withdrawing bank drafts for gambling. Mr. Alderson noted Ms. Pan was recently interviewed by BCLC over her source of funds for gambling, and shortly after the interview "her gambling escalated in frequency and dollar value". Ms. Pan was suspended from further play.

[27] Later on April 4, 2016, Mr. Alderson was contacted by an investigator from CIBC about Ms. Pan, raising a concern that all bank drafts since mid February 2016 could be fraudulent, amounting to several million dollars. On April 8, 2016, Mr. Alderson's notes indicate he was contacted by Richmond RCMP, who advised the police are investigating Ms. Pan for a \$7.5 million fraud. The police advised funds had allegedly been misappropriated from a law firm in Richmond.

B. The Relationship between Gateway, BCLC and the Province

[28] BCLC is a provincial Crown corporation and an agent of the government: s. 3 of *Gaming Control Act*, S.B.C. 2002, c. 14 [GCA]. Pursuant to the GCA, BCLC has conduct and management of all gaming on behalf of the Province, including entering into agreements with gaming service providers: s. 7(1) of GCA.

[29] BCLC’s balance of net income in each fiscal year after it makes provisions for payments required to gaming service providers must be paid into the consolidated revenue fund of the Province, as set out in ss. 13–14 of the GCA:

Application of revenue

13 The net income in each fiscal year, other than from casino gaming and from bingo, of the lottery corporation, after the lottery corporation makes provision in that fiscal year for any payments it is obliged to make under agreements entered into in respect of lotteries under section 7 (1) (c), must be paid into the consolidated revenue fund at the times and in the manner directed by the Lieutenant Governor in Council.

Application of the balance of revenue

14 (1) The balance of net income in each fiscal year of the lottery corporation, after the lottery corporation makes provision in that fiscal year for payment under section 13, must be paid into the consolidated revenue fund at the times and in the manner directed by the Lieutenant Governor in Council.

[30] Gateway is the registered gaming service provider for Starlight. At all material times, Gateway operated Starlight pursuant to the Gateway/BCLC Agreement (the “Gateway Agreement”). Pursuant to the Gateway Agreement, the revenue generated at the casino is the sole property of BCLC and Gateway holds the revenue in trust for the sole benefit of BCLC. Gateway receives remuneration for operating Starlight in accordance with set calculations in the Gateway Agreement. BCLC then applies the revenue to its own expenses and uses. The net income is then applied to designated specific expenses of the government, with the remaining balance transferred to the Province’s consolidated revenue fund, to be used for a variety of public programs and services: Affidavit of Sam MacLeod, Assistant Deputy and General Manager of the Gaming Policy and Enforcement Branch. As the gaming losses of Ms. Pan occurred in 2016, any funds deposited into the consolidated revenue fund that came from Ms. Pan would now be long distributed.

C. Legal Framework

[31] The plaintiffs apply pursuant to Rule 6-2(7)(c) of the SCCR which states as follows:

Adding, removing or substituting parties by order

(7) At any stage of a proceeding, the court, on application by any person, may, subject to subrules (9) and (10),

...

(c) order that a person be added as a party if there may exist, between the person and any party to the proceeding, a question or issue relating to or connected with

(i) any relief claimed in the proceeding, or

(ii) the subject matter of the proceeding

that, in the opinion of the court, it would be just and convenient to determine as between the person and that party.

[32] A plaintiff must establish that there is a question or issue between the plaintiff and the proposed defendant that relates to or is connected with the relief, remedy, or subject matter of the proceeding. The threshold is low, “generally expressed as establishing a real issue between the parties that is not frivolous, or that the plaintiff has a possible cause of action against the proposed defendant”: *Madadi v. Nichols*, 2021 BCCA 10 at para. 22.

[33] A frivolous issue is “an issue that does not go to establishing the cause of action, does not advance a claim known to law, or serves no useful purpose and would be a waste of the court’s time and public resources”: *Madadi* at para. 22.

[34] This threshold requirement of a real non-frivolous issue is usually met solely on the proposed pleadings. If evidence is provided, the court is “limited to examining it only to the extent necessary to determine if the required issue between the parties exists; it is not to weigh the evidence and assess whether the plaintiff could prove the allegations”: *Madadi* at para. 23. The court needs to examine the pleadings to determine whether the plaintiff has a possible cause of action against the proposed defendants. The pleadings must “set out material facts sufficient to establish a real and not frivolous issue between the plaintiff and the proposed defendants”: *Madadi* at

para. 23. This threshold requirement does not involve any assessment of the merits of the claim, other than to ensure that the pleading raises a legal issue in relation to the proposed defendant that is supported by sufficient material facts: *Madadi* at para. 45.

[35] If the threshold requirement is met, the court must next determine whether it would be just and convenient to decide the issue between the parties in the proceeding. This is a discretionary decision. The factors to be considered include: 1) the extent of the delay; 2) the reasons and any explanation for the delay; 3) the expiry of a limitation period; 4) the degree of prejudice caused by the delay; and 5) the extent of the connection, if any, between the existing claims and the proposed new parties: *Madadi* at para. 24, *Letvad v. Fenwick*, 2000 BCCA 630 at para. 29.

[36] Where it is disputed if a limitation period has expired, a court can exercise its discretion to add a party and preserve the limitation defence to be decided at trial: *The Owners, Strata Plan No. VIS3578 v. John A. Neilson Architects Inc.*, 2010 BCCA 329 at paras. 47–48, citing *Lui v. West Granville Manor Ltd.*, [1987] 4 W.W.R. 49, 1987 CanLII 164 (B.C.C.A.).

D. Is there an issue between the parties that is connected to the existing action and is not frivolous?

1. The Plaintiffs' Position

[37] The plaintiffs argue there is an issue between the plaintiffs and the proposed defendants that is connected with the subject matter of the existing action. The plaintiffs argue they have claims against the Province and BCLC in constructive trust, knowing receipt, restitution and unjust enrichment. The plaintiffs argue BCLC knew or ought to have known that Ms. Pan was an addicted gambler with an unverified source of funds. Faced with obvious red flags that ought to have raised suspicions, the plaintiffs argue BCLC did nothing to verify Ms. Pan's source of funds or stop her compulsive gambling losses in a span of a few weeks. The plaintiffs argue Ms. Pan's interview answers were unsatisfactory and should not have satisfied BCLC. They

argue BCLC's knowledge is imputed to the Province as BCLC is an agent of the government.

[38] The plaintiffs argue they have met the threshold requirement as the issue raised between the plaintiffs and BCLC and the Province relate to the subject matter of the existing action and is not frivolous. Their position is it would be just and convenient to decide the issue between the parties in the existing action.

2. The Position of the Province and BCLC

[39] The Province and BCLC argue the proposed pleadings do not set out any possible causes of action against them. They argue only knowing receipt and unjust enrichment are causes of action, as constructive trust and restitution are remedies. The Province and BCLC argue knowing receipt and unjust enrichment are not possible causes of action against them in these circumstances. They argue the contract between Ms. Pan and Gateway, the Gateway Agreement and the provisions of the GCA stand in the way of the plaintiffs being able to establish any causes of action against them.

3. The Proposed Further Amended NOCC

[40] The plaintiffs have included in their notice of application a proposed further amended NOCC should their application be granted. The proposed further amended NOCC set out claims against BCLC and the Province, which I summarize below:

- BCLC became a constructive trustee by being in receipt of and chargeable with some of the misappropriated trust funds, having constructive knowledge that the misappropriated trust funds were transferred in breach of trust and/or fraudulently;
- BCLC became a constructive trustee by knowingly receiving, retaining, dealing with and/or benefitting from some of the misappropriated trust funds, after having knowledge of suspicious circumstances which would put a reasonable person on inquiry, but failing to make any inquiries, or being put off by answers which would not have satisfied a reasonable person;

- BCLC became a constructive trustee by receiving, retaining, dealing with and/or benefitting from some of the misappropriated trust funds because it did not receive them *bona fide* for value without notice;
- BCLC became a constructive trustee with respect to the portion of the misappropriated trust funds that are traceable into BCLC's hands;
- BCLC became a constructive trustee by receiving, retaining, benefitting and/or profiting from some of the misappropriated trust funds, which in good conscience BCLC should not be permitted to retain, be enriched from and/or benefit from;
- The Province became a constructive trustee by receiving, retaining, benefitting and/or being enriched from some of the misappropriated trust funds because it did not receive them *bona fide* for value;
- The Province became a constructive trustee because its agent, BCLC, had notice that the circumstances under which it received the misappropriated trust funds were such as to put a reasonable person on inquiry, but made no inquiries or alternatively, was put off by an answer which would not have satisfied a reasonable person;
- The Province became a constructive trustee by receiving, retaining, benefitting, and/or being enriched from the misappropriated trust funds, which in good conscience the Province should not be permitted to retain and/or profit from; and
- The Province became a constructive trustee with respect to the portion of the misappropriated trust funds that are traceable into the Province's hands.

[41] The proposed further amended NOCC include, in addition to the allegations setting out the misappropriation, the particulars of the BCLC interview with Ms. Pan on February 26, 2016, alleging "the answers and explanations Pan provided to BCLC were unreasonable and would put a reasonable person on further inquiry".

[42] Under legal basis, the plaintiffs plead, *inter alia*, as against the Province and BCLC constructive trust; unjust enrichment; knowing receipt; and restitution.

a) Unjust Enrichment

[43] The elements of unjust enrichment are set out in *Garland v. Consumers' Gas Co.*, 2004 SCC 25 at para. 30:

- (1) An enrichment of the defendant;
- (2) A corresponding deprivation of the plaintiff; and
- (3) An absence of juristic reason for the enrichment.

[44] The plaintiffs argue the Province and BCLC have been enriched with the misappropriated trust funds, the plaintiffs have been deprived and there is no juristic reason for the enrichment.

[45] The Province and BCLC argue the plaintiffs cannot show the absence of juristic reason for the Province and BCLC's alleged enrichment. The Province and BCLC rely on the contract between Ms. Pan and Gateway, the Gateway Agreement and the provisions of the GCA.

[46] The juristic reason element of the unjust enrichment analysis proceeds in two stages. First, the plaintiff must demonstrate that the defendant's enrichment cannot be justified by any of the established categories of juristic reason, such as a contract, a disposition of law, a donative intent, and other valid common law, equitable or statutory obligations: *Moore v. Sweet*, 2018 SCC 52 at para. 57. If none of the established categories of juristic reason are present, the plaintiff has a *prima facie* case for unjust enrichment: *Moore* at para. 58. At the second stage, the defendant can rebut the plaintiff's *prima facie* case by showing that there is a residual reason to deny recovery: *Moore* at para. 58; *Atlantic Lottery Corp. Inc. v. Babstock*, 2020 SCC 19 at para. 70.

[47] The proposed defendants argue a valid contract is a juristic reason to retain a benefit: *Atlantic Lottery* at para. 71. Both the Province and BCLC rely on *Ross v. British Columbia Lottery Corporation*, 2014 BCSC 320. In *Ross*, the plaintiff sued

BCLC to recover funds she lost gambling, during the period when she was in the voluntary self-exclusion program. The court dismissed her claim in unjust enrichment, finding the plaintiff's wagering contracts she entered at the two casinos were juristic reasons for BCLC to retain the money: *Ross* at para. 496.

[48] The Province and BCLC also rely on the Gateway Agreement, which set out that revenues collected by Gateway are held for the sole benefit of BCLC. They argue the Gateway Agreement is another juristic reason for BCLC and the Province to retain the money.

[49] The plaintiffs plead these two contracts were unconscionable and contrary to the *Business Practices and Consumer Protection Act*, S.B.C. 2004, c. 2 [*BPCPA*]. The plaintiffs plead Ms. Pan's activities at Starlight were "consumer transactions" and that Gateway and BCLC were "suppliers".

[50] However, the Province and BCLC argue the plaintiffs are not parties to either of these two contracts and have no standing to argue they are unconscionable. Further, they argue the plaintiffs were not consumers and have no claims pursuant to the *BPCPA*.

[51] In addition, the Province argues statutory authority is a juristic reason to retain the funds: *Garland* at para. 49. The Province relies on s. 14 of the *GCA* which mandates the transfer of the net income in each year from BCLC to the consolidated revenue fund. As such, the Province argues there can be no claim of unjust enrichment against it as it received the funds pursuant to valid legislation.

[52] In my view, the plaintiffs have shown they have a claim in unjust enrichment against the Province and BCLC that is not frivolous. At this stage, the court is not assessing the merits of the claim. All that needs to be shown is a possible cause of action. While the Province and BCLC raise arguable points, neither party has brought forth any similar cases that can be said to have decided the issue. While the contracts may prove to be a stumbling block to recovery, none of the cited cases concern circumstances where stolen trust funds were lost at a casino after the lottery

corporation had its suspicions about the gambler raised. How Ms. Pan's wagering contract with Gateway and the Gateway Agreement with BCLC will be interpreted in these circumstances is unknown. Further, with respect to the Province's argument of statutory authority, in *Moore*, legislation did not preclude a finding of unjust enrichment: *Moore* at paras. 74, 81. Whether *Moore* can be distinguished on the facts is to be decided at trial. I do not need to assess the strength of the plaintiffs' claim or the defences. I find there is a possible cause of action in unjust enrichment that is not frivolous.

b) Knowing Receipt

[53] In an action for knowing receipt, to recover disputed property, the plaintiff must prove the following as set out in *Gold v. Rosenberg*, [1997] 3 S.C.R. 767, 1997 CanLII 333 at para. 53:

- 1) That the property was subject to a trust in favour of the plaintiff;
- 2) That the property, which the defendant received, was taken from the plaintiff in breach of trust; and
- 3) That the defendant did not take the property as a *bona fide* purchaser for value without notice. The defendant will be taken to have notice if the circumstances were such as to put a reasonable person on inquiry, and the defendant made none, or if the defendant was put off by an answer which would not have satisfied a reasonable person.

[54] The knowledge requirement is satisfied by constructive knowledge. In *Citadel General Assurance Co. v. Lloyds Bank Canada*, [1997] 3 S.C.R. 805, 1997 CanLII 334 at para. 48, this lower threshold is explained:

48. ...However, in "knowing receipt" cases, which are concerned with the receipt of trust property for one's own benefit, there should be a lower threshold of knowledge required of the stranger to the trust. More is expected of the recipient, who, unlike the accessory, is necessarily enriched at the plaintiff's expense. Because the recipient is held to this higher standard, constructive knowledge (that is, knowledge of facts sufficient to put a reasonable person on notice or inquiry) will suffice as the basis for restitutionary liability. Iacobucci J. reaches the same conclusion in *Gold, supra*, where he finds, at para. 46, that a stranger in receipt of trust property "need not have actual knowledge of the equity [in favour of the plaintiff]; notice will suffice".

[55] The Province argues knowing receipt cannot be made out due to the contracts and the provisions of the *GCA*. In particular, the provisions of the *GCA* mandating the transfer of funds from BCLC to the Province make the transfer lawful.

[56] BCLC argues an action for knowing receipt cannot be made out against it as BCLC never received the funds in its own capacity, but rather as an agent for the Province. BCLC relies on s. 3 of the *GCA*, which provides that BCLC is an agent of the government for all purposes.

[57] In my view, this cause of action is possible and not frivolous. There are material facts pleaded which are capable of showing BCLC was put on notice that Ms. Pan's source of funds was suspicious and she provided answers that no reasonable person should have accepted. Again, no party has brought forth any decided cases similar in circumstances which may arguably be said to be conclusive. The defences of the contracts and the provisions of the *GCA* have to be considered at trial. How s. 3 of the *GCA* is to be interpreted will have to be decided at trial. It is not the Court's role at this stage to assess the strengths or weaknesses of the case. I find this issue is connected to the subject matter of the existing action about the loss of the stolen trust funds through Ms. Pan's gambling at Starlight.

[58] The case closest to these facts is *Paton Estate v. Ontario Lottery and Gaming Corporation (Fallsview Casino Resort and OLG Casino Brantford)*, 2016 ONCA 458. The plaintiffs were two estates defrauded by an addicted gambler: *Paton Estate* at para. 1. The defendant was a Crown agency which operated and managed gambling sites in Ontario. Shellee Spinks, a law clerk, stole over \$4 million from the estates and others by forging documents, selling estate assets and taking the money for herself. She lost about \$3 million of that money in the casinos over a roughly 14-month period. Ms. Spinks held herself out to be a lawyer at the casinos: *Paton Estate* at para. 3. The estates sued the lottery corporation for damages, asserting causes of action for negligence, unjust enrichment and knowing receipt of trust funds. The motion judge granted an application to strike, finding that it was plain and obvious the claim will fail: *Paton Estate* at para. 1.

[59] On appeal, the decision was reversed. The Court of Appeal found read generously, the statement of claim pleaded that Ms. Spinks was a problem gambler; that the defendant knew she was a problem gambler and knew that problem gamblers sometimes steal to feed their habit and cause losses to others; and that her gambling of vast sums of money over a relatively short period of time would have caused a reasonable person to make inquiries about the source of her funds and to suspect that the money might have been stolen: *Paton Estate* at para. 13. The court found the claim for knowing receipt of trust funds was not bound to fail. Given the plaintiffs' allegations that the defendant had sufficient notice to put a reasonable person on inquiry but failed to take the necessary action, the claim for knowing receipt of trust funds was allowed to proceed to trial: *Paton Estate* at paras. 15–20.

[60] With respect to the unjust enrichment claim, the Court of Appeal found the motion judge did not consider the possibility that the juristic reasons for the enrichment might be vitiated on the ground of unconscionability. If the lottery corporation knew that Ms. Spinks was addicted to gambling and was unable to refrain from losing money but allowed her to continue gambling, the claim in unjust enrichment would not necessarily fail: *Paton Estate* at paras. 21–30. The Court of Appeal also found it was not plain and obvious that the negligence claim was bound to fail, as Ontario case law does not establish definitively that casinos owe no duty of care to problem gamblers or to third parties who are victims of problem gamblers: *Paton Estate* at paras. 35–37.

[61] In my view, the circumstances here are like *Paton Estate*. The proposed defendants BCLC and the Province should be joined and the claims allowed to proceed to trial.

c) Constructive Trust

[62] The plaintiffs argue the remedy of constructive trust can be imposed in the circumstances as it would be in good conscience: *Soulos v. Korkontzilas*, [1997] 2 S.C.R. 217, 1997 CanLII 346 at para. 34.

[63] The Province and BCLC argue the plaintiffs need to demonstrate a proper equitable basis before a constructive trust can be imposed. They argue the plaintiffs do not have a proper equitable claim to justify the imposition of a constructive trust.

[64] I find the plaintiffs have a possible claim for the remedy of a constructive trust based on knowing receipt or unjust enrichment.

d) Restitution

[65] The plaintiffs claim the remedy of restitution for the stolen trust funds lost by Ms. Pan at Starlight. In my view, the plaintiffs have a possible claim for the remedy of restitution based on knowing receipt or unjust enrichment.

4. The Position of Gateway

[66] Gateway objects to the addition of the *BPCPA* in the further amended NOCC. Gateway argues there is no cause of action pursuant to the *BPCPA*, as it only applies to consumer transactions. Gateway argues breaches of the *BPCPA* cannot be used to ground a claim for restitutionary damages: *Koubi v. Mazda Canada Inc.*, 2012 BCCA 310 at para. 65, leave to appeal to SCC ref'd, 35017 (17 January 2013).

[67] The plaintiffs argue that *Koubi* has been clarified in *Sherry v. CIBC Mortgage Inc.*, 2020 BCCA 139. Claims in unjust enrichment based on contractual clauses being void due to breaches of the statute were allowed to proceed: *Sherry* at para. 120. The plaintiffs argue they are not limited to the statutory remedies in the *BPCPA* in these circumstances.

[68] In my view, the plaintiffs are not seeking to enforce rights conferred by the *BPCPA*. They are also not seeking restitution as a statutory remedy pursuant to the *BPCPA*. The plaintiffs wish to argue breaches of the *BPCPA* may negative Ms. Pan's contract with Gateway as a juristic reason for the enrichment, relying on *Live Nation Entertainment, Inc. v. Gornel*, 2023 BCCA 274 at para. 143. Depending on the circumstances, the *BPCPA* is not necessarily a comprehensive code for the enforcement of its provisions. To my mind, it is not so clear that the plaintiffs' claim is barred, and the plaintiffs ought to be able to include the *BPCPA* in its pleadings.

E. Is it Just and Convenient to add the Province and BCLC?

[69] Having found a real issue between the parties that is not frivolous, the Court must assess whether it is just and convenient to add the Province and BCLC as defendants. I will set out the parties' positions under the factors to be considered. I will then in the analysis section set out my reasoning and decision.

1. The Extent of the Delay

[70] Both the Province and BCLC argue the delay has been extensive. The theft occurred in April 2016. The plaintiffs filed their first NOCC in July 2016 naming only the personal defendants. In August 2016, the plaintiffs obtained a disclosure order against BCLC, Gateway and BMO. The information revealed that most of the BMO bank drafts were deposited into Ms. Pan's casino account. In October 2016, the plaintiffs applied for disclosure of Ms. Pan's playing records at Starlight. Ms. Guo swore an affidavit at that time, deposing that she was aware Ms. Pan's Starlight account balance was zero but did not know if Ms. Pan had gambled away the stolen trust funds. It appears this application for disclosure of the playing records was adjourned generally.

[71] In early 2018, the plaintiffs filed an action against CIBC and later in 2018, both BMO and Gateway consented to be added as defendants. In December 2018, the plaintiffs filed this NOCC consolidating both actions.

[72] Gateway filed its response to civil claim in March 2019. Gateway pleaded facts regarding its operation and financial arrangements, referencing the GCA and the financial arrangements between Gateway and BCLC pursuant to its agreement. In September 2021, Gateway provided its first list of documents, which included the Gateway Agreement and Ms. Pan's gaming records. These documents included an email string dated February 25, 2016, which indicated Gateway was notified that Ms. Pan was placed on the banned list and not allowed to play, and that a meeting had been arranged with Ms. Pan for the next day.

[73] In February 2023, the plaintiffs demanded further documents from Gateway, including documents relating to BCLC’s investigation of Ms. Pan. In June 2023, counsel for BCLC responded, seeking a confidentiality order before production. In October 2023, the plaintiffs made a more detailed demand for documents to BCLC.

[74] In January 2024, the plaintiffs filed an amended NOCC.

[75] In June 2024, after a confidentiality order was obtained from all parties, BCLC produced documents. These documents included the BCLC investigation and interview of Ms. Pan in late February 2016. The plaintiffs argue they became aware of a potential claim at that time against the Province and BCLC.

[76] In July 2024, the plaintiffs demanded return of the stolen trust funds from BCLC. In September 2024, BCLC advised it would not return any of the money.

[77] In September 2024, the plaintiffs demanded return of the stolen trust funds from the Province. In November 2024, the Province advised it would not return any of the money.

[78] This application to add the Province and BCLC was filed in March 2025.

[79] Both the Province and BCLC argue this extensive delay of almost 10 years militates against the plaintiffs.

2. The Reasons for the Delay

[80] The plaintiffs argue they did not know about the contents of Ms. Pan’s interview until June 2024, which is when they realized they may have a potential claim against the Province and BCLC. They argue Ms. Pan’s responses in the interview were clearly inadequate. The plaintiffs argue it took considerable time to obtain the BCLC documents, as the parties were required to execute a confidentiality agreement. While the plaintiffs did not make their detailed demand for documents to BCLC until October 2023, the plaintiffs argue the circumstances of Ms. Guo must be considered. She was facing multiple LSBC proceedings, with declining mental health. She retreated to China in October 2023, returning to Canada in December 2025.

[81] The plaintiffs argue it was the delay in obtaining the BCLC documents which led to their delay in bringing this application. After the plaintiffs received the disclosure, they argue it was reasonable for them to demand from the proposed defendants the return of the stolen trust funds before bringing an application to join them. It was only after they received negative responses that they realized a court action was appropriate.

[82] Both the Province and BCLC argue the plaintiffs knowingly delayed bringing their claim. They argue any potential claim against them was made known to the plaintiffs long before the disclosure of the BCLC documents in June 2024. They say the plaintiffs' delay in adding them as defendants is unreasonable and not adequately explained.

3. The Expiry of a Limitation Period

[83] The plaintiffs argue the limitation period has not expired, as the claims against BCLC and the Province are trust claims. They say the relevant section is s. 12 of the *Limitation Act*, S.B.C. 2012, c. 13, which provides that the limitation period begins to run from when the beneficiary becomes "fully aware" of the facts that a loss had occurred; that the loss had been caused or contributed to by conversion; that the conversion was that of the proposed defendants; and that a court proceeding would be appropriate means to seek to remedy the loss. The plaintiffs argue they did not become aware of the BCLC and the Province's role in the loss until June 2024, when they received the BCLC documents. As such, they argue the limitation period began at that time and they are within the two years.

[84] The Province and BCLC argue the limitation period has expired. The proposed defendants argue s. 8 of the *Limitation Act* applies. In any event, whether pursuant to s. 8 or s. 12 of the *Limitation Act*, the plaintiffs are too late. They say the plaintiffs had sufficient information since at the latest in March 2019 when Gateway filed its response to civil claim, setting out how Gateway transferred revenue from Starlight to BCLC, and BCLC transferred its net income to the Province. The mandatory transfer of revenue from BCLC to the Province is set out in the GCA. Then in September 2019,

when Gateway produced its first list of documents, the Gateway Agreement and documents relating to Ms. Pan's gaming activity were listed.

[85] The proposed defendants argue the BCLC documents disclosed in June 2024 were not necessary to the plaintiffs' discovery of their claim. They argue a party discovers a claim when they know or reasonably ought to have known the facts sufficient to draw a plausible inference of liability: *Grant Thornton LLP v. New Brunswick*, 2021 SCC 31 at paras. 47–48. If s. 12 of the *Limitation Act* applies, the issue is when the plaintiffs became fully aware of the facts set out in that section and that a court proceeding was an appropriate means to seek to remedy the loss, based on actual knowledge: *Wilkinson v. Chartier*, 2025 BCCA 53 at para. 54, leave to appeal to SCC ref'd, 41774 (9 October 2025). However, even pursuant to s. 12 of the *Limitation Act*, the proposed defendants argue it is not required that the plaintiff know the facts establishing the elements of a specific cause of action or its likelihood of success.

[86] The proposed defendants argue Ms. Guo learned of the BCLC investigation long before June 2024. Ms. Guo has produced a translated copy of the criminal prosecution in China of Mr. Li and Ms. Pan. The trial started in April 2018 in China and the ruling states Ms. Guo participated in the criminal trial. The ruling further states that the Chinese court reviewed the documentary evidence from Canada, including the transcript of the investigation of Ms. Pan on February 26, 2016, Ms. Pan's gambling records, and her account documents, records and video at Gateway. The ruling was released on August 25, 2022.

[87] As to the plaintiffs' explanation that they did not become aware a court proceeding is appropriate until after their requests for the return of the funds were refused, the proposed defendants say the explanation is not persuasive. The plaintiffs began two actions against the other defendants to recover the funds almost 10 years ago, aware at that time a court proceeding was appropriate.

[88] If the Court grants the joinder of the proposed defendants, they seek a condition that their limitation defence be preserved. The plaintiffs agree that preserving the limitation defence is an available option.

4. The Degree of Prejudice

[89] The Province argues if it is possible its limitation defence is extinguished, in considering whether it is just and convenient to be added as a party, prejudice is presumed: *Eastern Platinum Limited v. Cameron*, 2020 BCSC 1353 at para. 37. The Province argues it will suffer prejudice if added as a defendant at this late stage as the stolen trust funds have long been distributed. To add the Province to this action now would prejudice the public interest.

[90] BCLC argues it will suffer prejudice if added as a critical witness, Mr. Alderson, has left Canada and is no longer available. If BCLC had been joined earlier, BCLC could have secured Mr. Alderson's evidence before his departure. BCLC will be prejudiced in its ability to defend these charges, as Mr. Alderson played a critical role in the investigation of Ms. Pan, and can speak to what inquiries were made at the time. The plaintiffs argue there is no evidence BCLC has reached out to Mr. Alderson and no evidence that he is not willing to cooperate.

5. Extent of the Connection of the Province and BCLC to the Existing Claim

[91] Both the Province and BCLC argue the connection between them and the existing claim is weak. They argue there exists at least six degrees of separation. Ms. Guo left pre-signed blank trust cheques; Ms. Pan and Mr. Li used them to perpetrate the fraud; the funds went through BMO and CIBC; they took the BMO bank drafts to Starlight; BCLC received revenue from Gateway; and the net income was transferred to the Province. They argue there ought not be indeterminate liability in these circumstances.

6. Laches and Acquiescence

[92] The Province argues the plaintiffs' claims are barred by laches. The plaintiffs delayed in applying to add the Province as a defendant, such delay constituting acquiescence and waiver: *Mand v. Cheema*, 2025 BCSC 1595 at para. 277. The Province argues the delay is unreasonable and inordinate.

F. Analysis

[93] In my view, while the delay is extensive, considering the connection between these defendants and the existing claim and the lack of prejudice, the defendants ought to be added as parties.

[94] The claims against the Province and BCLC arise from the same factual matrix as the existing action. While I agree these parties are further downstream, that does not mean there is no connection to the existing action. In my view, the actions of Gateway and BCLC are intertwined, based on the evidence on this application. The Province received the net income including the stolen trust funds from BCLC, which the plaintiffs are seeking to recover. There is a real connection between the existing action and these defendants such that they should be tried together.

[95] I do not find the prejudice to the proposed defendants is such as to make joinder unreasonable. In my view, the proposed defendants have valid arguments on a limitation defence. However, the Court cannot determine the limitation issue summarily on this record and it ought to be preserved for trial. It is unclear what Ms. Guo knew and when. The Chinese court ruling is unclear as to how much Ms. Guo participated in that trial; how the evidence of the documentary evidence from Canada was presented; when the trial took place; and when the ruling was issued. I note there appears to be inconsistencies as the ruling indicates it was released in August 2022; however, in a LSBC proceeding in 2020, Ms. Guo testified Mr. Li and Ms. Pan had already been convicted in China: *Law Society of BC v. Guo*, 2020 LSBC 52 at para. 27.

[96] As for the loss of Mr. Alderson as a witness, I agree with the plaintiffs there is no evidence BCLC has tried to contact him and what his response is to providing evidence. I note Mr. Alderson, while playing a key role as the director of anti-money laundering at the time with BCLC, did not interview Ms. Pan. The interview was conducted by two other investigators who would be well placed to provide evidence as to what they were told by Ms. Pan and what they did with the information.

[97] As for the argument from the Province that it is prejudiced as the consolidated revenue fund from 2016 has long been distributed, in my view, that would have been the situation even if the plaintiffs launched an action against the Province earlier. I do not see the delay in this application as adding any additional prejudice.

[98] As for the stage of the proceedings, I find this militates in favour of joinder. While the action was started many years ago, it has not progressed beyond document discovery. The Province, BCLC, and the other defendants have not brought forth concerns about delaying the trial if parties are added. BCLC has already provided document disclosure. It is unlikely the Province will have many relevant documents to disclose. No party has conducted any examinations for discovery. Joining the proposed defendants now would not add further delay. Trial dates have been set for June 2027.

[99] I acknowledge the delay is extensive and the explanation offered by the plaintiffs is not completely satisfactory. However, I do not find the delay was strategic. I do not find the plaintiffs intentionally delayed. The evidence on this application shows the delay was likely caused by Ms. Guo's difficult personal and professional circumstances over the last 10 years and a lack of attention to the action.

[100] In my view, considering the various factors, it is just and convenient to add the Province and BCLC as defendants to the existing action. The strongest argument against joinder is the limitation defence. I find preserving the limitation defence for trial appropriately balances the prejudice caused by joinder.

IV. APPLICATION BY DEFENDANTS FOR SECURITY FOR COSTS

[101] All defendants apply for an order of security for costs.

[102] I will set out the legal framework. Then I will set out the plaintiffs' outstanding costs awards, evidence of the plaintiffs' assets, the LSBC proceedings, and the contempt proceeding. I will discuss the parties' positions and then set out my analysis, with my reasoning and conclusion.

A. Legal Framework

[103] The court may order a corporate plaintiff to post security for costs pursuant to s. 236 of the *Business Corporations Act*, S.B.C. 2002, c. 57:

Court may order security for costs

236 If a corporation is the plaintiff in a legal proceeding brought before the court, and if it appears that the corporation will be unable to pay the costs of the defendant if the defendant is successful in the defence, the court may require security to be given by the corporation for those costs, and may stay all legal proceedings until the security is given.

[104] The purpose of security for costs has been described as "to protect a defendant from the likelihood that in the event of its success it will be unable to recover its costs from the plaintiff" and that the "plaintiff is not to be permitted a free ride on an unlikely claim at the defendants' expense": *Island Research & Development Corp. v. The Boeing Co.*, [1991] B.C.J. No. 12 at 3, 1991 CanLII 598 (S.C.).

[105] The test to be followed is in four parts, as set out in *Citizens for Foreign Aid Reform Inc. v. Canadian Jewish Congress*, 36 C.P.C. (4th) 266 at paras. 14–23, 1999 CanLII 5860 (B.C.S.C.):

1. First, the defendant must establish a *prima facie* case that the plaintiff company will be unable to pay the defendant's costs if the action fails.
2. If the defendant does so, the onus shifts to the plaintiff to demonstrate:
 - a) It has exigible assets of sufficient value to satisfy an award of costs;
 - b) The defendants do not have an arguable defence; or

- c) The plaintiff would suffer undue hardship if an award for security for costs was made, such as stifling the action.

[106] The principles guiding an application for security for costs are summarized in *Kropp (c.o.b. Canadian Resort Development Corp.) v. Swanese Bay Golf Course Ltd.*, 29 B.C.L.R. (3d) 252 at para. 17, 1997 CanLII 4037 (C.A.):

1. The court has a complete discretion whether to order security, and will act in light of all the relevant circumstances;
2. The possibility or probability that the plaintiff company will be deterred from pursuing its claim is not without more sufficient reason for not ordering security;
3. The court must attempt to balance injustices arising from use of security as an instrument of oppression to stifle a legitimate claim on the one hand, and use of impecuniosity as a means of putting unfair pressure on a defendant on the other;
4. The court may have regard to the merits of the action, but should avoid going into detail on the merits unless success or failure appears obvious;
5. The court can order any amount of security up to the full amount claimed, as long as the amount is more than nominal;
6. Before the court refuses to order security on the ground that it would unfairly stifle a valid claim, the court must be satisfied that, in all the circumstances, it is probable that the claim would be stifled; and
7. The lateness of the application for security is a circumstance which can properly be taken into account.

[107] With respect to an individual plaintiff, the court has inherent jurisdiction to order security for costs. The onus is on the defendant to prove that it will be unable to recover its costs: *Han v. Cho*, 2008 BCSC 1229 at para. 27. As against an individual plaintiff, due to the principle that poverty is not a bar to access to the courts, a concern that a legitimate claim could be stifled by an order for security for costs will almost always override a concern that a successful defendant will be unable to recover costs if security is not ordered. As against an individual plaintiff, security for costs will not be ordered except in egregious circumstances: *Kim v. Choi*, 2016 BCCA 375 at para. 5.

[108] As I understand it, once the defendants have shown a *prima facie* case that the plaintiff will be unable or unwilling to pay an award of costs, the plaintiff has to show that it does have exigible assets, the defendants have no arguable case, or that an order for costs will prevent the action from being heard. With regards to an individual

plaintiff, egregious circumstances are required. In exercising its discretion, the Court must balance the injustices which may flow from the use by a defendant of a security of costs order to stifle a legitimate claim and the use of impecuniosity by a plaintiff to put undue pressure on a defendant to settle claims with meritorious defences.

B. Outstanding Costs Awards

[109] The following are outstanding costs awards made against Ms. Guo in various proceedings:

- Ordered to pay costs of \$47,329.44 to the LSBC in monthly installments of \$1,000 commencing on January 1, 2022. Ms. Guo did not make the payment due on September 1, 2023: *Law Society of BC v. Guo*, 2021 LSBC 43 at para. 91 and *Law Society of BC v. Guo*, 2024 LSBC 11 at para. 9.
- Ordered to pay costs of \$45,497.95 to the LSBC by March 24, 2024. These remain unpaid: *Law Society of BC v. Guo*, 2024 LSBC 39 at para. 26.
- Ordered to pay costs of \$13,015 to the LSBC by October 17, 2024: *Law Society of BC v. Guo*, 2024 LSBC 39 at para.103. Ms. Guo has not paid and a certificate of judgment has been registered on the title of 5080 Linfield Gate, Richmond (“the Linfield Property”).
- Ordered to pay special costs forthwith in the contempt proceedings in *Yu v. Xu*, 2024 BCSC 936 at paras. 32 to 37.
- Ordered to pay costs to the LSBC for the facts and determination hearing in *Law Society of BC v. Guo*, 2022 LSBC 30, and the disciplinary decision in *Law Society of BC v. Guo*, 2023 LSBC 46. Those costs are \$74,475.24: *Law Society of BC v. Guo*, 2024 LSBC 33 at para. 15. I am advised the costs order was stayed for a time pending a review, which has been dismissed
- In the earlier summary judgment application against BMO, Sharma J. ordered the plaintiffs to pay costs to BMO, CIBC, and Gateway: *Guo Law Corporation v. Li*, 2024 BCSC 1121 at para. 132.

C. The Plaintiffs' Assets

[110] Ms. Guo owns the Linfield Property jointly with Yunyan Luan. The property is encumbered with:

- A mortgage with TD bank;
- A certificate of judgment registered by Royal International Holdings Ltd. and Nation Capital in amount of \$1,386,103;
- A certificate of judgment registered by Kai Ming Yu and Qing Yan for damages and costs to be assessed;
- A certificate of lien from the Crown in Right of British Columbia for unpaid provincial sales taxes of \$6,788; and
- A certificate of judgement registered by the LSBC for \$13,015.

[111] The mortgage on the Linfield Property appears to be in default and foreclosure proceedings have been started by TD Bank in August 2025. The amount owing is approximately \$510,000.

[112] Ms. Guo has no bank accounts with BMO. GLC has a bank account with BMO, but it has been frozen and flagged for closure.

[113] Ms. Guo has no bank accounts with CIBC. GLC has two bank accounts with CIBC. These accounts are subject to a court order of August 23, 2016 with respect to the LSBC custodianship of Ms. Guo's trust accounts.

[114] All present and after-acquired real and personal property of Ms. Guo and GLC is the subject of various personal property security agreements in favour of various debtors registered under the *Personal Property Security Act*, R.S.B.C. 1996, c. 359.

[115] GLC is no longer a corporation in good standing as it has not filed an annual report since April 2022. Its sole principal is Ms. Guo. GLC is no longer in good standing with the LSBC.

[116] GLC has no known active business. Its office at 202-6061 No. 3 Road, Richmond (the “No. 3 Road Property”), has been closed.

[117] GLC holds legal title to the No. 3 Road Property. Its title is encumbered by a mortgage, various judgments including from Revenue Canada (\$105,774), assignments of rents and various certificates of pending litigation. On May 1, 2020, GLC sold and transferred all beneficial title to the No. 3 Road Property to 1236707 B.C. Ltd. (whose sole principal is Howard Chen) in exchange for a demand note of \$1.15 million and 2800 Class C shares in GLC. 1236707 assumed the \$3 million mortgage on the property. On July 2, 2024, 1236707 entered into a contract of purchase and sale for the property to Lanlan Lu. The purchase price is unknown.

D. Law Society Proceedings

[118] The LSBC has made findings of professional misconduct against Ms. Guo in various proceedings:

- Breach of trust accounting rules;
- Conflict of interest;
- Failure to supervise staff;
- Misappropriation and mishandling of trust funds;
- Breach of Law Society orders;
- Failure to provide a quality of service equal to a competent lawyer;
- Breach of an undertaking to the Law Society; and
- Knowingly making false representations and failing to respond substantively to the Law Society.¹

¹ See *Law Society of BC v. Guo*, 2020 LSBC 52; *Law Society of BC v. Guo*, 2021 LSBC 43; *Law Society of BC v. Guo*, 2022 LSBC 30; *Law Society of BC v. Guo*, 2023 LSBC 30; *Law Society of BC v. Guo*, 2023 LSBC 46; *Law Society of BC v. Guo*, 2024 LSBC 11; *Law Society of BC v. Guo*, 2024 LSBC 39.

E. The Contempt Proceedings

[119] On October 14, 2022, Weatherill J., in an unrelated matter where Ms. Guo was a defendant, imposed a 40-day custodial sentence on Ms. Guo for repeatedly failing to comply with disclosure orders made by Master Muir in 2021 and 2022: *Yu* at para. 4. The order was stayed to allow Ms. Guo an opportunity to comply and purge her contempt. On May 21, 2024, Weatherill J. heard an application from the plaintiffs to lift the stay due to Ms. Guo's continued refusal to comply. Ms. Guo did not attend; her son attended the hearing and asked for an adjournment of the application as Ms. Guo was in China. The adjournment was denied as Weatherill J. found the materials "woefully inadequate": *Yu* at para. 18. No information was provided as to whether Ms. Guo had returned to Canada after leaving for China in 2023, why she had not complied with the disclosure orders, or whether she planned to ever return to Canada: *Yu* at paras. 15, 27. An arrest warrant was issued for Ms. Guo: *Yu* at para. 29.

[120] A consent order was obtained on December 5, 2025, to set aside the arrest warrant. As a condition of the consent order, Ms. Guo was to deliver her passport to her counsel when she arrived at the Vancouver International Airport, and she was to appear in person before Weatherill J. on December 15, 2025. On that date, Weatherill J. stayed the 40-day sentence for one year. However, the court noted that it was not making a finding that the contempt was purged: *Yu v. Xu*, (15 December 2025), Vancouver S187297 at para. 22. Her counsel advises this Court that he plans to go before Weatherill J. to ask what more Ms. Guo needs to do to purge her contempt.

F. The Position of the Defendants

[121] The defendants argue they have shown that if they are successful, the plaintiffs will be unable or unwilling to pay costs. They say the long list of outstanding costs orders, still unpaid, supports their position. The defendants argue if egregious circumstances are required, that requirement has been met. The defendants say the plaintiffs have only brought forth minimal evidence as to their inability to post security, and the evidence is insufficient to show an award of costs would stifle the claim. They

say the plaintiffs have not satisfactorily explained their financial situation and have not shown they have no means of raising money for security. They argue the plaintiffs' assertion in her affidavit that "neither GLC nor I have the means to post security for costs" is a bald, conclusory statement. They point to family funds that she raised to meet her trust shortfall when the misappropriation occurred and argue she has shown in the past an ability to raise \$3.4 million. Ms. Guo maintained a law practice in China while she was practising in Richmond. The defendants say she has provided no evidence of the status of her law practice in China and her assets there. Her sister has deposed in an affidavit that while she had been paying the mortgage on the Linfield Property, she stopped paying in 2025 as she could no longer afford it.

[122] The defendants seek the following orders:

- Gateway seeks security for costs in the amount of \$202,881 against each of Ms. Guo and GLC (\$405,762 total).
- CIBC seeks security for costs in the amount of \$186,366 against each of Ms. Guo and GLC (\$372,732 total).
- BMO seeks security for costs in the amount of \$186,366 against each of Ms. Guo and GLC (\$372,732 total).
- The Province seeks security for costs in the amount of \$129,767 against both plaintiffs.
- BCLC seeks security for costs in the amount of \$129,767 against both plaintiffs.

[123] Gateway, BMO and CIBC seek to adjourn their application for a stay due to the outstanding contempt matter.

G. The Position of the Plaintiffs

[124] The plaintiffs argue with respect to GLC, the defendants have known about its insolvency since 2017 and failed to bring an application for security for costs earlier. GLC's bankruptcy proposal was filed on January 6, 2017. A bankruptcy trustee was

appointed shortly after and provided notice to the creditors of GLC. By delaying their application for security for costs, the plaintiffs have been prejudiced by being lulled into a false sense of security.

[125] With respect to Ms. Guo's contempt proceedings, the plaintiffs argue the court has a discretion to grant audience to a party held in contempt. This discretion is exercised considering whether hearing the party would abuse the court's process, impede the course of justice or undermine the court's ability to enforce its own orders: *XY, LLC v. Zhu*, 2016 BCCA 276 at para. 17; *Larkin v. Glase*, 2009 BCCA 321 at para. 31. Even where the contempt order relates to a different proceeding, the court retains a discretion to refuse audience where the order breached is closely connected to the matter before the court: *Larkin* at paras. 36–37. The plaintiffs argue she has made efforts to purge her contempt by returning to Canada and appearing before Weatherill J. Her counsel argues he does not know what more she needs to do to purge her contempt.

[126] The plaintiffs argue they do not have the ability to post security for costs. The plaintiffs lost approximately \$6.6 million due to the actions of Mr. Li and Ms. Pan. Ms. Guo used approximately \$2.6 million of family funds to repay the amount stolen from the trust account. Approximately \$4 million was paid from insurance coverage. Ms. Guo has also paid into court approximately \$870,500 in respect of BMO's counterclaim. She has run out of money. When her mental health deteriorated and she could not get admission to any facility locally, a lawyer who had shared office space with her paid for her airline ticket to China so she could get medical treatment. While she was in China, she lived with her brother and his wife. Her sister has deposed she was making Ms. Guo's mortgage payments for a time but now can no longer afford it.

[127] Ms. Guo acknowledges her disbarment and outstanding debts including previous costs awards. She argues her disbarment is irrelevant to this application. If Ms. Guo recovers any funds from this lawsuit, she will be using the funds to satisfy

her debts. She has consented to an order that no money be paid to her without a further order.

[128] She submits while the original time estimate for trial was 35 days, her view is it should conclude in less than 25 days. Ms. Guo does not take issue with the findings against her by the LSBC in *Law Society of BC v. Guo*, 2020 LSBC 52 and *Law Society of BC v. Guo*, 2021 LSBC 43, except on the issue of how many pre-signed blank trust cheques were used in the misappropriation and how many of the cheques were forged by Mr. Li. She does not anticipate the examinations for discovery will be lengthy, as much of the evidence are business and bank records.

[129] As I understand it, the plaintiffs argue an order of security for costs in any amount will stifle their claim. They argue the defendants have deep pockets and are trying to avoid being held to account for their role in the loss of the stolen trust funds.

H. Analysis

1. Evidence the plaintiffs will be unable or unwilling to pay costs

[130] In my view, the defendants have shown a *prima facie* case the plaintiffs will be unable or unwilling to pay an award of costs should the defendants be successful at trial. The long list of outstanding costs awards, plus the various judgments registered against Ms. Guo's real and personal property, support that conclusion.

2. Evidence the plaintiffs' claims will be stifled if security granted

[131] The Court needs to assess the possibility an order of security for costs will stifle the plaintiffs' claim. While the plaintiffs argue they have provided evidence of their impecuniosity, in my view, the evidence is too general to be able to support their contention that they cannot post any amount as security. I agree with Sharma J. in the earlier proceeding that Ms. Guo has provided "no documents or certified records regarding her overall assets, income, liabilities, or debt". What has been put before the Court are the results of various land title and personal property registry searches conducted by the defendants. The information about the plaintiffs' bank accounts at

CIBC and BMO have been produced as these banks are parties. Whether the plaintiffs have bank accounts at other banks is unknown.

[132] The plaintiffs' evidence is limited to a few statements in her affidavits and those of her sister and her sister-in-law. She has submitted no bank account statements, no information or explanation of the transfer of the beneficial title of the No. 3 Road Property, and no detailed explanation of how she is paying for her current living expenses. Further, Ms. Guo has provided no evidence on her law practice in China and what assets she may own there. She has provided evidence in the LSBC proceedings that she maintained an office in Beijing for a period of time while she was practising as she was a licensed lawyer in China: *Law Society of BC v. Guo*, 2020 LSBC 52 at para. 13; *Law Society of BC v. Guo*, 2022 LSBC 30 at paras. 54–55; *Law Society of BC v. Guo*, 2023 LSBC 30 at para. 8. She has testified at the LSBC proceedings that she had bank accounts in China: *Law Society of BC v. Guo*, 2023 LSBC 46 at para. 72. These are all matters within her knowledge.

[133] The plaintiffs rely on the evidence of the foreclosure proceeding and the outstanding judgments to support their contention that it is obvious they cannot afford to post any security. However, I agree with the defendants that while this evidence shows the plaintiffs are not paying their debts, it does not necessarily mean the plaintiffs cannot pay. The plaintiffs in the past were able to raise \$2.6 million family funds to cover the stolen trust funds. They have not explained the sources of her family's revenues and if the family may be able to raise further funds to pursue this litigation. The plaintiffs argue they have provided evidence through Ms. Guo's sworn statement that she has various debts and cannot pay an order for security and provided evidence of two family members in support. They argue the court ought not to rely on negative credibility findings from other proceedings: *J.P. v. K.S.*, 2023 BCCA 408 at para. 6; *Laxton v. Coglon*, 2006 BCCA 178 at para. 15. To be clear, I am not relying on credibility findings in other proceedings when I conclude the plaintiffs' evidence of impecuniosity produced in this application is not sufficient to show she cannot raise funds.

3. Evidence of egregious circumstances

[134] Ms. Guo argues as an individual plaintiff, the test is higher for a court to order security for costs, requiring egregious circumstances.

[135] On the totality of the evidence, I find the defendants have proven egregious circumstances justifying an order for security for costs. Ms. Guo has a history of not abiding by court orders, resulting in an arrest warrant being issued in a civil contempt hearing. As a former lawyer, Weatherill J. found she “swore affidavits that were rife with untruths and outright falsehoods, and I have little sympathy for her persistent and ongoing attempts to mislead the court and play the victim”: *Yu v. Xu*, (15 December 2025), Vancouver S187297 at para. 21.

[136] Ms. Guo has been found by the LSBC to have committed professional misconduct on multiple occasions, culminating in three disbarments. The LSBC in each instance of disbarment found her to be ungovernable. Ms. Guo’s non-compliance with prior orders of the LSBC is some evidence that she may not abide by any future court order to pay costs.

[137] Further, there is evidence that previous costs awards have not been paid by her. In my view, the evidence of her prior non-compliance with LSBC and court orders sufficiently tips the balance in favour of an order for security for costs.

4. The delay in the defendants’ application

[138] The plaintiffs argue the defendants CIBC, BMO and Gateway have known since 2017 about GLC’s bankruptcy proposal. They say these defendants delayed in bringing this application, causing prejudice as the plaintiffs were lulled into a false sense of security.

[139] In my view, the delay in bringing this application has not caused any prejudice to the plaintiffs. The litigation, while extant, was dormant from time to time. The plaintiffs have not yet incurred huge expenses in moving this litigation along. The proceeding is still in document discovery stage; examinations for discovery have not

occurred. The plaintiffs are still seeking to add parties. These applications were filed by the defendants in March 2025.

[140] I also agree with the defendants that circumstances changed when an arrest warrant was issued for Ms. Guo in May 2024. The information then was Ms. Guo was out of the country with an unknown return date. In my view, if the plaintiffs were pursuing this litigation while not being in the jurisdiction, that raises legitimate issues about security for costs.

[141] I find an order for security for costs is justified for all the defendants.

5. Quantum of the order

[142] I have reviewed the draft bill of costs submitted by each defendant.

[143] The plaintiffs argue the trial will complete in 25 days, not the 35 days as currently set.

[144] In my view, seeking security for costs against both Ms. Guo and GLC is not reasonable. It is likely that the steps taken in litigation by the defendants would be taken against both plaintiffs. To award the same amount against each plaintiff does not consider the overlap inherent in the litigation.

[145] I find there will be some costs savings due to overlap between the defendants. For example, the defendants as a group may be able to rely on one or two expert reports, and each defendant does not have to commission their own expert report. I expect there will be an expert report on whether the trust cheques are forgeries. As for examinations for discovery, it may be that each defendant does not need to conduct its own examination of Ms. Guo.

[146] In my view, based on the limited information, I find an appropriate amount to be posted by both plaintiffs for each defendant is \$30,000. The plaintiffs will have to post \$150,000.

V. CONCLUSION

[147] The Province and BCLC are added as defendants, subject to preservation of the limitation defence and the defence of laches for trial.

[148] The plaintiffs have leave to file a further amended NOCC.

[149] The plaintiffs are to post \$150,000 as security for costs within 30 days of this order. The action is stayed until the amount is posted to the court.

[150] If the \$150,000 security is not posted within 30 days of this order, the defendants are at liberty to seek an order dismissing the plaintiffs' action, such order being subject to the discretion of the court.

[151] Nothing in these reasons preclude the defendants from applying for more security.

[152] CIBC, BMO and Gateway's application for a stay of the action due to Ms. Guo's contempt proceeding in *Yu v. Xu* is adjourned generally.

[153] Costs of these applications will be in the cause.

"Chan J."