Consumer and Debt Law
A Manual for Legal Professionals Helping Clients with Consumer or Debt Problems in British Columbia
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Introduction

This manual from People's Law School is a problem-solving resource for legal advocates, paralegals and lawyers in British Columbia whose clients are having problems with consumer or debt issues.

The manual covers over 45 topics on problems people experience with consumer purchases, contracts, borrowing money, and being in debt. Each section is organized to help you understand and work through your client's problem. We include sample client problems, explain the relevant law, point out what information you need from your client, and offer suggestions for solving your client's problem.

Visit the People’s Law School website at www.peopleslawschool.ca[1] for more coverage of consumer and debt law and how to deal with legal problems.

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The 1996 to 2012 editions of Consumer Law and Credit/Debt Law (as it was then called) were published by the Legal Services Society.

At People's Law School, we believe accurate, plain English information can help people take action to work out their legal problems. This publication explains in a general way the law that applies in British Columbia, Canada. It is not intended as legal advice. Legal advice applies the law to an individual's specific situation. If you want assurance that any information is appropriate to your specific situation, or recommendations on next steps with a specific legal problem, please contact a legal professional. Some sources of legal help are highlighted in the Agencies that Help section.

About

People's Law School

This manual is produced by People's Law School, a non-profit society in British Columbia, Canada dedicated to making the law accessible to everyone. We provide free education and information to help people effectively deal with the legal problems of daily life. Contact us at info@peopleslawschool.ca [2] or visit us online at peopleslawschool.ca[1].
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Dedication
The 2018 edition of Consumer and Debt Law is dedicated to the late Allan Parker, QC. Allan was a respected lawyer, teacher, mentor and friend to poverty lawyers, paralegals and community advocates. He worked tirelessly to improve access to justice for the disadvantaged. Allan was pivotal in the development and updating of this publication. His many contributions to legal aid and pro bono work in BC will always be appreciated.

References
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Part 1. Before You Begin

Scope

This manual is divided into six parts:
1. **Before You Begin**: Read this first to understand how to find information about your client’s problems in this manual.
2. **Consumer Law**: Common problems involving consumer law.
3. **Debt Law**: Common problems involving debt law.
4. **Court**: Issues relating to the court process in consumer and debt matters.
5. **Laws & Cases**: Statutes, regulations and cases.
6. **Where to Get Help**: Agencies and resources that may be useful in resolving consumer or debt law problems.

Purpose

This manual is a problem-solving resource for legal advocates, paralegals and lawyers whose clients are having problems with consumer contracts and purchases or credit and debt issues.

Format

Each topic has been set out in this problem-solving format:
- a list of common questions clients ask
- an outline of the relevant law
- suggestions for information gathering to solve the problem
- suggestions for solving the problem

Some topics also have a list of resources for further information.

Content

The criteria for deciding on the content of this manual includes:
- Whether the information would provide entry-level advocates with realistic solutions for clients with consumer or debt problems.
- Whether alternative resources (including lawyers and government agencies, as well as other publications) are available. If so, we refer readers to those resources, listed in the sections on Agencies that Help and Other Resources.

In general, topics involving consumer contracts or credit and debt are covered in the most detail (for example, making a purchase or declaring bankruptcy). Other relevant topics (for example, court procedures) are covered in less detail because many other resources are available for both advocates and clients to find out more about these.

Some relevant topics that fall outside the scope of this manual include builders’ liens, residential tenancies, and enforcement of support payments.

The Consumer and Debt Laws section lists the federal and provincial statutes and regulations referred to in this manual. These statutes and regulations are all available online. Federal statutes and regulations are at laws.justice.gc.ca [1]. BC legislation is posted at www.bclaws.ca [2]. Both federal and BC legislation are also available on the CanLII website at
www.canlii.org [3]. Other online services such as Westlaw eCarswell’s LawSource are available for free at courthouse libraries around the province. To find a courthouse library near you, go to the website [4] of Courthouse Libraries BC.

This manual contains limited references to case law, the written legal decisions of courts and tribunals. Over time, case law establishes principles that are used in understanding the law and deciding future cases. In many instances where common law (legal principles developed from decisions by judges, rather than from statutes or constitutions) is outlined, referring to case law would add unduly to the length of the publication. We include cases if they help to explain a legal principle, or if they provide a helpful precedent to resolve a client’s problem either in negotiations or in a court proceeding.

The Consumer and Debt Cases section lists case citations and provides links to those available on CanLII.

This manual does not contain a glossary of legal terms. We avoid legal terms wherever possible and explain the terms in the context of the topic. You may find a legal dictionary useful for general reference (see the section on Other Resources for some suggestions).

References


How to Use This Publication

Perspective

While this manual is about identifying and solving problems, it is important to keep client problems in perspective. The law outlined in this manual governs millions of consumer and credit transactions made in the province every year. The vast majority of those transactions are carried out without any problems. Overwhelmingly, society accepts the rules that govern these transactions, and follows them.

Being realistic about solving clients’ problems is also important. Often, solving a problem means making the best of a bleak situation. It means, in many instances, that you may not be able to assist clients to make the kind of fundamental changes in their circumstances that will help them avoid similar or other problems, particularly financial problems, in the future. It also means appreciating that the facts provided by clients cannot be changed.

How to find answers to client questions

Every section follows this format to help you understand and work through your client’s problem.

• Client problems: Sample client problems to help you decide if the section is about a law that affects your client.
• Summary of the law: An overview of the relevant law to help you understand the legal context.
• Information gathering: What information you need from your client to help solve the problem.
• Solving the problem: Suggestions for solving your client’s problem.
• Related topics and materials: Suggestions for further reading on a problem, and some cross-references to other sections that may help or give you more information on a topic.
Step 1. Understanding the law
This manual attempts to explain the basic legal principles that advocates need to understand to assist clients who have consumer or debt problems.

Step 2. Gathering relevant facts from the client and other sources
The most important initial step in fact gathering is the client interview. Good interviewing skills come from a combination of experience and realizing that, as with any other skill, proper training, practice and reflection on the skill can make you a more effective interviewer.

Step 3. Identifying the client’s problem or problems
A client’s problem will not always fit neatly into the topics outlined in this manual. It is up to you to understand the facts presented by the client and to apply the law to solve the problem. In some instances, a client’s problem can be quickly identified. In others, it may take considerable fact gathering, investigation and research to identify the issues.

Step 4. Applying the law to the problem
Applying the law to a client’s problem involves explaining to the client the basic principles of the law and how the law governs their circumstances.

Step 5. Outlining client options
In most instances, there is more than one approach to solving a client’s problem. You will serve your clients best if you present a range of options to them. In this way, clients can make informed decisions rather than having solutions imposed on them by you.

Step 6. Carrying out the client’s option
In carrying out the client’s option, you and the client should draft an initial plan of action. This plan should include who is to carry out the initial steps, how to carry out those steps, and the time frame in which to carry out the steps.
Client Options

A range of options

In helping clients deal with consumer and debt problems, here are some ways to categorize the client’s options.

1. Do nothing

In applying the law to a client’s problem, it may be that the client does not have to do anything right away (the “wait-and-see” approach), or that letting the matter go is the most realistic alternative.

A wait-and-see approach may be the most practical option in cases where a client is still hopeful the matter will be resolved without taking further steps — for example, when the likelihood of success in seeking a remedy (either in court or another forum) is in doubt. The client may find the cost of seeking a remedy too high. Many clients will say the emotional strain of pursuing a remedy is not worth what might be recovered.

2. Negotiate with the other side

Often, a matter can be resolved by negotiating directly with the other side. It may involve a phone call, a letter, or a face-to-face meeting. Your assistance may be important if a client is unable or reluctant to negotiate alone.

3. Use other individuals or agencies

There are many people other than advocates or lawyers who may be able to help resolve the problem. These include MPs, MLAs, government agencies (such as Consumer Protection BC [1]), the Better Business Bureau [2], the media, professional or trade associations, and consumer groups.

4. Take non-legal, self-help steps

Sometimes a more creative approach can help solve a problem. Picketing the business in question may, at the very least, have a nuisance effect that puts pressure on the other side to settle. This option costs little in dollar terms, but if the results are not relatively quick, it may be difficult for the client to sustain the action.

Boycotts, in limited circumstances, may also be effective. Usually, boycotts involve several people who are aggrieved or who are at least willing to support one individual or cause.

5. Use legal action

A client may be able to seek a remedy in the court system. The advantages of going to court include using the court system to force a resolution. The disadvantages include the time it may take to resolve the matter, the uncertainty of success, and the likelihood that (if the client uses a lawyer) some or all of the legal costs will not be recovered.

A combination of approaches

Often, problem solving involves a combination of these alternatives at various stages. A client’s best plan is to start with an attempt to negotiate a resolution. If that fails, the client may want to take legal action. The client can still keep the negotiation option open during the legal process. Most legal cases settle before they go to trial.

A critical aspect of efficient problem solving is choosing the most appropriate remedy. Realism is key. Advocates need to be realistic about a client’s chances of success, about the amount that might be recovered, about the ability of any other
service to resolve the problem, and about the client’s ability to carry out their role in the remedy (particularly if it is a self-help remedy).

**Ethical and professional considerations**

Under the *Legal Profession Act*[^3], only lawyers and articled students licensed by the Law Society of British Columbia may practise law in BC. However, the *Legal Profession Act* defines “practice of law” as excluding the work of advocates, provided that the work is not performed for (or in the expectation of) a fee, gain, or reward (direct or indirect) from the client.

The *Code of Professional Conduct for British Columbia*[^4], which explains the rules of conduct for lawyers in BC, sets out rules for "designated paralegals". Chapter 6.1-3.1[^5] of the Code exempts advocates funded and designated by the Law Foundation of BC from the rules and limitations regarding designated paralegals. A person employed by or volunteering with a non-profit organization providing free legal services can also apply to the Executive Committee of the Law Society of BC to be exempted from the rules and limitations regarding designated paralegals.

**Ethical principles**

Nonetheless, advocates (and, of course, lawyers) should consider themselves bound by the ethical rules of conduct set by the Law Society of BC. These rules of conduct are explained in the *Code of Professional Conduct for British Columbia*[^4].

Chapter 2 of the Code contains historic principles of lawyers’ ethics called the “Canons of Legal Ethics”. These are general principles, but they set an important tone for an advocate’s professional duties. Duties are owed to the state, the courts and tribunals, the client, other advocates, and oneself. In virtually any ethical situation, the canons provide relevant guidance for personal conduct.

**Communication skills**

The Law Society stresses that many complaints about lawyers can be avoided by good lawyer-client communications. The primary responsibility for communication rests with the lawyer, who should ensure that:

- clients are kept informed of the progress of their file,
- clients are adequately briefed on the various options available to resolve a problem, and
- clients’ inquiries are handled promptly and efficiently.

There are a range of techniques to properly communicate with clients, including returning phone calls promptly, sending copies of correspondence to clients, explaining legal concepts in simple terms, and giving realistic advice to clients.

**Professional conduct rules**

The following is a list of some of the more important rules that should be followed by everyone in the conduct of client files (all chapter references are to the *Code of Professional Conduct for British Columbia*[^4]).

**Appearances before tribunals**

Advocates are not permitted to represent clients in the superior courts of the province, but there may be limited instances when they can assist in the presentation of cases in the three divisions of the Provincial Court of British Columbia. The rules for appearances in other tribunals vary considerably.
Confidentiality

The Code of Professional Conduct contains a section (chapter 3.3 \[6\]) on confidentiality. Among other things, it provides that a lawyer must hold in strict confidence and not divulge information concerning the affairs of a client, unless:

- authorized by the client to share the information,
- required by the law, a court or the Law Society to do so, or
- the rules of conduct otherwise permit the sharing of the information.

Conflicts of interest

The Code of Professional Conduct spells out (in chapter 3.4 \[7\]) a duty to avoid conflicts of interest. There are two main situations in which this rule applies:

- It applies most obviously where parties are directly opposed to each other in a matter. An advocate or different advocates within the same organization cannot act for opposing parties. In practice, it is important for advocates and their organizations to develop and to follow internal procedures that detect conflicts early on, and to follow procedures to refer one or more of the clients in conflict situations to outside representation.
- The rule may also apply where an advocate is asked to act for more than one party, even where it appears initially that the parties have all interests in common. For example, an advocate may be approached by two spouses being sued by a creditor. In general, it may be safe to act for both. However, be alert to the possibility of conflicts if there appear to be matrimonial problems between the spouses, or if one of the parties appears to be unreasonably influenced by the other. If conflicts do arise after an advocate agrees to act for two or more people, it generally means that the advocate must stop acting for any of the parties.

Contacting other parties or witnesses

Chapters 5 and 7 of the Code of Professional Conduct for British Columbia \[4\] prohibit lawyers from being in direct contact with opposing parties or with witnesses represented by another lawyer, unless there is explicit permission to do so.

The Code requires lawyers who contact any unrepresented person to make it clear to the unrepresented person that the lawyer is acting exclusively in the interests of the lawyer’s client, and to urge the unrepresented person to obtain independent legal representation.

In general, lawyers can contact unrepresented witnesses. However, it is important to be clear about who you are representing.

Threatening

There is a range of prohibitions against communicating in a threatening way. The Code of Professional Conduct for British Columbia has a number of general rules that call on lawyers to conduct themselves in a professional manner. Behaviour such as swearing at an opposing party or at that party’s lawyer is considered unprofessional. Threatening to report a lawyer to the Law Society, for some advantage, is also unprofessional.

Threatening to report the criminal conduct of an opposing party for purposes of achieving some gain is improper. A classic example of this is threatening to report someone to the police if that person does not make good on an NSF cheque.
The dishonest client

A dishonest client presents advocates with another ethical dilemma. You are entitled to begin by presuming that what a client tells you is truthful, though you may need to reconfirm those facts as other facts emerge.

If a client tells a lawyer that they intend to lie at a proceeding (such as a court or tribunal hearing), the lawyer must advise the client that the lawyer will withdraw from acting for the client if the client insists on not telling the truth (Code of Professional Conduct for British Columbia, chapter 3.7 [8]). If the lawyer does withdraw, they are not allowed to explain why to the court or tribunal. The reasons lawyers withdraw, and the process for withdrawing from acting for a client, are set out in chapter 3.7 [8] of the Code.

In recent years, the Law Society has repeatedly warned lawyers against acting for clients when it appears the client’s motives are fraudulent. Examples include when a client wants to have assets transferred to another party (it may be a fraudulent conveyance) or give one creditor (such as a relative) a proportionally larger payment on a debt compared with other creditors (it may be a fraudulent preference).

Getting help with ethical issues

Aside from knowing and applying the basic rules of ethical conduct, a very important aspect of professionalism is knowing where and when to ask for help with an ethical issue. The Law Society of BC [9] has recognized this and provides considerable resources, including written materials and staff, to answer ethical questions from lawyers. It is particularly important for advocates, when faced with an ethical issue, to contact a lawyer for advice if there is any doubt about how the matter should be handled.

References

chapter-6-relationship-to-students,-employees,-a/
chapter-3—relationship-to-clients/#3.3
chapter-3—relationship-to-clients/#3.4
chapter-3—relationship-to-clients/#3.7
Part 2. Consumer Law
Contracts

Contracts Overview

A contract is a legally recognized agreement made between two or more people. The agreement details each party’s obligations and can be enforced in court.

Client problems

- Client comes to you wanting to “get out of” a consumer contract or a credit agreement.
- Client asks if they can get compensation for a consumer contract that the client says was unfair.
- Client is being sued on a consumer sale contract or a credit contract and wants to know what a court might decide about it.

Summary of the law

The common law of contracts

Under common law, the following fundamental elements must be present before the courts will enforce an agreement.

Intention to make a contract

Contracts are enforceable promises, but not all promises are enforceable. For enforceability, there must be an intention to be bound by the promise. This intention can be found in what a person says or does, and in the circumstances under which the promise is made.
Contracts Overview

Capacity
Each party to the contract must have capacity — the legally recognized ability, intelligence, and maturity to appreciate the significance of what an adult would understand as being a legally enforceable promise. One area where the qualification of capacity is especially important is for contracts concerning people under the age of 19. These are known as "infants’ contracts".

Agreement
There must be an offer to contract on certain terms, and an acceptance of the offer on those terms. A response to an offer that makes any material change in the terms or conditions of the content of the offer is not an acceptance; it is a counteroffer.

The parties must agree on the essential terms to make the contract binding. If there is no agreement, or if one or both of the parties misunderstands an essential term, there may be no contract. An agreement that leaves one of the essential terms to be decided at a future time is usually unenforceable.

Terms can be express (that is, specifically stated or written, or both, by the parties) or implied (that is, not specifically stated or written, but reasonably taken from the actions or understanding of the parties to the agreement, or from the law imposing the terms even where the parties did not specifically agree to the terms). Sometimes terms are implied in a contract by law. For example, where a contract is for the sale or lease of goods, the Sale of Goods Act[^1] implies a number of terms as part of the agreement.

Consideration
A promise must be supported by consideration before the law will enforce it. Basically, a promise is only enforceable if the person making the promise receives something of benefit from the person to whom the promise is made and who is seeking to enforce the promise. In most cases, this benefit is something of tangible economic value. However, it can also be an act or some other behaviour requested by the person who made the promise.

A promise to give someone a car, if that person was giving nothing in return, would probably not be considered an enforceable promise; it would probably be considered a gift. However, a promise to pay someone else’s debt when that person is obtaining credit is usually considered an enforceable promise, which the law would probably consider a guarantee.

Almost all consumer and credit contracts have the necessary intention, capacity, agreement, and consideration.

Statutory rights in contracts
While some aspects of modern consumer and credit contracts are governed directly or indirectly by statute law, most promises need only meet the basic requirements of common law to be enforceable.

Some basic rights often given to consumers by statute law include the following.

Contracts in writing
While the absence of a written document can make proof of an agreement more difficult, there is no general principle that all contracts must be in writing to be enforceable. Generally speaking, so long as all the elements of a contract are present, there is a valid contract.

That said, some types of contracts must be in writing, under requirements in the statute law (for example, contracts involving real estate). These include the Law and Equity Act[^2] (see the sections on Mortgages and Foreclosure and the Recovery of Goods), the Business Practices and Consumer Protection Act[^3], the Bills of Exchange Act[^4] (see the
section on Contract Defences), and the *Personal Property Security Act*[^5] (see the section on Security Agreements).

Where the statute law requires a written agreement, with certain terms specified in the agreement, a person seeking to enforce their rights may be able to get some compensation even if the requirements of the law were not met.

**Cut-off clauses**

Contracts that a consumer makes with one business, such as a merchant or a lender, are sometimes sold to other parties. For example, an appliance store may sell a consumer finance contract to a bank or finance company. The sale of the contract is called “assigning the contract”. In general, the party who buys the contract has all the rights to collect on it that the original party had.

In the past, the party buying the contract wanted to limit the responsibility it had for any problems arising from the performance of the contract (for example, if the merchandise financed was defective). One way to do this was to have the consumer agree to a clause in the contract that they would not raise certain defences against the party who bought the contract (called the “assignee”). This was called a **cut-off clause** because it tried to cut off rights the consumer may have had before the contract was assigned.

Consumers are now protected against cut-off clauses in certain types of consumer contracts. For contracts governed by the *Business Practices and Consumer Protection Act*[^3], the law specifically says that consumers have the same rights against an assignee as against the original party who assigned the contract (called the "assignor"). The same protections apply for promissory notes (enforceable promises to repay a debt or loan) governed by the federal *Bills of Exchange Act*[^4].

**Implied terms**

A number of terms are implied in various consumer and credit contracts by statute. For example, certain warranties and conditions are implied in consumer sales of goods and leases under the *Sale of Goods Act*[^1].

**Non-waiver of statutory rights**

A number of statutes say that the additional implied terms or protections given to consumers by that law cannot be given up by a consumer, even if there is a term in the agreement that says the consumer waives the right to have that protection. That is, the consumer is protected from contracting out of certain rights. These statutes include the *Business Practices and Consumer Protection Act*[^3], the *Interest Act*[^6] and the *Sale of Goods Act*[^1].

**Prepayment rights**

In common law, a borrower did not always have **prepayment rights** — the right to pay off a debt obligation earlier than the date stated in the contract. If there were no terms that said the borrower could do so, the borrower was obliged to continue to make the payments of principal and interest called for in the agreement. For a discussion of where consumers now have a statutory right to prepay credit obligations, see the section on Prepayment Rights.

**Specific types of contracts and contract terms**

Many consumer and credit contracts can be categorized by the types of terms or rights forming part of those contracts. In addition, there are various categories of terms that may arise in a wide range of consumer credit transactions. These contract categories, as well as the contract terms, arise both in common law and in statute law. Some of the more important categories and terms are listed here. Many are described in more detail under separate topics.
Acceleration clause

Acceleration clauses are standard in most written credit contracts. The clause means that if a borrower misses making a payment on a credit contract, the creditor has the right to claim the whole remaining balance due from the borrower.

Assignment clause

An assignment clause is a common contract term that allows (or prohibits) one or more of the parties to sell their rights under the contract to another party. A common example of a contract assignment is when a furniture store sells its credit contracts to a bank or finance company. (See also cut-off clauses, explained above.)

Consumer transactions

The Business Practices and Consumer Protection Act[^3] defines a consumer transaction as supplying goods, services or real property to an individual for primarily personal, family or household use. The definition of "goods" includes personal property, fixtures and credit. "Services" include a membership in a club or organization. The Business Practices and Consumer Protection Act regulates these kinds of consumer transactions.

Contract conditions

The words conditions and terms are often used interchangeably to refer to parts of a contract, but there is an important difference in their meaning. A condition is an essential term in a contract, a term that is so important that without it one or other of the parties would not enter into the contract. Sometimes the law (for example, the Sale of Goods Act[^1]) implies which terms are contract conditions. More likely, the contract is silent on categorizing terms in this manner. This distinction can be important when there is a breach of a contract. There are different remedies for breaches of contract conditions than for other types of contract terms (such as contract warranties, discussed below). This is explained in the section on Contract Remedies.

Contract warranties

The word warranty has at least two very different meanings in law. To consumers, it usually means a contractual promise that a seller makes about the quality of the goods or services sold. Under the law, a warranty is a broad label given to terms of a contract that are the non-essential terms of the contract. Sometimes the parties specifically define which terms are contract warranties, and sometimes the law (for example, the Sale of Goods Act) implies which terms are contract warranties. More likely, the contract is silent on categorizing terms in this manner.

This broad categorization can be important when there is a breach of the contract, as there are different remedies for breaches of contract warranties, as distinguished from other types of contract terms (such as contract conditions, discussed above). This is explained in the section on Contract Remedies.

Estimates

Estimates are a difficult area of the law. The case law suggests that whether estimates are binding depends on the intention of the parties to the agreement. The interpretation of an estimate can be complicated when the estimate is not for a specific figure, but is given as a range or in descriptive terms such as "standard price". For a case that considers the principles of law governing estimates, see ABCO Diesel Ltd. v. Dolphin Delivery Ltd. Note also that estimates are addressed in the Business Practices and Consumer Protection Act, section 4(3)(c)(iii) [^7].
Future performance contracts

The Business Practices and Consumer Protection Act [8] and the Consumer Contracts Regulation [9] define a future performance contract as a contract for the supply of goods or services costing more than $50, where the delivery of the goods or performance of the services (by the supplier), or payment for either (by the consumer), is not made when the contract is signed. “Supply” is defined to include a sale, lease, assignment, etc. Future performance contracts do not include contracts for the supply of goods or services under a credit agreement if the goods or services have been supplied, and do not cover timeshare contracts. The Business Practices and Consumer Protection Act regulates future performance contracts.

Guarantees

The word guarantee has at least two very different meanings in law. To consumers, it usually means a seller’s contractual promise about the quality of the goods or services sold. In law, there is a very different meaning, related to a type of credit contract.

A contract of guarantee is a promise by a third party to honour a credit contract of a debtor if the debtor defaults on payment. The third party is called a “guarantor” and can be responsible for the debt if the debtor defaults. This type of guarantee is explained in the section on Co-signing, Guarantees and Joint Debts.

Promissory notes

The federal Bills of Exchange Act [4] defines promissory notes as an unconditional promise made in writing by one person to another, agreeing to pay on demand, or at a fixed or determinable time, a certain sum to a specified person or to the bearer. Promissory notes are a basic form of credit contract. The Bills of Exchange Act regulates promissory notes and gives special protections to consumers who sign them. It requires that promissory notes given in consumer transactions be marked “consumer purchase”. This means that consumers cannot waive their contractual rights under the note if it is assigned to a third party.

Sale of goods contracts

Under the Sale of Goods Act [11], the sale of goods is defined as between a buyer and a seller and includes all types of chattels (personal, moveable possessions). The Sale of Goods Act provides a number of rights and remedies in sale of goods transactions.

Waiver clauses

In many standard form contracts, there are clauses in which consumers are asked to give up certain legal rights, particularly statutory rights, which may give them some protections if the contract is broken. As noted above, many consumer protection statutes have specific provisions that prohibit waiving of these rights.

Even if a waiver clause is not specifically prohibited, consumers may still be able to obtain a remedy for breach of contract if a fundamental aspect of the contract is breached. This issue can arise, for example, in sale of goods transactions governed by the Sale of Goods Act. While consumers cannot waive their rights under that Act in the purchase of new goods, the rights can be waived in the purchase of used goods when those goods are purchased from retail businesses.

The issue most often arises in the sale of used cars. Invariably, a car dealer’s sale contract has a waiver clause. The courts have said in a number of decisions that if the problem with the car is fundamental, the waiver of rights term in the contract will be interpreted very strictly against the seller. Often, the courts ignore the waiver clause and give the consumer a remedy. (See the section on Contract Remedies.) One of the leading cases applying this principle is Findlay
Defences to contract claims

Common-law defences
Even if the fundamental elements for enforceability of a contract are present, a court may refuse to enforce the contract against one party. Historically, the common law has recognized a number of situations where defences are allowed (see the section on Contract Defences), and where the party seeking to enforce the agreement will not be given a remedy or will only be given a limited remedy. Such reasons are called defences.

Statutory defences
Many consumer and credit contracts are governed not only by the basic common law principles of contract, but also by many additional rules set out in statute law passed by the provincial and federal governments. See the section on Contract Defences.

Information gathering
See the sections on Contract Defences and Contract Remedies for more context on what information to collect from the client.

Solving the problem
See the sections on Contract Defences and Contract Remedies for more context on solving the client’s problem.

Related topics and materials
See the other sections under contracts:
- Contract Defences
- Opting Out and Cooling-off Periods
- Contract Remedies
- Contracts Made by Minors

See related topics:
- Co-signing, Guarantees and Joint Debts
- Deposits in Consumer Transactions
- Prepayment Rights
- Sale of Goods Law
- Unfair or Deceptive Practices

See also People’s Law School’s pages on contracts [11].
This section describes **contract defences**, some of the basic grounds in common law and statute law that can help a party get out of a contract.

### Client problems
- Client did not understand the contract they were signing.
- Client was "forced" into signing a contract.
- Client signed a contract, but says they were misled about the extent of their liability.
- Client misunderstood a contract.

### Summary of the law
Even with the basic elements of a contract present (see the Contracts Overview), common law and statute law provide a number of grounds for a party to avoid having a contract enforced against them. These defences to contract actions give the defending party a legal excuse to get out of the contract. Without such defences, the contract would be legally enforceable. Remedies to enforce contracts are discussed in the section on Contract Remedies. (See also the sections on Opting Out and Cooling-off Periods and Unfair or Deceptive Practices.)
Defences versus causes of action

This section covers defences only. Defences are the grounds upon which a consumer can defend a legal action by someone seeking to enforce a contract. This is different from a "cause of action", which is a consumer's right to bring a legal action themselves. In some instances, some legal principles can be both defences and causes of action, depending on who is bringing the action. For example, if a consumer refuses to make payments called for in a contract, they may be able to make a defence on the grounds of unconscionability (see below). If the consumer has already paid for the goods or services, they could also use the grounds of unconscionability to bring a legal action (or "cause of action").

Defences to liability and quantum

It is important to note the distinction between defences to liability and defences to amount, or quantum. Liability refers to the court finding someone responsible for an action or debt. If a consumer can assert no defence in an action by a creditor, the consumer is liable (or responsible) for that debt. If a consumer has paid for a defective product and gets their money back through legal action, the seller is liable for damages (the amount of money to be refunded).

If the court decides that one party should pay something to the other, the court must also decide how much should be paid. The legal term for the amount to be paid is "quantum". Often, the amount is obvious. For example, if the consumer is liable, the creditor can usually prove the amount of the debt. If the court decides that the consumer is entitled to a refund, the amount also ought to be obvious.

In some instances, however, the issue is less clear. For example, in the case of debt, there may be disagreement over:

- Whether the debtor has been properly credited for all payments made.
- Whether the amount of interest claimed by the creditor is correct. This is a particularly complicated area where courts often have to decide whether a full or only partial refund should be awarded.

The defence of making the other side prove its case

In general, the plaintiff (the party seeking a remedy) must prove their case by presenting evidence to persuade a judge that they are entitled to the remedy. If the plaintiff is a creditor, the creditor must prove that the debtor owes the debt. If the plaintiff is a consumer, they must prove that the product they bought was defective.

The obligation on plaintiffs to prove their case means defendants need only indicate that they do not admit to the plaintiff’s claim. Defendants can do this by filing a reply [1] in the case of Small Claims Court actions, or by filing a response [2] in Supreme Court actions.

Plaintiffs may fail to prove their case in a number of ways:

- They may not bother to show up at court, thinking that it is not worth their time or that they may lose.
- They may not have the proper evidence, such as witnesses or documents.
- They may not be credible and so lose by not proving their case on the balance of probabilities (the likelihood that one party’s evidence is more likely to be accurate than the other’s).
- They may run afoul of some rule of evidence that does not allow them to admit evidence crucial to proving the case.

### Common-law defences

#### Illegality

Courts generally do not enforce contracts that are for an **illegal purpose** or that contravene a statute. An obvious example of an unenforceable contract is one made with the intent of harming someone. Some interesting exceptions to the general rule include:

- **Gambling debts**: Historically considered uncollectable and illegal, court decisions suggest they are now collectable.
- **Illegally paid interest**: Although it is illegal under the *Criminal Code*[^3] to lend or collect interest at an annual rate above 60% (except as authorized under payday loan legislation), in at least some instances the courts have allowed the recovery of the illegally paid interest.

#### Misrepresentation

If a person makes a false statement to induce someone to enter a contract, the deceived party may be entitled to a remedy in court on the basis of **misrepresentation**. Historically, the courts have awarded different types of remedies, depending on the nature of the misrepresentation. For example, they may let the deceived party out of a contract completely or give the person partial compensation through a damages award.

To some extent, common law principles of misrepresentation have been overtaken by related defences for deceptive acts or practices that apply to a wide range of consumer and credit transactions under the provisions of the *Business Practices and Consumer Protection Act*[^4].

#### Mistake

“**Mistake**” refers to a basic, or fundamental, misapprehension or misunderstanding between the parties to a contract. For example, the parties might be mistaken about who the contracting parties are, the subject matter of the contract, or the nature of the contract itself. In common law, a contract based on a fundamental mistake is void — that is, ineffective for all purposes and at all times. Neither side can enforce the agreement. This has often resulted in hardship for one or both sides. Recent findings tend to favour the concept of a contract being “voidable” as opposed to a contract being void. Voidability allows a court to terminate the contract, but gives partial compensation to one party.

In most standard credit and consumer contracts, this concept of fundamental mistake seldom arises. Although clients may complain that they did not understand the papers they were signing, a perfect understanding of all the terms of a contract is not necessary to make it binding, as long as clients grasp the basic terms of the contract. In general, courts look at the reasonableness of the mistake and the behaviour of the parties when deciding whether to enforce a contract. If one party clearly did not bother to read some of the “fine print” of a contract when they had the opportunity to do so, a court may not be sympathetic to an argument based on a mistake.

However, if one of the parties knows about the mistake and does not reveal that knowledge, the courts may let the mistaken party out of the contract.

In recent years, courts have decided that consumers may be relieved from the strictness of some written contract terms if they find it is the duty of the business to draw a specific term to the consumer’s attention. In *Tilden Rent-A-Car v. Clendenning*[^5], for example, it was not that the consumer was mistaken about the terms of the contract, but that the consumer was unaware of a “fine print” term that had an unfair effect on the relationship between the parties.
Unfairness of bargain

Several common law grounds deal with contracts that are fundamentally unfair. In many instances, these principles overlap:

- **Unconscionability**: A contract is said to be unconscionable if a stronger party uses power to gain an unfair advantage over a weaker one. Inequality between the parties created by one party’s ignorance, need or distress can result in substantial unfairness in the overall bargain; for example, with one party setting an inordinately high or low price. Notable BC cases on unconscionability are Morrison v. Coast Finance Ltd. [6] and Waters v. Sun Route Tours Inc. [7]

- **Under duress**: External coercion or compulsion exerted by one party against another can result in a contract being made under duress or force. Compulsion may be physical, psychological or economic. The most obvious example of duress is if one party is threatened with physical harm unless they enter into an agreement.

- **Undue influence**: Undue influence is when one party uses the other party's confidence in them to gain an advantage. The confidence may arise from the nature of the relationship, such as between members of a family, or between professionals and their clients.

Statutory defences

Statute law provides an additional range of defences in consumer and credit contract transactions. In some instances, these statutory defences are extensions of common law principles; in other instances, the defences are specific to the statute. Some of the more important statutes containing consumer or debtor defences are listed below. These statutes are discussed in more detail under a number of topics in this publication. Federal statutes are followed by "(Canada)"; all others are BC statutes:

- **Bills of Exchange Act** [8] (Canada)
- **Criminal Code** [9] (Canada)
- **Infants Act** [10]
- **Interest Act** [11] (Canada)
- **Law and Equity Act** [12]
- **Limitation Act** [13]
- **Personal Property Security Act** [14]

Solving the problem

This section provides only a brief overview of some of the more important defences available in consumer and debtor transactions. Take care when raising a defence during negotiations with a seller or creditor. While there is a range of possible defences, they are rarely successful in court. In general, you should consult a lawyer if the issue of a defence arises.

Related topics and materials

See the other sections under contracts:

- Contracts Overview
- Opting Out and Cooling-off Periods
- Contract Remedies
- Contracts Made by Minors

See related topics:
• Co-signing, Guarantees and Joint Debts
• Deposits in Consumer Transactions
• Misleading Advertising
• Prepayment Rights
• Sale of Goods Law
• Unfair or Deceptive Practices

See also People's Law School's pages on contracts [15].

 References
[1] https://www2.gov.bc.ca/gov/content/justice/courthouse-services/small-claims/how-to-guides/replying-to-a-claim
[5] http://canlii.ca/t/g1bx1
[6] http://canlii.ca/t/gd7z1
[7] http://canlii.ca/t/1dm18
[8] http://canlii.ca/t/7vd0
[9] http://canlii.ca/t/7vf2
[12] http://canlii.ca/t/8459
Opting Out & Cooling-off Periods

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

A party may be able to get out of a contract if there was an explicit or implied term that a party could choose to do so. As well, the law gives consumers the right to cancel certain contracts during a "cooling-off period".

Client problems

- Client entered into a contract for goods or services and now wants out of the contract, even though there is nothing wrong with what the client bought.
- Client heard they had 10 days to take goods back to a store, but the store will not accept the goods.

Summary of the law

If there is no fault in a contract between a seller and a buyer, consumers generally do not have the right to change their mind and get out of the contract. There either must be a reason to get out of the contract, such as the goods being unsatisfactory, or one of the exceptions explained below must apply.

If there is no reason, the only way to get out of the contract is if the seller agrees. If this is the case, the consumer and the seller are actually making a new agreement — to let the consumer out of the old agreement.

Common law exceptions

The consumer may be able to get out of a contract if the contract specified the consumer could choose to do so. For example, some department stores advertise that they allow consumers to return any product purchased at the store. In law, the promise in the advertisement would probably be considered a term of every sale contract the store makes (see the Contracts Overview). Or, a seller may promise a particular consumer they could return a product or the contract could be cancelled.

Promises stated clearly in a contract are called "explicit terms". The parties specifically discuss and agree to such explicit terms. Other promises that allow a contract to be cancelled might be "implied" terms. For example, if a store displays a sign reading "No Refunds — Only Exchanges", it could be argued this gives the buyer an additional contractual right of exchange, regardless of the quality of the product, since the consumer already has the legal right to return goods that are fundamentally defective.

There may be either explicit or implicit limits, or both, on the contractual right of exchange. There may also be time limits. For example, some stores advertise that the consumer has a limited number of days to bring any goods back for a refund. If there is no time limit specified, the law would probably say the consumer has a reasonable time to ask for the refund. The law does not have a set definition for “reasonable time”. It varies depending on, for example, what was bought, where it was bought, and what the implied terms of the contract were.
There may also be limits arising from the consumer’s use of the product. For example, a store may advertise that it accepts returns as long as the product is, essentially, unused. If there is no explicit term regarding use, the law would probably say that the product has to be resalable as new or near-new before the consumer could ask for a refund.

**Statutory exceptions**

The *Business Practices and Consumer Protection Act*\(^1\) gives consumers some rights to cancel certain contracts, beyond the general rights in common law.

Refer to sections 17 to 56 of the Act and the Consumer Contracts Regulation\(^2\) for specifics. Here are some general guidelines.

**Door-to-door sales**

Many consumers believe they can only cancel door-to-door sales contracts. However, the terms of the *Business Practices and Consumer Protection Act*\(^1\) actually apply to a wider range of transactions. The Act’s cancellation provisions apply to “direct sales contracts” — contracts for goods and services entered into in person at a place other than the supplier’s permanent place of business. This covers door-to-door sales and other situations.

If a direct seller makes a sale somewhere other than a permanent place of business, section 21(1)\(^3\) says a consumer has 10 days after the date that the consumer receives the contract to cancel the contract (longer in some instances). This means that if a consumer receives a copy of a direct sales contract on February 1, for example, the consumer has up to and including February 11 to cancel.

A consumer may cancel a direct sales contract not later than one year after the date the consumer receives a copy of the contract if:

- the contract does not meet the content requirements set out in the *Business Practices and Consumer Protection Act*,
- the supplier was under a direct sales prohibition order at the time the contract was made, or
- the goods or services were not supplied within 30 days of the supply date.

**Distance sales contracts**

The *Business Practices and Consumer Protection Act*, in section 17\(^4\), defines **distance sales contracts** as contracts for the supply of goods and services that are not entered into in person, and, in the case of goods, where the consumer does not have an opportunity to inspect the goods at the time the contract is entered into (for example, online purchases or catalogue sales).

A consumer has the right to cancel a distance sales contract no later than seven days after receiving a copy of it if the contract does not comply with the requirements for contracts in electronic form or otherwise comply with the content requirements of the *Business Practices and Consumer Protection Act*. A consumer has up to 30 days to cancel a distance sales contract if the supplier does not supply the consumer with a copy of the contract within 15 days of the contract being made.

If a supplier fails to deliver the goods or services within 30 days of the supply date in the contract, the consumer may cancel the contract. If no supply date was specified in the contract and the supplier does not deliver the goods or services within 30 days, the consumer has the right to cancel 30 days from the date the contract was entered into.
**Future performance contracts and continuing service contracts**

**Future performance contracts** are defined in section 17\(^4\) of the *Business Practices and Consumer Protection Act* as contracts for the supply of goods or services for which the supply or payment in full is not made at the time the contract is executed. **Continuing service contracts** are future performance contracts that provide for the performance of services on a continuing basis. Examples of continuing service contracts are gym memberships and dance lesson contracts.

A consumer has the right to cancel a future performance contract no later than one year after the date the consumer receives a copy of the contract if the contract does not contain the information required by the *Business Practices and Consumer Protection Act*, such as the supply date, the amount of each periodic payment, etc.

A consumer may cancel a continuing service contract no later than 10 days after receiving a copy of the contract, or at any time if there has been a material change in the circumstances of the consumer or the supplier. Examples of material changes in the circumstances of the consumer provided in section 25(3)\(^5\) of the Act are the death, disability or relocation of the consumer. Examples of material changes in the circumstances of the supplier provided in section 25(4)\(^5\) are failure to complete the services within the time specified in the contract, unavailability of the services due to discontinuance or substantial change in operation of the supplier, and relocation of the supplier by more than 30 kilometres.

**Notice of cancellation**

Under section 54\(^6\) of the *Business Practices and Consumer Protection Act*, a consumer (or supplier) may give a notice of cancellation by any means that permits a person to prove that they cancelled the contract on a specific date, including delivering the notice in person, or by registered mail, email or fax to the appropriate address or number in the contract.

If the notice of cancellation is given other than by personal delivery, it is deemed to have been given at the time it was sent.

**Information gathering**

Obtain all the facts surrounding the contract, including details from the client and copies of all the documents. Specifically, find out:

- the date the agreement was made,
- the value of the contract, and
- whether any oral representations were made by the seller aside from the written contract.

**Solving the problem**

Before focusing specifically on the common law or statutory rights of cancellation, consider if there are any other applicable remedies that would support negotiation for cancellation. For example, if there was unfairness in the making of the contract, there may be additional rights under the common law or the statute law, such as in the *Business Practices and Consumer Protection Act*\(^1\).

If the consumer’s right to cancel falls under the common law, either you or the consumer should approach the seller as soon as possible. Discuss with the consumer in advance what kind of cancellation arrangement they wish to make (for example, full refund of payment, exchange for another product, or a credit note for future purchases).

If the consumer’s right to cancel falls under one of the statutory provisions of the *Business Practices and Consumer Protection Act*, then proper written notice should be given within the time limits. Since this right of cancellation is given by statute beyond rights in common law, a court probably cannot extend the time for giving notice of cancellation.
After a consumer gives notice of cancellation, the Act sets out detailed rights and responsibilities for:

- returning the goods to the seller,
- the amount of time for refunding money paid by the consumer under the contract,
- returning items traded in as part of the contract, and
- cancelling any related credit agreement.

**Related topics and materials**

See the other sections under contracts:

- Contracts Overview
- Contract Defences
- Contract Remedies
- Contracts Made by Minors

See related topics:

- Misleading Advertising

See also People’s Law School's pages on contracts[7].

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When a contract dispute goes to court, the party bringing the action will seek a remedy, which is the relief they are asking for.

Client problems

- Client wants to know what type of award a judge might make if a consumer or credit problem goes to court.

Summary of the law

When a matter goes to court, the party bringing the action must set out their grounds for asking for a remedy (called the "cause of action") and the type of remedy they want (this can be called the "relief" the party is seeking).

Actions by creditors and sellers against consumers

In the majority of Small Claims or Supreme Court cases brought against consumers, creditors or sellers ask for a judgment ordering the consumer to pay money. The seller or creditor is usually seeking to recover the balance owed by the consumer. For example, a creditor who is suing on a defaulted credit agreement asks for a money judgment in the amount outstanding, along with interest and costs. Similarly, a supplier of goods or services who has not been paid asks for a judgment for the amount outstanding.

To successfully defend the action, the consumer must raise a defence that the court accepts, or show that the creditor or seller has failed to prove its case. Consumers may also ask for other kinds of remedies if they are sued. For example, a consumer being sued for a debt may ask the court to make an instalment payment order for the judgment (rather than ordering that the whole amount is due), or, in very exceptional circumstances, the court might order a stay of enforcement (that is, the plaintiff gets the judgment and is acknowledged to be in the right, but is not allowed to try to collect on it).

Actions by consumers against creditors or sellers

In most (but not all) cases brought by consumers against sellers and creditors, the consumer also asks for a judgment ordering the other side to pay money. The consumer is usually seeking compensation for some breach of the credit or sale agreement. For example, a consumer who has paid for goods that turn out to be defective may sue for compensation to make up for the value of the defect in the goods. Or, the consumer may base a case on a separate cause of action. For example, a debtor harassed by a collection agent may bring an action for damages under the Business Practices and Consumer Protection Act [1] (see the section on Harassment by Debt Collectors).
A money judgment is the most common remedy available to consumers, but it is not the only one. In cases where there has been a fundamental breach of the contract by a creditor or seller, the court may order "rescission". This is a legal term for undoing the contract and restoring the parties to their original situation. For example, the court may order the return of both the consumer's money and the seller's property.

A court may also order that property seized from a debtor be returned to the debtor. This might be ordered if:

- a debtor is in default of a security agreement but has the ability to reinstate the terms of the contract, or
- the property of a debtor has been wrongfully seized; for example, a bailiff has repossessed property not covered by the creditor's security agreement.

Other remedies are available in statute and common law under principles known as equity and unjust enrichment. It is usually necessary to get a lawyer's advice because some of these remedies include declarations (court orders that make a party do something) and injunctions (court orders that prohibit a party from doing something).

**Related topics and materials**

See the other sections under contracts:

- Contracts Overview
- Contract Defences
- Opting Out and Cooling-off Periods
- Contracts Made by Minors

See related topics:

- Bailiffs, Court Bailiffs and Sheriffs
- Misleading Advertising
- Prepayment Rights
- Sale of Goods Law
- Unfair or Deceptive Practices

See also People's Law School's pages on contracts[^2].

[^1]: http://canlii.ca/t/84mr
[^2]: https://www.peopleslawschool.ca/everyday-legal-problems/consumer/contracts

**References**

[^1]: http://canlii.ca/t/84mr
[^2]: https://www.peopleslawschool.ca/everyday-legal-problems/consumer/contracts
Contracts Made by Minors

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

In British Columbia, different rules apply to contracts made with minors, defined as someone who is under the age of 19.

Client problems

- Client under 19 years of age wants advice about getting credit.
- Client wants to know what rights there are for suing a person under age 19.
- Client wants to know if they will be responsible, as a guarantor, for the credit contracts of a person under age 19.
- Client or client’s parents want to know about suing or defending a court case where client is under age 19.

Summary of the law

BC’s Age of Majority Act \(^{[1]}\) defines anyone under the age of 19 as an "infant" (or a “minor”). There are a number of differences, both in common law and statute law, between the rights and responsibilities of children and those of adults. These differences reflect the notion that minors need greater legal protection than adults in diverse matters, ranging from consenting to medical treatment to entering into credit contracts. In some instances, the differences involve complex principles of law. This section focuses specifically on contracts made by minors (contracts made with people under the age of 19) and, briefly, on the rules for minors using the court system.

Infants’ contracts

In 1985, the BC legislature amended the sections of the Infants Act \(^{[2]}\) dealing with infants’ contracts. Prior to the amendments, the Infants Act made most sales and credit contracts involving infants “void”. The old BC legislation was based on long-standing British law. However, the old legislation was fairly inflexible and was often as much a hardship for the adult dealing with the minor as it was protection for the child. Current BC law presumes that contracts made by a minor are unenforceable against (but not by) the minor with the following exceptions:

- Where enforceability is specifically allowed by other statutes.
- Where the minor affirms (confirms), performs or partially performs the contract (for example, makes payments under the contract) within one year after turning 19.
- Where the minor does not repudiate (cancel in writing) the contract within one year after turning 19.

Even if the contract is unenforceable against the minor because the exceptions do not apply, there may still be a remedy for either side, depending on the circumstances. Under section 20 \(^{[3]}\) of the Infants Act, either side can apply to the court...
for a remedy, including payment of compensation, return of property, or discharge of the contract (see the section on Contract Remedies). When making such an order, the court considers all the circumstances surrounding the making of the contract.

According to section 23 \textsuperscript{14} of the \textit{Infants Act}, a guarantor to a contract made by a minor is liable on (responsible for) the guarantee regardless of whether the contract is enforceable against the minor.

\section*{Children and court procedure}

The Supreme Court Civil Rules \textsuperscript{5} and Small Claims Rules \textsuperscript{6} impose special restrictions on how a court case can be brought against or by a minor.

In general, the minor must bring or defend an action through an adult (usually a parent) appointed as a litigation guardian. According to Supreme Court Rule 20-2(2), the minor cannot bring the action alone. Small Claims Rule 17(18) makes Supreme Court Rule 20-2(2) applicable to proceedings in Small Claims Court. When someone brings an action against a minor in either court, the court papers are served on a parent or guardian, rather than the minor.

\section*{Information gathering}

In addition to gathering and confirming all information on the financial circumstances of the client, including income and expenses, assets and debts, and future prospects for changes in income, check for guarantors in credit contracts made by minors who are clients. It may be that the creditor has obtained a guarantee from a parent or other responsible individual as part of extending credit to the minor. (See the section on Co-signing, Guarantees and Joint Debts.)

\section*{Solving the problem}

Clients under 19 who have consumer or credit questions will probably want to know:

\begin{itemize}
  \item what the procedures are in either Small Claims Court or Supreme Court, and
  \item what their rights and responsibilities are under credit contracts.
\end{itemize}

\section*{Related topics and materials}

See the other sections under contracts:

\begin{itemize}
  \item Contracts Overview
  \item Contract Defences
  \item Opting Out and Cooling-off Periods
  \item Contract Remedies
\end{itemize}

See related topics:

\begin{itemize}
  \item Co-signing, Guarantees and Joint Debts
  \item Credit Cards
\end{itemize}

See also People's Law School's pages on contracts \textsuperscript{7}.
References

[1] http://canlii.ca/t/84gw
Making a Purchase

Sale of Goods Law

Legal problems involving the sale of goods typically involve weighing a variety of factors: the terms of the contract, the type of seller, and the nature and seriousness of the problem.

Client problems

• Client bought a consumer good that is not functioning properly.
• Client bought a car from someone, and now someone else is claiming the car is theirs and the seller did not have the right to sell it.
• Client paid a deposit for goods, and the store went out of business without returning the deposit or providing the goods.

Summary of the law

Many common-law principles of contract (see the Contracts Overview) were developed in Britain during the 1800s. In some instances, those principles were codified into statute law by the British parliament. One important area of the common law of contract that was codified was the sale of goods law. BC’s present Sale of Goods Act[1] was modelled after the British law.

The Sale of Goods Act covers the sale of chattels, which are personal, moveable possessions. Amendments to the Act extended its coverage to some leases as well. (In a lease, the “lessor” is the person who leases the goods to the consumer; the consumer is known as the “lessee”.) Portions of the Sale of Goods Act cover sales or leases between retailers and consumers (for example, when a consumer buys a car from a dealership), and some portions cover sales or leases between consumers themselves (for example, when a consumer buys a car from another consumer who is not in the business of selling cars). Sale of goods contracts do not have to be in writing to be protected by the Sale of Goods Act.

The Sale of Goods Act is an important law for consumers because it provides many rights and remedies. It does this in two main ways:

• The Act deems that many rights are part of a sale of goods contract, regardless of what the parties have (or have not) agreed on. These are called “implied terms”. These terms cover the quality of the goods sold and the seller’s right to
sell the goods. Regardless of whether anything is said when a sale is made, or even if, in some instances, the seller specifically says that the Sale of Goods Act does not apply to the transaction, it is likely that the Act does apply.

• The Sale of Goods Act gives consumers certain remedies if the seller breaches the rights given under the Act. The Act talks of rights that are “conditions” and rights that are “warranties”. In very general terms, conditions are seen as the most important basic rights of the contract, while warranties are seen as less important collateral rights. The distinction can be important for the type of remedy (see the section on Contract Remedies) available to the buyer. In general, breaches of conditions may allow consumers to get out of the transaction altogether (that is, return the goods and get their money back), while breaches of warranties usually allow consumers only to recover damages (that is, get some compensation for the defect in the goods).

It is difficult to generalize about all the rights given by the Sale of Goods Act. Considerable case law has interpreted many sections of the Act and refined the meaning of those sections. The relevance of a section to a particular transaction often depends on the specific facts of the transaction. Also, there are differences in how or whether the Act’s protection applies to transactions. For example, some protections apply to both business-consumer transactions and consumer-consumer transactions, while other protections apply to only business-consumer transactions.

The following is a brief summary of some of the more important consumer-related provisions of the Sale of Goods Act. These implied conditions are part of every consumer contract.

The seller has title
Under section 16(a) of the Sale of Goods Act, an implied condition of the contract is that the seller (or lessor) has a right to sell the goods. Essentially, this means that the seller has title to the goods and has the right to sell them. If the seller (or lessor) does not have the right to sell the goods, and this is discovered within a reasonable time, the buyer is entitled to cancel the contract and have the full purchase price returned. This protection usually applies to consumer-consumer sales (or leases) for both new and used goods; this protection always applies to business-consumer sales (or leases) for both new and used goods (since, for retailers, this right cannot be waived; see section 20(3)).

The goods are free from encumbrance
Under section 16(c) of the Sale of Goods Act, an implied condition of the contract is that the seller (or lessor) promises there are no charges or encumbrances on the goods by any third party. Examples of charges or encumbrances include repairers’ liens and security agreements over the goods registered under the Personal Property Security Act. Again, this protection usually applies to consumer-consumer sales (or leases) for both new and used goods, and always applies to business-consumer sales (or leases) for both new and used goods (retail waivers being void under section 20(3)).

The goods are reasonably durable
Under section 18(c) of the Sale of Goods Act, an implied condition of the contract is that the goods will be durable for a reasonable period of time, considering both the normal use of the goods and all the surrounding circumstances of the sale or lease. This protection always applies to business-consumer sales (or leases) of new goods (retail waivers are void under section 20(2)). This protection will probably not apply to business-consumer sales (or leases) of used goods, since waivers are not void under the act in this case and the business may well have the consumer sign a waiver. This protection usually applies to consumer-consumer sales (or leases).
The goods are reasonably fit for the purpose

Under section 18(a) \[5\] of the *Sale of Goods Act*, an implied condition of the contract is that the goods sold are **reasonably fit for their intended purpose**. This condition applies if the following three circumstances are all present:

- The consumer tells the business the intended purpose for the goods.
- The consumer shows that they are relying on the seller’s skill or judgment.
- The seller sells the goods in the usual course of the seller’s business.

There is considerable case law on the interpretation of when the three circumstances are present and what the standard is for reasonable fitness. This protection always applies to business-consumer sales and leases of new goods (retail waivers are void under section 20(2) \[3\]). This protection probably does not apply to business-consumer sales or leases of used goods, since waivers are not void and the business may well ask the consumer to sign a waiver. This protection does not apply to consumer-consumer sales.

The goods are of merchantable quality

Under section 18(b) \[5\] of the *Sale of Goods Act*, an implied condition of the contract is that the goods sold are of **merchantable quality** (that is, they are in a suitable condition to be sold). This condition applies if the following three circumstances are all present:

- The consumer buys the goods by description from the seller.
- The seller deals in goods of that description.
- The consumer inspects the goods and does not find a defect that they ought to have found in making that inspection.

As with the implied condition of fitness for purpose, there is considerable case law on the interpretation of when the three circumstances are present and what the standard is for merchantable quality. This protection always applies to business-consumer sales and leases of new goods (retail waivers are void under section 20(2) \[3\]). This protection probably does not apply to business-consumer sales or leases of used goods, since waivers are not void in this case and the business may well have the consumer sign a waiver. This protection does not apply to consumer-consumer sales.

Information gathering

Obtain all the details of the transaction, including basic information about the seller, any documents relating to the sale, and any notes on conversations between the client and the seller throughout the transaction.

You should also consider whether the seller has “policies” that deal with such matters as the return of goods, as with some department stores. Where there are registration requirements for the goods, such as cars, a search may be helpful. Where the problem involves matters of title claims to the goods, search the Personal Property Registry \[6\].
Solving the problem

Protections and remedies in the *Sale of Goods Act*[^1] can be an important part of client redress for a wide variety of consumer sales problems. However, beyond a consumer's legal rights, a variety of factors may influence how the problem is approached. A consumer may decide to:

- do nothing,
- attempt to negotiate directly with the seller,
- enlist the assistance of a consumer help service, or
- take legal action, depending on the other factors.

There are many ways to resolve disputes if the client is not satisfied with goods or services bought. The Complaint Roadmap[^7], offered by the federal government's Office of Consumer Affairs, provides a guide for making a complaint to a business. The *Canadian Consumer Handbook*[^8], also from the Office of Consumer Affairs, offers advice for making an effective complaint.

Terms of the contract

Consider *Sale of Goods Act* rights in the context of the whole of the consumer contract. It is important to know both the terms of the agreement that are implied by law, and also the express terms (that is, the specific terms agreed to by the parties, such as a consumer’s right to return goods), which may go beyond the rights under the *Sale of Goods Act*.

Type of seller

Consider also the type of seller the consumer is dealing with. As described above, some rights arise only with businesses, while other rights arise in both business-consumer and consumer-consumer situations. The type of seller may also factor into the consumer's response. For example, department stores are often easier for consumers to deal with than smaller retail businesses. Many department stores have policies of accepting the return of goods within a reasonable period of time, regardless of whether or not the goods are defective. Car dealers often have a reputation of being harder to deal with.

Consumer Protection BC[^9] may be able to help resolve complaints if it involves one of these businesses: debt collection and bailiffs, travel, cemetery and funeral services, payday lending, home inspections, telemarketers, motion pictures, credit reporting, consumer contracts, and gift cards.

Type of product

Consider the type of product sold, as it may not be practical to seek a remedy at all. The product’s value is of particular relevance.

Seriousness of the defect

How serious is the product’s defect? It may be wise, and practical, for a consumer to ignore relatively minor defects, while more serious ones may justify taking the time to seek a remedy in court.

Reality of recovery

In almost any consumer situation, it is important to assess the reality of recovery. If a seller is likely to be unresponsive to a complaint, then the consumer needs to assess the prospect of taking court action. If a seller is an individual from whom it may be difficult to collect even if the consumer obtains a court judgment, it may be wiser to do nothing rather than face continuing frustration without any tangible result.
**Related topics and materials**

See the other sections on making a purchase:

- Deposits in Consumer Transactions
- Misleading Advertising
- Unfair or Deceptive Practices
- Unsolicited Goods and Services
- Leases

There are various useful texts on this topic, including *Sale of Goods in Canada* by G.H.L. Fridman and *The Sale of Goods* by P.S. Atiyah (note: the latter is based on English law, which differs somewhat from BC law). These texts are a starting point for finding cases that interpret sections of the *Sale of Goods Act* [1].


Also see People’s Law School’s pages on making a purchase [15].

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**References**

[8] https://www.clicklaw.bc.ca/resource/2116
[10] https://www.canlii.org/en/
[12] https://www.courthouselibrary.ca
A deposit, a payment made by a purchaser as confirmation of a contract, is typically forfeited to the seller if the purchaser refuses to carry through with the transaction. But there are exceptions.

**Client problems**

- Client paid a deposit in a consumer transaction and wants to know how to get it back after deciding not to complete the transaction.
- Client has paid a deposit and now wants out of a transaction, but the seller refuses to return the deposit.
- Client paid a deposit for goods, but the seller goes out of business without delivering the goods.

**Summary of the law**

This section provides a brief outline of the common law of deposits as it applies to consumer transactions. Deposits in other transactions, such as residential tenancies and purchases of land, are not included in this discussion.

Basically, a deposit is a payment made by a purchaser, usually at the seller’s request, as confirmation of a contract. It is paid before the seller fulfills some or all of their part of the contract. Consumers are asked for deposits in a variety of situations where the seller must take some action, such as ordering or manufacturing a product, or providing a service requiring some preparation.

In common law, deposits are forfeited to the seller if the consumer refuses to carry through with the transaction. For example, if the consumer agrees to buy a car and gives a deposit in exchange for the seller’s promise of delivery within two weeks, the consumer cannot get out of the agreement simply because they change their mind (see the section on Opting Out and Cooling-off Periods). The law says, in general, that the seller can keep the deposit as compensation for the consumer breaching the contract (that is, wanting out of the deal without a legal excuse).

**Exceptions to the rule allowing the seller to keep the deposit**

However, there are some exceptions to this general rule:

- **If the deposit is too steep**: The seller cannot keep a deposit disproportional to the value of the loss they will suffer if the consumer backs out of the transaction. For example, a court might find that a seller who keeps a deposit of 50% of the price of a new car is being unfair to the consumer. The dealer may have spent time and money to order the car, but it is likely the car could be sold to someone else to recoup that expense. If the consumer went to court over the matter, a judge would probably order that at least some of that 50% be paid back.
• If the seller breaches the agreement: The consumer is generally entitled to get their money back if the seller breaches the agreement. For example, if the seller cannot deliver a product, or cannot deliver it within a reasonable time as promised, the consumer is probably entitled to call off the deal and have the deposit returned. If the seller delivers an unsatisfactory product, the consumer is also entitled to have the deposit returned.

• If the seller promised a refund: The consumer may be entitled to a refund of the deposit if the deposit was given to a seller with an advertised policy of giving refunds, regardless of the reason.

Buyers’ liens under the Sale of Goods Act
Under section 75 \[1\] of the Sale of Goods Act, consumers have certain lien rights (a lien allows a person’s property to be kept until a debt is paid) for deposits paid to sellers. This is an important protection in cases where businesses take a deposit for some or all of the purchase price for goods and then go out of business before delivering the goods.

The lien rights arise in situations where the consumer enters a sales contract for a product that the seller usually sells in the course of its business. These rights give consumers a claim for the amount of the deposit against the assets of the business, including all the goods and the bank accounts of the business. Most importantly, consumer claims that comply with the terms of section 75 rank ahead of claims of creditors with security interests under the Personal Property Security Act \[2\] (see the sections on Types of Lenders and Creditors and Security Agreements).

Information gathering
Gather information from the client and from any documents the client has. Be particularly careful about getting full details of the various promises made by the seller for the time of delivery and the quality of the product.

Solving the problem
Before approaching the seller, decide whether the consumer has grounds to ask for some or all of a deposit back. Was the amount paid unfair in relation to the losses of the seller? Has the seller breached the agreement? Are there any other grounds for justifying the consumer getting out of the agreement?

Besides buyer lien rights under the Sale of Goods Act \[3\], a consumer may be able to get a refund from their credit card issuer if the deposit was charged to the credit card and the goods or services were not delivered (see the section on Credit Cards).

If the consumer wants out of the transaction, and has no legal grounds to ask, it may be difficult to get the seller to agree to any kind of refund. In general, deposits are taken specifically to secure buyer performance.

Some alternatives to consider include:
• negotiating a return of part of the deposit, or
• having the consumer take some other good or service instead of the good or service in the initial contract.
Related topics and materials

See the other sections on making a purchase:

- Sale of Goods Law
- Misleading Advertising
- Unfair or Deceptive Practices
- Unsolicited Goods and Services
- Leases

See related sections:

- Contract Defences
- Contract Remedies
- Contracts Overview
- Credit Cards
- Opting Out and Cooling-off Periods
- Types of Lenders and Creditors

References

Misleading Advertising

Consumers are protected under the law from misleading advertising by sellers.

Client problems

- Client has a problem involving misleading advertising, double ticketing, or “bait and switch” selling.
- Client has a problem involving pyramid selling.

Summary of the law

While most consumer and credit law is under provincial jurisdiction, a number of provisions in the federal Competition Act [1] may help consumers, although some of these overlap with the provincial Business Practices and Consumer Protection Act [2]. As with the provincial legislation, the relevance of the Competition Act to consumer problems is two-fold:

- A seller may be prosecuted for violations of the Competition Act.
- If there has been a violation of a consumer-related provision in the Competition Act, the consumer has a statutory cause of action to seek damages from the seller.

The following is a summary of the more important consumer protection provisions in the Competition Act.

Misleading advertising

Under section 74.01 [3], various aspects of misleading advertising are prohibited. There is a general prohibition against anything that is misleading in a material respect. The next provision prohibits representations in the form of a statement, warranty or guarantee of the performance of a product that is not based on adequate tests. Another provision prohibits misleading warranty promises. Others deal with, and prohibit, misleading price advertising.

Double ticketing

Double ticketing is the practice of having two or more prices marked on a product. If this happens, the Competition Act requires that the product be supplied at the lower price. It is an offence to charge the higher price.
Misleading Advertising

Unavailability of advertised products or “bait and switch” selling
Section 74.04(2) \[4\] prohibits advertising a product at a bargain price when the seller does not have the product available in reasonable quantities. This is known as “bait and switch” selling. Once at the store, the consumer discovers that what was advertised (the “bait”), is sold out. The seller tries to “switch” the consumer to buy some other (typically more expensive) item. The seller can’t do that. The seller has to stock reasonable quantities or offer the consumer a rain check.

Pyramid selling
Section 55 \[5\] and section 55.1 \[6\] govern pyramid selling and multi-level marketing plans. In a multi-level marketing plan, participants earn money by supplying products to other participants or customers. Multi-level marketing plans are a legal business model for selling goods and services.

By contrast, in pyramid selling, participants earn money primarily by recruiting others and not from selling products. Pyramid selling is prohibited.

Information gathering
Obtain full details of the transaction, as well as copies of any communication the client has had with the seller.

Solving the problem
Arguably, the Competition Act \[1\] has less direct relevance to most consumer complaints than provincial law (including the common law and BC statute law). The Competition Act focuses on advertising, while provincial law encompasses a broader range of contractual representations. Prohibitions against double ticketing and bait and switch selling, for example, focus on relatively narrow areas of consumer protection.

The administration of the Competition Act has been less concerned with resolving individual consumer complaints, and more concerned with prosecuting breaches of the Act and generally ensuring compliance with it. Finally, breaches of the Act often have a relatively minor impact on individual consumers, so that seeking compensation under the Act is not practical.

Keep the following situations in mind:
- If the breach of a provision in the Competition Act is particularly widespread by a seller (for example, continuously misrepresenting the availability of products), it may be appropriate for you to bring the matter to the attention of the Competition Bureau \[7\]. You can make a complaint online \[8\] or by telephone, fax or mail \[9\].
- Under the Act, if there is a successful prosecution of a seller, any consumer affected by the seller’s conduct may have a civil remedy against the seller for any losses suffered (see section 36 \[10\]).
- For problems that clients have with pyramid selling, the Competition Bureau publishes guidelines \[11\] distinguishing pyramid schemes and multi-level marketing plans.
Related topics and materials

See the other sections on making a purchase:

- Sale of Goods Law
- Deposits in Consumer Transactions
- Unfair or Deceptive Practices
- Unsolicited Goods and Services
- Leases

See also the sections under contracts:

- Contracts Overview
- Contract Defences
- Contract Remedies
- Opting Out and Cooling-off Periods

See also People's Law School's pages on making a purchase [12], the Canadian Consumer Handbook [13] from the federal government's Office of Consumer Affairs, and the chapter "Consumer Protection [14]" from the manual used by the UBC Law Students' Legal Advice Program.

References

[1] http://canlii.ca/t/7vdv
[13] https://www.clicklaw.bc.ca/resource/2116
[14] https://www.clicklaw.bc.ca/resource/1725
Consumers are protected under the law from unfair or deceptive practices by sellers.

Client problems

- Salesperson made promises about the quality of a product, such as a car, which turned out not to be true, and now the client wants a remedy.
- Client thinks they were treated unfairly by a business and that the business took advantage of them, and now the client wants a remedy.
- A number of promises were made to a client about the quality of a product, but the promises were not put in a written sales contract, and now the salesperson says that the promises are not binding.

Summary of the law

Trade practices legislation for the protection of consumers was first enacted in the 1970s as the Trade Practices Act. Its successor statute, the Business Practices and Consumer Protection Act [1], was enacted in 2004. Both statutes build on the law of contract, but try to cover situations where the common-law principles of contract law are insufficient to give a consumer a remedy.

Part 2 of the Business Practices and Consumer Protection Act, Unfair Practices, applies to consumer transactions. These are defined as the supply of goods, services, or real property by a supplier to a consumer for primarily personal, family, or household use. Consumer transactions also include solicitations, offers, advertisements, or promotions by a supplier for sales and services to a consumer. This part of the Act extends protections in three main areas:

- misrepresentation (which the Act calls deceptive acts or practices)
- unconscionability
- unsolicited goods or services

Deceptive acts or practices

Section 4 [2] of the Business Practices and Consumer Protection Act generally defines a deceptive act or practice as any form of representation capable of deceiving or misleading a person. The case law has interpreted this to mean an action that tends to lead the consumer to make an error of judgment. Section 4 also lists specific actions deemed to be deceptive, including misrepresentations (that is, untrue representations) about the quality of a product, prior history of a particular product (for example, a car), the price advantage the seller is offering, or the availability of an item.
Unfair or Deceptive Practices

Section 4(3)(c)(iii) says it is a deceptive practice to give an estimate that is “materially less” than the price eventually determined or demanded by the supplier if the consumer has not expressly consented to the higher price before the goods or services are supplied.

A number of reported court decisions have found some types of conduct to be deceptive practices under previous legislation (the Trade Practices Act). Most of the decisions involved representations by salespeople about the quality of consumer products, particularly cars.

Findlay v. Couldwell [3] was an early case decided under the old Trade Practices Act. A salesperson for a used car dealership represented one of the used cars as a vehicle in good running order. Five days after purchase, the engine blew up while the buyer was driving on a highway. The court held that the representation of the car’s quality was a “deceptive act or practice” within the meaning of the Trade Practices Act. (The court also held that the buyer was entitled to succeed in common law on the basis that there had been a fundamental breach of the sales contract; the dealer was not entitled to rely on an “as is — where is” term in the sales contract to exempt itself from liability.)

In Steiner v. Personal Motors Ltd., the court found that a salesperson had made statements “grossly exaggerating” the condition of a car, and that the statements were deceptive within the meaning of the Trade Practices Act. The buyer was awarded exemplary damages of $500 as well as specific and general damages. Rushak v. Henneken [4] is a 1991 Court of Appeal decision dealing with representations made about a car that summarizes the relevant legal principles and case law. In Casillan v. 565204 B.C. Ltd., the BC Supreme Court applied the principles in Rushak v. Henneken and found that a used car salesperson engaged in a deceptive act or practice under the Business Practices and Consumer Protection Act when a salesperson told a potential buyer that the powertrain of a car was under warranty without confirming if that was in fact the case. In fact, there was no powertrain warranty and the car engine needed to be replaced within five months of purchase, due to a major powertrain malfunction. The court awarded the buyer statutory damages of $13,512.61 under section 171 of the Business Practices and Consumer Protection Act, which was the cost of the engine replacement. In Simpsons-Sears Limited v. Paddock, the court awarded damages under the Trade Practices Act where a lower quality of roofing shingle than was represented in the sales contract was used.

Unconscionability

The Business Practices and Consumer Protection Act [11] does not specifically define unconscionable acts or practices (but see the explanation in the section on Contract Defences), but it does list some of the circumstances that a court should consider when making a decision on unconscionability, including the following:

- Was undue pressure put on the consumer?
- Was the consumer taken advantage of because of physical or mental infirmity, ignorance, illiteracy, age or inability to understand anything related to the transaction?
- Was the price charged to the consumer grossly above usual market prices?
- At the time of the transaction, was there no reasonable probability that the consumer would ever be able to make full payment of the total price?
- Were the terms of the transaction so harsh or adverse to the consumer as to be inequitable?

In Pacific Finance Acceptance Co. Ltd. v. Turgeon [5], the court found the conduct of the plaintiff-creditor unconscionable under the Trade Practices Act. In that case, the consumer-borrowers were initially given three months’ relief from loan payments, but were later pressured into refinancing at a higher interest rate under threat of legal action to claim the three payments. The court dismissed the creditor’s claim for the balance remaining on the outstanding loan agreement.
Unsolicited goods or services

The *Business Practices and Consumer Protection Act* states that consumers have no legal obligation to a supplier for goods or services that they have not requested unless they acknowledge in writing an intention to accept the goods or services. (See the section on Unsolicited Goods and Services.)

Remedies

Significantly, the *Business Practices and Consumer Protection Act* empowers both the consumer and Consumer Protection BC [6] to seek a remedy for deceptive or unconscionable practices. This allows for the following possibilities:

- A consumer can bring a civil action in Small Claims Court or Supreme Court under the Act.
- Consumer Protection BC can bring a civil action (and take other administrative steps) against the seller on behalf of one or more consumers.
- The Crown can prosecute a seller that has contravened the Act.

Consumer remedies

Section 171 [7] of the *Business Practices and Consumer Protection Act* allows a consumer to bring an action for damages arising from a contravention of the Act, including a deceptive or unconscionable practice. If an unconscionable act or practice has occurred in a consumer transaction, section 10(1) [8] provides that the transaction is not binding on the consumer. In effect, a consumer can use the Act either to bring an action or to defend against a claim by a seller.

One particular advantage for consumers bringing an action under the Act is the admissibility of parole evidence. In essence, this rule says that where there is a written contract that appears to contain all of the terms agreed to between the parties, the courts usually will not take notice of unwritten statements (for example, verbal promises or representations) that go beyond or contradict the terms of the written agreement.

Historically, this rule was a problem for consumers because most written consumer contracts had a clause specifically saying the agreement stood for the entire agreement, and there were to be no other representations or promises made between the parties. If a consumer tried to say in court that a salesperson made a verbal promise or representation about something they bought, and the promise or representation turned out not to be true, only in very limited situations would the court admit the consumer’s testimony about the verbal promise as part of the court case.

Section 187 [9] of the *Business Practices and Consumer Protection Act* says that in any proceeding involving a consumer transaction (as defined under the Act), the parole evidence rule does not exclude or limit the admissibility of evidence relating to the understanding of the parties to the agreement, or to a particular term of it. The equivalent section in the *Trade Practices Act* was applied in the *Findlay case*, which is discussed above.

As well, Part 8 of the *Business Practices and Consumer Protection Act* provides for the establishment of compensation funds to provide compensation to consumer victims of deceptive or unconscionable acts or practices or other contraventions of the Act. (See also the section on travel services.)
Remedies available to Consumer Protection BC

In addition to the right to bring a court action against an offending seller, the *Business Practices and Consumer Protection Act* provides for a number of remedies that Consumer Protection BC[^6] may take on behalf of consumers. Consumer Protection BC may:

- conduct an inspection
- obtain an undertaking from a seller
- make a compliance order
- make a direct sales prohibition order (a direct sale is one made somewhere other than at the seller’s usual place of business, such as a door-to-door sale)
- make an order freezing the property of a person under inspection
- impose administrative penalties of up to $5,000 for individuals and up to $50,000 for corporations

Prosecutions

The *Business Practices and Consumer Protection Act*[^10] says it is an offence to contravene the Act. This means that sellers can be prosecuted in the criminal courts for deceptive or unconscionable practices. Where there is a prosecution and a conviction, a judge can, in addition to imposing fines or jail, order the seller to compensate a consumer for losses suffered as a result of the offence.

Information gathering

Obtain full details of the particular transaction that the consumer is complaining about, including:

- Copies of all sales documents, warranties, correspondence, advertisements, sales brochures, or other promotional materials.
- Conversations between the consumer and salespersons or others acting on behalf of the seller, including conversations made before, during, and after the making of any contract.
- Any attempts by the consumer to resolve the complaint, and details of any promises of compensation that may have been made by the seller.
- The particular product or service that the consumer is complaining about.

Solving the problem

The consumer has two main options for resolving a complaint that falls under the *Business Practices and Consumer Protection Act*:

- **Attempt to resolve the matter directly with the seller:** The usual first step is to attempt to negotiate a resolution (for example, ask for a refund or some money back to compensate for a product that has been misrepresented). The consumer may have to consider court action if a settlement cannot be negotiated.

- **Complain to Consumer Protection BC:** You can ask them to pursue a remedy on behalf of the consumer, and possibly other consumers who may have been the subject of deceptive or unconscionable practices. The advantage here is that the *Business Practices and Consumer Protection Act*[^11] has a number of remedies under the Act only granted to Consumer Protection BC (and not to consumers in their own court action). The consumer also gets the benefit of any court actions by Consumer Protection BC without incurring legal costs.

For most routine cases, the consumer should expect to negotiate or litigate for themselves.
Related topics and materials

See the other sections on making a purchase:

- Sale of Goods Law
- Deposits in Consumer Transactions
- Misleading Advertising
- Unsolicited Goods and Services
- Leases

See related topics:

- Contract Defences
- Contract Remedies
- Contracts Overview
- Opting Out and Cooling-off Periods
- Travel Services

See also People’s Law School’s pages on making a purchase[11].

References

[1] http://canlii.ca/t/84mr
[4] http://canlii.ca/t/1d8t6
Unsolicited Goods & Services

If a person receives goods or services that are **unsolicited** (not requested), they are usually under no obligation to pay for the product or service.

**Client problems**

- Client has received a sample product or other consumer goods that they did not contract for and wants to know their legal responsibility if they keep the goods.
- Client ordered a product in response to a mail solicitation and wants to get out of the contract.

**Summary of the law**

In general, contracts must be made by mutual agreement (see the Contracts Overview). One party cannot usually impose a contract or an obligation on another person. For example, if a person performs a service without being requested, or if a person delivers a product without the consumer contracting for that product, the consumer is usually under no obligation to pay for the service or product. The consumer may feel morally obligated, but they are not legally obligated.

The *Business Practices and Consumer Protection Act*[^1] deals specifically with the situation of unsolicited goods and services. Essentially, the Act clarifies how common-law principles would probably be applied. Section 12[^2] of the Act says that consumers have no legal obligation to pay for unsolicited goods or services unless they specifically acknowledge in writing to the seller that they intend to accept the goods or services.

Unsolicited goods or services are defined as goods or services that are supplied to a consumer who did not request them. Unsolicited goods or services do not include goods or services that the consumer knew, or ought to have known, were intended for delivery to another person. For example, a consumer cannot keep the fridge a department store mistakenly delivers to their carport when it was obviously intended for a neighbour across the street.

Most consumers regularly encounter instances of unsolicited goods. For example, small sample items delivered door-to-door for which the manufacturer has no expectation of payment but hopes will encourage consumers to purchase the full-size product. Consumers may also receive solicitations for goods, rather than the goods themselves, through junk mail advertising. The consumer only becomes liable to pay for the product if they specifically order it.

Finally, consumers may receive relatively small items (for example, greeting cards) mailed out by businesses or charities in the hope that consumers will pay for the items. In this last instance, the law clearly says consumers are not legally responsible to pay for the goods and can keep the goods and use them as they wish.

[^1]: *Business Practices and Consumer Protection Act*[^1]
[^2]: Section 12[^2]
Information gathering
Gather and confirm all information about the unsolicited goods or services.

Solving the problem
You must clearly distinguish between unsolicited goods or services, and solicitations for goods or services to which the consumer has responded. If goods or services meet the description of unsolicited goods or services as described in the Business Practices and Consumer Protection Act[1], then the client has no responsibility.

If the consumer has responded to a solicitation by ordering goods or services, then the usual principles of contract law apply. In general, the consumer does not have a legal right to get out of the agreement unless:

• there is a specific term in the contract between the parties that allows this, or
• there is a breach of the sale agreement by the seller (such as through a defect in the goods or services, or through a misrepresentation by the seller).

In situations where the consumer has responded to some form of solicitation (for example, by mail, radio or TV), you may find a specific term in the contract that allows the consumer to get out of it (see the section on Opting Out and Cooling-off Periods). It is a common marketing practice for such sellers to offer a limited-time return of the goods for any reason. The matter may be resolved simply by the consumer returning the goods to the seller and requesting a refund.

Related topics and materials
See the other sections on making a purchase:
• Sale of Goods Law
• Deposits in Consumer Transactions
• Misleading Advertising
• Unfair or Deceptive Practices
• Leases

See related topics:
• Contract Remedies
• Contracts Overview
• Opting Out and Cooling-off Periods

See also People's Law School’s pages on making a purchase[3].

References
[1] http://canlii.ca/t/84mr
Leases are agreements allowing someone to use property temporarily. These agreements differ from sales agreements in a number of important ways.

Client problems

- Client wants to know their rights regarding a leased car for which the dealer now wants payments, even though the car has been returned to the dealer.
- Client cannot make further payments on a car lease and wants to know their rights if the car is repossessed.

Summary of the law

Leasing agreements allow someone to use property temporarily. This arrangement is distinguished from sales agreements, where the intention is usually to allow the buyer to take permanent ownership of the property, or at least give the buyer a right to obtain ownership.

Leases are usually for a fixed period of time, after which the property is returned. Often, leases may be extended or there may be an option to buy the goods outright. Alternatively, goods can be rented on a monthly basis but for an indefinite period of time.

Leases are common in transactions involving housing, cars and furniture. This section deals generally with such leasing rights. Leasing agreements, particularly car leases, can be complicated documents. Some of the more important provisions include responsibility for maintaining the vehicle and the condition of the vehicle upon its return.

A particularly important aspect of car leases is the consumer's financial responsibility when the contract is terminated. A lawyer should generally be consulted on car leases. This section contains only a brief overview of the law.

Lease rights

Several statutes touch upon the rights of consumers concerning leasing agreements.

Under the Sale of Goods Act \[1\] (see the section on Sale of Goods Law), the protections for consumer purchases also apply to consumer leases. Under section 18 \[2\], for example, the implied condition as to the durability of goods applies to both sales and leases; under section 20 \[3\], the protection against waiver of rights applies to both sales and leases.

The Motor Dealer Act Regulation \[4\] requires a motor dealer to disclose certain information in writing to a consumer before the consumer enters into an agreement to lease a motor vehicle. As well, section 31 \[5\] of the Regulation grants the consumer a one-day cooling-off period during which the vehicle is to remain with the dealer and the consumer can cancel the lease; see the section on Opting Out and Cooling-off Periods. (This cooling-off period can be waived in
writing.

The trade practices requirements of the Business Practices and Consumer Protection Act \[6\] apply to consumer leases (see the section on Unfair or Deceptive Practices).

The Personal Property Security Act \[7\] (see the section on Security Agreements) applies to most consumer leases. It clearly applies to all leases in which the consumer has the option of buying the property. The Personal Property Security Act also applies to most leases that do not have such a purchase option if the lease fits within the extended definition of “lease for a term of more than one year” (see the definitions in section 1 of the Act). A lease for a term of more than one year includes renewable shorter-term leases as well as leases with an indefinite term.

Of significance are the consumer goods remedies in Part 5 of the Personal Property Security Act, such as “seize or sue” and the “two-thirds rule”. These provisions apply to leases of consumer goods with a term of more than one year if the lease secures payment or performance of an obligation. Such leases are commonly called “security leases”.

**Security leases versus true leases**

Security leases are treated differently under the law than “true leases”. True leases are strictly rental agreements and do not secure payment or performance of an obligation, even when they have a term of more than a year. Significantly, Part 5 of the Personal Property Security Act does not apply to true leases.

It is not always easy to determine whether a client has a security lease or a true lease. Some of the indications of “security leases” were noted in the leading case of Accent Leasing & Sales Ltd. v. Babic and Bryant \[8\]:

- clauses granting the consumer equity or an ownership interest in the property
- options to purchase for a nominal sum
- accelerated damages clauses or liquidated damages clauses
- default provisions that heavily favour the supplier
- consumer assumes the responsibilities of ownership, such as paying sales and other taxes, insurance, and licence fees
- entire risk of loss placed on the consumer
- supplier’s business is to act as a financing agency

Typically, a client who has defaulted on a car lease will have received notice from the lessor threatening to both seize the vehicle and sue for any deficiency. While you should determine if the lease is a security lease or a true lease, an assertion by the debtor that the "seize or sue" provisions of Part 5 of the Personal Property Security Act apply is usually enough to discourage the lessor from pursuing both remedies, and a settlement can be negotiated.

**Related topics and materials**

See the other sections on making a purchase:

- Sale of Goods Law
- Deposits in Consumer Transactions
- Misleading Advertising
- Unfair or Deceptive Practices
- Unsolicited Goods and Services

See related topics:

- Opting Out and Cooling-off Periods
- Security Agreements
See also “Breaking a Lease” from the Tenant Resource Advisory Centre and People’s Law School’s page on leasing a car.

References

[8] http://canlii.ca/t/1t3s2
Buying Services

Travel Services

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

Consumers who are dissatisfied with travel services or don't receive promised services have remedies they can pursue under common law and statute law.

Client problems

- Client has paid a deposit to a travel agent, but the agent has gone out of business and the client has not had or cannot get some or all of the holiday that they contracted for.
- Client got a small claims judgment against a travel agent because the trip the agent supplied was not as advertised, but the agent has gone out of business and the client cannot collect on the judgment.
- Client wants to take an action against a travel agent because the trip the agent supplied was not as advertised.
- Client says a hotel or other travel service was not of the standard promised or advertised.

Summary of the law

In most transactions, a consumer deals directly with a business supplying a product or service: a car is bought from a car dealer, credit is obtained from a credit union, a repair service is obtained directly from a repairer. With travel, consumers often use an intermediary, a travel agent, to obtain services for them. A travel agent provides an efficient and easy way for consumers to buy flights, hotels, vacation packages and other travel services around the world. Because travel agents are a main part of the travel industry, and because of the problems consumers may have in obtaining direct satisfaction from a supplier for breach of services provided through a travel agent, it is not surprising that considerable litigation and legislation focuses on the responsibility of travel agents for consumer travel contracts.

When consumers do not use an agent and instead deal directly with businesses supplying travel services, such as a hotel, the usual rules of contract law (see the sections on Contracts, Defences, and Remedies) and the provisions of the Business Practices and Consumer Protection Act [1] apply. The provisions of the Act governing distance contracts apply to internet purchases of airline tickets, holiday packages, and so on. A “distance contract” is basically a contract that is not negotiated in person.
Common-law remedies against travel agents

The relationship between consumers and travel agents is essentially one of contract. However, some special aspects of this relationship are governed by principles of a subcategory of contract law known as the "law of agency". In addition, there have been some court cases that have said that the law of negligence applies to the consumer-agent relationship.

In general, the duty of a travel agent is to exercise reasonable skill and diligence in performing the terms of the agency contract with the consumer. If there is a written contract between the consumer and the agent, the agent may seek to limit its liability under this duty as a term of the written contract. In some instances, therefore, the courts must consider not only whether the agency contract was breached but also whether the particular breach is one for which the agent is responsible.

In *Bratty v. Lloyds World Travel Service*, the BC Court of Appeal upheld a damages award of $3,000 against a travel agent. Among other faults, the agent misadvised the consumer of certain visa requirements, causing the consumer considerable inconvenience. The court held that the actions of the agent were a breach of contract. The court also held that the agent could not rely on the limitations of liability printed on the invoice for services, because the limitations had not been specifically drawn to the consumer's attention prior to travel.

In many cases against travel agents, the issue is what losses can actually be claimed. In general, if an agent is found liable, the agent is responsible for reasonable expenses (for example, alternative airfare, additional hotel costs) incurred by the consumer in remedying the breach, as well as for refunding the consumer the costs of any unused portion of a trip. In addition, the courts have said that consumers may also be entitled to general damages for the inconvenience arising from the fault of the agent. In *Keks v. Esquire Pleasure Tours Limited*, for example, the plaintiffs were awarded $800 for inconvenience.

Statutory remedies against travel agents


Registration

Travel agents and travel wholesalers (both called travel agents in this section) must be licensed under the *Business Practices and Consumer Protection Act*. Consumer Protection BC [3] supervises the licensing and operation of travel agents. Consumer Protection BC has the power to refuse to issue or renew a licence, to suspend or cancel a licence, or to impose conditions on the licence of a travel agent.

The Travel Industry Regulation, in section 14 [4], provides that at the time the licence is issued, the agent must post security for claims against the agent by consumers. Consumer Protection BC also has certain investigative powers, as well as powers to protect consumers by ordering assets to be frozen. Further, Consumer Protection BC can apply to court for a receiver to take over the operation of a travel agency.
Travel Services

Travel Assurance Fund
Agents are required to pay into a Travel Assurance Fund from which consumers may be able to get compensation for losses arising from problems with travel agents.

Under section 18(1) [5] of the Travel Industry Regulation, consumers can make claims to the fund when they have suffered a loss by reason of paying a travel agent for travel services that were not provided.

Consumers have six months from the date of their loss to make a claim against the fund (see section 19 [6]). The maximum compensation available from the fund is $5,000 per person who was affected by the loss (see section 22 [7]).

Information gathering
Gather and confirm all information on the circumstances of the vacation and the client’s complaint about it.

Solving the problem
Consumer problems with travel agents generally fall into two categories:

• agents go out of business or do not deliver a service before the consumer travels
• consumers are dissatisfied with travel services on trips from which they have now returned

The Travel Assurance Fund exists to address the first situation. Help the client to prepare and submit a claim to the fund. Carefully review the Business Practices and Consumer Protection Act [1] and the Travel Industry Regulation [2] to confirm that a claim is appropriate, including how much the client might be able to claim. Staff at Consumer Protection BC may be able to give some guidance on this.

Note that some situations may be urgent and should, initially, be reported to Consumer Protection BC. The Travel Industry Regulation allows payments from the Travel Assurance Fund in certain emergency situations (section 21 [8]). If a travel agency has just closed, you should immediately ensure that Consumer Protection BC is aware of the closure. Consumer Protection BC may be able to preserve funds due to the consumer, which might otherwise be lost as a source of compensation if quick action is not taken.

In other situations, the consumer will probably have to consider making their own claim against the travel agent through negotiation or court action. In that case, carefully review the travel contract between the consumer and the agent to consider the liability limitations the agent has set. Such limitations may make claims against the agent more difficult, though not necessarily impossible, particularly where there have been misrepresentations for which the Business Practices and Consumer Protection Act may give a remedy.

Related topics and materials
See the other sections on buying services:

• Repairers' Liens
• Warehouse Liens
• Lawyers' Fees

See related topics:

• Contracts Overview
• Contract Defences
• Contract Remedies
• Unfair or Deceptive Practices
See also the *Canadian Consumer Handbook*[^9] from the federal government’s Office of Consumer Affairs, the chapter on 'Consumer Protection'[^10] from the UBC Law Students’ Legal Advice Program, and People’s Law School’s pages on holidays[^11].

[^10]: https://www.clicklaw.bc.ca/resource/1725

## Repairers' Liens

*This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.*

A **repairer** is a person who puts money, labour or materials toward repairing someone’s personal property. A repairer has rights under the law to the property until the repair bill is paid.

### Client problems

- Repairer will not return client’s goods until the repairs are paid for.
- Repairer is threatening to repossess the repaired goods because client has not paid for the repairs.
- Repairer has repossessed client’s goods and is now threatening to sell the goods to cover the repair bill.
Summary of the law

In common law, a repairer is anyone who puts money, labour or materials toward repairing the chattels (personal, moveable possessions) of another person. Some common examples are car repair shops, jewellery shops, TV repair shops, and boat marinas.

The rights of repairers under common law

In common law, a repairer has a right to keep goods that have been repaired until the repair bill is paid. This right is an implied term of the repair contract (see the Contracts Overview section). The parties do not have to specifically agree to the term. However, the parties can specifically agree to vary the term, though this is not usual. For example, when the consumer first brings the goods in for repairs, the consumer and the repairer might agree that the consumer can pay the repair bill a month after the goods are returned. Or, the repairer and the consumer might agree to this after the repairs are finished. Without this specific agreement, the repairer has the right to demand full payment before the goods are returned to the consumer.

In common law, once the goods are returned to the consumer, the repairer no longer has possessory rights. This point is not relevant if the consumer pays the bill, but it is relevant if the parties agree that the consumer can take the goods and pay the repair bill later. If the consumer were later to default on the promise to pay the bill, the repairer only has a right to sue for the money owed. The repairer does not have any right to take the goods.

There is case law that says that the repairer does not lose a common-law possessory right if the goods are taken away from the repairer without the repairer's permission, such as by trick or stealth. The repairer may be able to retake possession, so long as certain trespasses are not committed, such as by breaking into a house or garage (see the sections on Bailiffs, Court Bailiffs and Sheriffs and Collection Agents) and so long as there is not a breach of the peace that results in a Criminal Code [1] charge.

In common law, the repairer also has the right to sell the goods, eventually, if the repair bill is not paid.

The rights of repairers under statute law

Repairers also have rights under statute law. The Repairers Lien Act [2] gives repairers additional rights beyond the common law. Most importantly, the Act allows some repairers to retake possession of goods after releasing the goods to the consumer under certain conditions. This right applies to repairers of motor vehicles, aircraft, boats, and outboard motors.

There are two important steps that a repairer must take to gain a right to repossess:

1. The consumer must sign an “acknowledgement of indebtedness” at the time the goods are released. A repairer cannot rely on a work order signed before the work is done for an acknowledgement of indebtedness.
2. The repairer must file a “financing statement” in the Personal Property Registry [3] within 21 days after possession is released to the consumer. The right to file is lost after 21 days.
Once the financing statement is filed, the repairer’s lien continues for another 180 days. The repairer’s lien rights cease to exist at the end of 180 days unless the chattel has been repossessed or the lien renewed. During those 180 days, the repairer is allowed to repossess the goods if the consumer has not paid the repair bill according to the terms agreed upon prior to release of the goods.

The Repairers Lien Act, in section 2 [4], provides a procedure for the sale of goods held under a repairer’s lien. This procedure applies both to when the goods have not been released to the consumer and to when the goods have been released but repossessed from the consumer under the Repairers Lien Act statutory rights. The repairer is entitled to sell the goods to pay the repair bill if:

- the bill is unpaid for 90 days, and
- the sale is advertised for two weeks in a local newspaper.

The repairer can claim proceeds from the sale to cover the repair costs and, if there was a release and repossession, certain repossession costs.

Information gathering

If the goods are still in the possession of the repairer, confirm all the details of the repair agreement between the parties.

If the goods have been released to the consumer and the repairer is threatening to repossess the goods, confirm all the registration details through a search in the Personal Property Registry [3]. It may be that the proper paperwork was not filed. Confirm the date the goods were released to the consumer to determine the 180-day repossession period.

If the goods have been released to the consumer but subsequently repossessed, confirm all registration details through a search in the Personal Property Registry. Confirm the date that the goods were released to the consumer and when the goods were repossessed. Confirm the location of the goods.

Solving the problem

Repairers’ liens usually arise because a consumer cannot pay the repair bill as agreed, or because the consumer is dissatisfied with the repair work. If the consumer cannot pay the repair bill as agreed, you should first attempt to negotiate with the repairer for release of the goods with time to pay. If the goods have been released and the repairer is threatening to repossess, you might still try this approach. In either instance, the consumer does not have much bargaining strength. The only realistic way to solve the problem may be for the consumer to somehow come up with the money to pay the bill.

If there is a dispute over the work done (for example, unauthorized repairs, work not done properly, or a bill higher than the estimate given), you may still first try to negotiate with the repairer (whether or not the goods have been released). Again, the consumer may not have much bargaining strength, particularly if the repairer possesses the goods. The practical remedy for the consumer may be to pay the bill, and then start a court action over the dispute.

It is possible for a consumer to have a cause of action against a repairer not only because of a dispute over the repairer’s bill, but also because the repairer (or agents of the repairer, such as a bailiff) attempted to enforce possessory rights in an improper fashion. There are many possibilities, and many examples in the case law. A consumer may have a cause of action for damages:

- if the goods are repossessed when the repairer did not have a validly filed lien
- if the goods are repossessed after 180 days
- if the goods are sold without meeting the sale requirements of the Repairers Lien Act [2]
- if the goods are damaged during repossession
• if the bailiff or repairer trespasses (for example, breaks into a house or garage, or assaults the consumer) while repossessing the goods

Related topics and materials
See the other sections on buying services:
• Travel Services
• Warehouse Liens
• Lawyers’ Fees

See related topics:
• Bailiffs, Court Bailiffs and Sheriffs
• Collection Agents
• Contracts Overview
• Enforcing Judgments Against Chattels
• Harassment by Debt Collectors
• Sale of Goods Law

References
[1] http://canlii.ca/t/7vf2
Warehouse Liens

A warehouser is a person engaged in the business of storing property. A warehouser has rights under the law over the property deposited with them until the storage bill is paid.

Client problems

- Client has put goods in storage with a storage company and now cannot pay the bill.
- Client has received notice from a storage company that their goods in storage are going to be sold to pay the storage bill.

Summary of the law

The Warehouse Lien Act[1] gives a statutory lien over property, including a consumer’s goods, when that property is deposited by the owner (or the owner's agent) with a warehouser. A warehouser is defined as a person engaged in the business of storing goods.

The effect of the lien right is that the warehouser can keep the goods until the bill for all expenses related to the storage is paid. The Warehouse Lien Act also gives the warehouser a statutory right to eventually sell the goods if the bill is not paid. Section 4[2] of the Act sets out the procedure that the warehouser must follow:

1. **Provide written notice**: The warehouser must give written notice to the owner that they intend to sell the stored goods. The notice must contain a summary of the charges owing. The notice must warn the consumer that they have 21 days to pay the bill.

2. **Advertise that the goods will be sold**: If the bill remains unpaid after the 21 days, the warehouser must then publish a newspaper advertisement at least once a week for two consecutive weeks announcing that the goods are to be sold. The sale date must be at least 14 days from the date of the first publication of the advertisement.

The scope of the Warehouse Lien Act appears to cover moving companies as well. If there is no agreement that the consumer can pay the bill later, a mover is entitled to full payment before the consumer gets the goods.
There are a number of alternatives for a client who is having fee problems with a lawyer.

Client problems

- Client asks how much lawyers charge or how much a particular service costs.
- Client is unhappy with the fees charged by a lawyer and wants to know if there is anything that can be done.
- Client wants to know if there is a defence to a lawyer suing the client for fees.

Summary of the law

Lawyers have three main ways of charging for their services:

- **Hourly rate**: Rates vary considerably depending on factors such as level of lawyer experience and complexity of a case.
- **Flat rate**: Lawyers may quote a flat rate for a particular service, such as a will or conveyance.
- **Contingency fees**: This is when the lawyer’s fee is based on a percentage of the money recovered in a legal action. Percentages vary, depending on several factors, but may range anywhere between 15% and 40%.

Fee payment arrangements vary, depending on factors such as the type of case. In many instances, a lawyer asks for a **retainer** — a sum of money up front to cover fees for services as they are performed. The lawyer must keep that money in a separate bank account, called a “trust account”, until the services have been performed and a bill has been sent to the client.
In addition to fees, lawyers charge clients for any disbursements incurred. Disbursements are payments made on behalf of the client and can range from court filing fees to medical reports.

**Solving the problem**

The Law Society of BC emphasizes that lawyers must communicate properly with clients about fees. Lawyers should be clear about fees when they agree to act for a client, and should keep the client informed of both file and fee developments.

Advocates can propose a number of alternatives to a client who is having fee problems with a lawyer.

**Direct communication**

The first is simply to have the client contact the lawyer to discuss the fee. There may have been a misunderstanding between the parties that direct communication can clear up. The lawyer may be unaware that the client is unhappy with a fee. It is preferable for the client to discuss the fee directly with the lawyer after receiving advice from an advocate. However, advocates may wish to approach the lawyer directly, with the client's permission, to at least promote a direct discussion about the fee.

**Mediation**

There are also more formal mechanisms to resolve fee disputes. Either the lawyer or the client can ask the Law Society to appoint a fee mediator under the Fee Mediation Program[^1]. If both sides agree, the mediator will meet with the parties or may deal with the matter in writing. Note that a mediator's role is to help both parties come to an agreement — they have no power to make a decision.

**Court**

The parties may also opt to resolve the matter in court. Usually the lawyer begins the action to collect an unpaid fee. If the fee is less than $35,000, the lawyer will probably sue in Small Claims Court. Larger amounts are handled in Supreme Court.

There is a special mechanism for resolving lawyers' bills under the *Legal Profession Act*[^2]. Under section 70[^3], the lawyer or client can apply to a Supreme Court registrar to have the bill (or a fee) *reviewed*. The *Legal Profession Act* sets out the procedure for bringing about a review, as well as the factors a registrar will consider when reviewing a bill, including:

- its complexity,
- the amount involved, and
- the amount of time reasonably spent on the file.

There is a deadline to apply for fee review. If the client has already paid the lawyer's bill, an application for a fee review must be filed within three months of payment. If the bill has not yet been paid, the deadline to apply for a fee review is within 12 months of the delivery of the lawyer's bill. An application cannot be filed after those dates unless the registrar agrees there are "special circumstances" in the case.
Related topics and materials

See the other sections on buying services:

- Travel Services
- Repairers' Liens
- Warehouse Liens

See related topics:

- Contracts Overview
- Misleading Advertising
- Unfair or Deceptive Practices

References

Part 3. Debt Law
Borrowing Money

Types of Lenders & Creditors

Lenders and creditors come in a range of types, from financial institutions to retailers to government agencies. The laws that apply to lenders and creditors vary with their type.

Client problems

- Client has a complaint against a creditor and wants to know if there is someone or an agency that can help.
- Client wants to know if there are special laws governing the type of creditor they are dealing with.
- Client wants to know if a loan from a friend is as "legal" as a loan from a bank or credit union.
- Client is looking for guidance on which lending institution they should deal with.
- Client has a government debt (for example, a student loan) and wants to know what special rules may apply.
- Client wants to know if there are laws governing "loan sharks".

Summary of the law

This section gives an overview of the main laws governing financial institutions and other creditors, and contains links to other useful sections of this publication.

Regulation of creditors

All institutional lenders are incorporated under and regulated by specific statutes; for example, the federal Bank Act [1] governs banks and the provincial Credit Union Incorporation Act [2] governs credit unions.

For each of these statutes there is usually a government regulatory agency. These agencies protect the public interest by ensuring that businesses are run in an appropriate manner, but they do not usually resolve individual complaints or problems between a borrower and lender.
Interest rates

Surprisingly, there is relatively little direct regulation of the interest rates creditors can charge. The most important provision is in the Canadian Criminal Code, in section 347\(^3\), which sets an interest rate ceiling for all creditors at 60% per year, except as authorized under payday loan legislation. Up to that limit, creditors can generally set credit rates as they see fit. Most lenders such as banks, trust companies, and credit unions have relatively competitive rates. The interest charges for finance companies are generally higher, as are the interest rates charged by department stores and other merchants who grant credit on their own credit card systems.

However, a variety of federal and provincial laws require lenders and retailers to disclose both how much interest they are charging and how those charges are calculated. These laws include the federal Interest Act\(^4\), and Part 5 of the provincial Business Practices and Consumer Protection Act\(^5\).

Credit contracts

Most creditors, including lending institutions and retailers, have fairly sophisticated credit agreements that consumers must accept as part of a credit transaction. These contracts, including promissory notes (enforceable promises to repay a debt or loan) and security agreements, are governed by both the common law of contracts and a range of federal and provincial statutes. It is important to understand, however, that a written agreement is not a requirement for all credit transactions. Credit arrangements with friends, for example, are usually as “legal” as those arranged with credit institutions, as long as there was a general intention that the agreement would be binding on the parties.

Special types of creditors

Government

Governments and government agencies can be creditors, just like any individual or corporation. However, government often has special powers that it can use to collect debts owed to it. While in most cases government agencies will not reduce the amount claimed from a debtor, they will often be open to negotiating with a person who is ready, willing and able to propose a payment plan. Here are a few examples of some of the special methods and rules that apply to governments.

Government of British Columbia

One common method is to deny the debtor certain privileges unless or until they make satisfactory arrangements to pay the debt. Under the Motor Vehicle Act\(^6\), ICBC may take away or refuse to renew a driver’s licence if the person owes fines for motor vehicle-related offences, or money that ICBC has paid on their behalf in certain situations where the person has breached the terms of their insurance in some way, such as driving while impaired. This power is discretionary, and ICBC will generally be open to negotiating a payment plan. However, if ICBC denies or revokes a licence due to “motor vehicle indebtedness”, the debtor can appeal ICBC’s action to the Superintendent of Motor Vehicles within 30 business days.

Under the Financial Administration Act, in section 83\(^7\), if a person owes money to the provincial government and is also owed money by a third party, the government can serve a notice to require the third party to pay the amount owed directly to the government. This is similar to garnishment, but is much harsher on the debtor because the courts are not involved, there is no exemption for wages, and the debtor cannot make an application to the court under the Court Order Enforcement Act\(^8\) to request that the garnishment be set aside or to vary the amount taken. Although the debtor may still be able to challenge the government’s action, this would be far more difficult, and a lawyer should be consulted.
The Family Maintenance Enforcement Program (FMEP) is one BC government agency that has special powers to collect debts under the *Family Maintenance Enforcement Act* [9] and Regulations [10]. A person who has a court order or filed separation agreement that requires a payor to pay them spousal or child support can register that order or agreement with FMEP, without charge, if the case has enough of a connection to BC. FMEP then enforces that order or agreement and forwards any payments collected to the person entitled to spousal or child support.

FMEP’s powers include the ability to attach (take) wages and some government benefits such as Canada Pension Plan, WCB, and EI benefits. FMEP can also suspend a payor’s driver’s licence or passport in certain circumstances if payments are not up to date. The FMEP legislation sets out what rights debtors have to challenge actions taken by FMEP. For example, a debtor can apply to vary the amount of wages attached by FMEP if the payor can show what is needed to enable the payor to meet basic expenses, such as for housing and food.

FMEP's website [11] has information about enforcement that advocates may find helpful.

Note that FMEP does not have the power to change the amount of child or spousal support that someone owes. If a payor wants to change the amount of child or spousal support that they are legally required to pay, the payor must apply to vary the court order or agreement that FMEP is enforcing.

**Government of Canada student loans**

Millions of dollars are lent for educational purposes under federal and provincial *student loan programs*. Although a student in BC who applies for both a Canada and BC student loan uses only one application form, the loans are repaid separately.

Previously, the federal government and the financial institution that granted a student loan shared the risk in the event of default. On July 31, 2000, the risk-shared arrangement between the federal government and participating financial institutions came to an end. The government now directly finances all new loans that were issued on or after August 1, 2000. The administration of Canada Student Loans has become the responsibility of the National Student Loans Service Centre [12].

Both the Canada and BC student loan programs have various interest relief, debt reduction, principal deferment, and loan revision provisions available to students who are finding it difficult to repay their loans.

Note that a student loan will not be erased by a discharge from bankruptcy which is granted within seven years of a bankrupt’s completion of studies. However, a former student can make a special application to be discharged from their student loan after five years on the grounds of hardship.

The Government of Canada website [13] has information on student loans (which need to be paid back) as well as on student grants (which do not need to be paid back), and advice on repaying loans.

**Loan sharks**

“Loan shark” is the slang term for individuals or businesses that lend money at a very high rate of interest. This kind of lender usually sets harsh repayment terms and may resort to threats or actual harm to the borrower if payments are missed (see the section on Harassment by Debt Collectors). Even if payments are made as called for, the borrower may end up owing more than was borrowed because of the high interest charges, which are calculated on a monthly or even weekly basis. Police and media reports indicate that there is a considerable underground credit market from loan sharks. Section 347 [3] of the *Criminal Code* makes it an offence for someone to lend money at an interest rate exceeding 60% per year (see the section on Interest and the Cost of Borrowing Money), except payday lenders licensed under provincial legislation.
Mortgage brokers

Mortgage brokers negotiate mortgages with lenders on behalf of borrowers and, in some cases, extend credit on the strength of mortgages on land that they then “sell” to a third party who receives the monthly payments from the borrower. Mortgage brokers must be licensed under the BC Mortgage Brokers Act [14], which is aimed specifically at brokering businesses. Most other financial institutions and individuals who might come within the scope of the Act are exempt from its licensing provisions, including all savings institutions, lawyers, government lending services, and court-appointed receivers and trustees.

Aside from setting out licensing requirements, the Mortgage Brokers Act requires the disclosure of borrowing costs in cases where the broker-lender is charging a bonus or other brokering fee (see the section on Interest and the Cost of Borrowing Money).

Clients should be cautious of obtaining credit through a brokering business. They should know that the cost of borrowing may be higher than from other credit sources.

If a client already has a mortgage from a broker and is now having trouble meeting their obligation, the client should consult a lawyer on the various remedies available.

Pawnbrokers

Until April 2002, pawnbrokers were regulated by the province under the Pawnbrokers Act. Some aspects of the Personal Property Security Act [15] (see the section on Security Agreements) also apply to pawn transactions. Currently, however, the most significant regulation of pawnbrokers is found in municipal bylaws, such as Vancouver’s Secondhand Dealers and Pawnbrokers By-law [16] (No. 2807).

A typical client problem with pawnbrokers is when the client cannot repay the amount of the loan, the interest, and the pawn fees to redeem their possession. In some cases, the effective rate of interest — because it includes pawn fees — exceeds the maximum rate of interest of 60% per year set by section 347 [3] of the Criminal Code. Pawnbroking does not fall within the legal exemptions created by payday loan legislation.

“Payday loan” businesses

Certain finance companies make small, short-term, high-interest loans that go by a variety of names: payday loans, cash advance loans, post-dated cheque loans, etc.

As of November 1, 2009, the Business Practices and Consumer Protection Act [17] was amended to add a new part specifically to lay out the legislative framework dealing with payday loans. The details of this framework are discussed in the section on payday loans.

Tax-refund buyers

Some businesses lend people money if the borrower assigns their income tax refund to the lender. The lender calculates the refund and pays the borrower part of the expected refund in cash. The lender then collects the entire refund at a later date.

Because of some abuses by these businesses, the federal government passed a law regulating loans given in exchange for tax refunds.

Under the federal Tax Rebate Discounting Act [18], a business buying a tax refund must disclose certain lending information to the borrower, including the actual interest rate being charged. The lender must also keep accurate business records of the borrowers. Most importantly, the lender must pay the borrower at least a legislated minimum amount:

• If the tax refund is less than $300, at least 85% of the refund.
• If the tax refund is more than $300, at least $255 plus 95% of the amount by which the refund is over $300. A separate fee cannot be charged for completing the tax return.

If the lender receives more than the expected refund, the difference between the refund and what was calculated must be paid to the borrower. The lender must send the client a copy of the notice of assessment that Canada Revenue Agency sends with the refund.

Related topics and materials

See the other sections on borrowing money:
• Interest and the Cost of Borrowing Money
• Payday Loans
• Co-signing, Guarantees and Joint Debts
• Credit Insurance

See related topics:
• Assignments in Bankruptcy
• Consumer and Ordinary Proposals
• Contracts Overview
• Credit Cards
• Garnishment and Set-offs
• Harassment by Debt Collectors
• Mortgages and Foreclosure

See also “How to Communicate with Creditors & Collection Agencies” from the Credit Counselling Society, the chapter “Creditors’ Remedies and Debtors’ Assistance” from the manual used by the UBC Law Students’ Legal Advice Program, and the People's Law School pages on borrowing money.

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Interest & the Cost of Borrowing

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

Both federal and provincial laws deal with the cost of borrowing money.

Client problems

- Client asks for information concerning interest rates and credit cost disclosure.
- Client wants to know if there is any limit on the interest they can be charged for a loan.

Summary of the law

A number of federal and provincial laws deal with the cost of credit. Each level of government has some constitutional authority over different aspects of the cost of credit. The federal government has jurisdiction over interest, banking and currency. The provinces generally have jurisdiction over property and financial institutions (other than banks) that operate wholly within the province.

Interest rate ceilings

There is little in either federal or provincial law regulating the maximum amount creditors can charge borrowers. Some years ago, the federal government repealed the interest rate ceilings set under its Small Loans Act. In its place, Parliament passed an amendment to the Criminal Code, setting a maximum interest rate in section 347 of 60% per year for all lenders. The section applies to all consumer credit lenders except tax refund buyers and licensed payday loan lenders. Anyone who lends at a higher rate can be prosecuted. And, according to an historic common law principle that courts will not enforce an “illegal” contract, creditors generally cannot use the civil court system to collect on loans where the rate is above 60% per year.

Both the federal and provincial governments have laws setting a maximum rate for how much a person can be charged if someone buys their right to receive money from the government. The most common examples of such rights are for refunds for an overpayment of tax paid under the Income Tax Act, contributions paid under the Canada Pension Plan, and premiums paid under the Employment Insurance Act.

The federal law says the person selling their right to a refund from the government (the borrower, effectively) must get at least a minimum amount:

- If the refund is less than $300, at least 85% of the refund.
• If the refund is more than $300, at least $255 plus 95% of the amount by which the refund is over $300. (These percentages relate to the amount of the refund. They are not a true annual rate of interest because the refund may be received within a matter of weeks. The real return to the lender is actually much higher. The actual rate of return depends on the amount of the refund and the length of time that the lender had to wait for the refund.)

The rate the lender (that is, the business buying the refund) must disclose to the borrower is calculated according to a formula prescribed in regulations to the *Tax Rebate Discounting Act*[^3].

Many years ago, the federal government passed the *Interest Act*[^4]. However, this relatively short law does not set interest rate ceilings. For consumer loans, the *Interest Act* simply says that contracting parties are free to bargain for any interest rate they want in the agreement (subject only to other specified federal statutes, such as the *Tax Rebate Discounting Act* and the interest ceiling in the *Criminal Code*[^5]).

The *Interest Act* also says that if interest is to be calculated on less than an annual basis (daily, weekly, monthly, etc.), the borrower must also be given a yearly rate. If there is no agreed rate of interest (which rarely happens), the *Interest Act* says a creditor can only charge 5% annual interest.

### Cost of borrowing disclosure legislation

Credit cost disclosure legislation ensures that borrowers are accurately informed of the charges they must pay for credit. Because there are a variety of ways credit can be granted and charged for, and because there are a number of different methods for calculating those charges with a monthly or annual percentage rate, it is not surprising that many federal and provincial laws and regulations deal with credit cost disclosure.

The complexity of this subject is heightened by the distinctions in legislative jurisdiction between the federal government and the provinces. Because these differences have not been fully reconciled either by federal-provincial agreement or by court decisions, it is sometimes difficult to explain where one law starts and another ends.

The federal government has legislation on credit cost disclosure through its jurisdiction over interest, income tax, criminal law, and banking.

Through its jurisdiction over banks, the federal government has passed Cost of Borrowing (Banks) Regulations[^6] under the *Bank Act*[^7] that set out how banks must disclose the interest rate charged on consumer credit agreements, including loans, credit cards, and lines of credit. That rate must be stated as an annual percentage rate. For most consumer credit agreements, the bank must also disclose the cost of borrowing stated as an amount in dollars and cents at the time the credit agreement is made.

Provincially, credit cost disclosure is governed under the *Business Practices and Consumer Protection Act*[^8], Part 5. There are different disclosure requirements for fixed credit (such as loans, mortgages and sales financing agreements), open credit (such as lines of credit and credit cards), and some leases. Fixed and open credit agreements require disclosure of the annual interest rate and the circumstances under which interest will be compounded. Leases and fixed and open credit agreements, which are not credit cards, must disclose the annual percentage rate calculated in accordance with the regulations.

If a fixed credit agreement has scheduled payments, the disclosure must include the total cost of credit. In the case of a lease covered by Part 5 of the *Business Practices and Consumer Protection Act*, the statement must disclose the total lease cost. Part 5 of the Act also sets out disclosure requirements for floating rate credit agreements, and amendments or renewals of credit agreements.
Related topics and materials

See the other sections on borrowing money:
• Types of Lenders and Creditors
• Payday Loans
• Co-signing, Guarantees and Joint Debts
• Credit Insurance

See related topics:
• Credit Cards
• Leases
• Mortgages and Foreclosure

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[2] http://canlii.ca/t/j03h
[4] http://canlii.ca/t/7vh8
[5] http://canlii.ca/t/7vf2
[7] http://canlii.ca/t/7vqm
[8] http://canlii.ca/t/84nr
Payday Loans

An exception to the criminal rate of interest laws in Canada, payday loans are short-term, high-interest loans for $1,500 or less.

Client problems

- Client has taken out a payday loan and wants to know their rights.
- Client wants to cancel a payday loan.

Summary of the law

Certain finance companies make small, short-term, high-interest loans that go by a variety of names: payday loans, cash advance loans, post-dated cheque loans, for example. Typically, the borrower writes a personal cheque, post-dated by two weeks and payable to the lender for the amount they wish to borrow plus a fee. The company then gives the borrower the amount of the cheque minus the fee.

In the past, these loans were made on such terms that once all the interest, fees and charges were factored in, the result was often an effective rate of interest exceeding the maximum rate of 60% per year set by section 347 [1] of the Criminal Code (see the section on Interest and the Cost of Borrowing Money). Because the courts will generally not enforce an illegal contract term, the lenders had trouble enforcing the loans. The criminal justice system in British Columbia was not used to curtail payday lending, possibly for fear of driving borrowers into the hands of loan sharks. Consequently, payday lenders used to operate in a legal grey zone.

In 2007 the Criminal Code was amended to allow the provinces to set up regulatory regimes under which they could license lenders to make loans which have:

- a principal of not more than $1,500, and
- terms of not more than 62 days.
Payday Loans

Payday loan legislation


Under this legislation, the maximum amount a licensed payday lender may charge for a loan is 15% of the principal amount borrowed. (On September 1, 2018, the maximum was reduced to 15% from 17% of the principal amount.)

In addition, if the borrower can’t repay the payday loan on time, the lender can add extra charges to the loan. They can charge interest at 30% per year on any amount outstanding, plus a one-time $20 fee for any dishonoured cheque or pre-authorized debit.

A payday loan cannot be for more than 50% of the borrower’s net pay over the term of the loan. A loan agreement cannot require repayment before the borrower’s next payday.

Prohibited practices

Certain practices are prohibited under the payday loan legislation. Lenders may not, for example:

• grant a “rollover” (extend or renew a payday loan for additional fees),
• give more than one loan at a time to a borrower,
• discount the principal amount of the loan by deducting from the initial advance any part of the cost of credit,
• charge any fee for prepayment.

Section 112.10 [4] of the *Business Practices and Consumer Protection Act* sets out remedies if a payday lender contravenes these provisions. For example, if a lender grants a rollover, the borrower is not liable to pay the lender any amount that exceeds the principal of the loan. If the lender charges any amount they are not permitted to charge, the borrower is not liable to pay the excess. If the borrower has paid any prohibited amount, they are entitled to a refund of all monies paid in excess of the principal of the loan.

Lenders are also prohibited from taking:

• assignments of wages,
• undated cheques,
• post-dated cheques for more than the amount payable under the loan on the due date,
• security in the form of personal property or documents for transferring personal property, or
• personal information from a borrower for any purpose other than offering a payday loan.

Disclosure requirements

The payday loan legislation also includes measures to inform borrowers of the applicable law and their legal rights. Under section 13 [5] of the *Payday Loans Regulation*, each payday loan outlet must display a sign of a prescribed size and form that sets out in specified wording:

• the maximum charges permitted in BC for a payday loan (15% of the principal amount loaned),
• the lender’s total charges for a payday loan (including an example that is based on a $300, 14-day loan), and a calculation of the effective annual percentage rate,
• the annual percentage rate charged by the lender,
• that this information meets the requirements of the Act, and
• the lender’s licence number.

Also, payday loan agreements must be in writing and contain certain particulars specified by section 112.06 [6] of the *Business Practices and Consumer Protection Act*, including:
• the lender’s contact information,
• the amount of the principal,
• details of each fee and charge,
• the rate of interest, along with a statement that interest is chargeable only on the principal of the loan,
• the total cost of credit, along with a calculation of the effective annual percentage rate,
• the amount of each payment and the date on which it is due,
• a statement of the borrower’s rights under section 112.10 [4] of the Act,
• a statement of the borrower’s rights under the cooling-off period provision in the legislation (see below), and
• a statement that Consumer Protection BC [7] may be contacted for information on requirements relating to payday loans.

The lender must review with the borrower and have them initial the clauses regarding the cost of credit, annual percentage rate, and cancellation rights.

Cooling-off period
Borrowers are further protected by a two-day cooling-off period. Under section 112.05 [8] of the Business Practices and Consumer Protection Act, a borrower can legally cancel a payday loan at any time within two business days after receiving the first advance under the loan. The borrower can cancel during this cooling-off period by:

• repaying all amounts advanced in full, and
• completing the cancellation notice, which the lender must give to the borrower at the time the loan agreement is signed.

Additional cancellation rights
In addition to the borrower’s right to cancel a payday loan during the cooling-off period, the borrower can cancel a loan at any time if:

• the loan agreement does not include the terms or disclosures required in section 112.06 [6] of the Act,
• the lender fails to advise the borrower of their cancellation rights,
• the lender does not have the borrower review and initial the clauses regarding the cost of credit, annual percentage rate, and cancellation rights, or
• the lender does not give the borrower a cancellation form.

Caps on fees to cash government assistance cheques
Many payday lenders also cash government cheques for people. As of September 1, 2018, the Business Practices and Consumer Protection Act [9] and Government Cheque Cashing Regulation cap the fees that can be charged to cash a “government assistance cheque”, such as an income assistance or disability assistance cheque from the provincial welfare ministry. Fees for cashing a government assistance cheque cannot be more than $2 plus 1% of the amount of the cheque, up to a maximum fee of $10. It is an offence to charge more than that. If someone pays more than the allowed fee to get a cheque cashed, they are entitled to a refund of 100% of the fee they paid.
Information gathering

Obtain a copy of the loan agreement and determine whether or not a cancellation form was provided. Find out from the client the dates and amounts of any payments made, and whether or not they have given the lender any undated or post-dated cheques, assignments of wages, personal property, or transfer papers for personal property.

Solving the problem

If the client wants to cancel the loan and can raise the funds to do so, consider whether they can make use of the cancellation provisions.

If the lender has made a rollover loan, discounted the initial advance, or charged an illegal or excessive amount, inform the client that they are responsible only for the principal amounts actually extended and can demand an immediate refund. If no refund is given, the most practical step is probably to report the matter to Consumer Protection BC [7].

You should also consider reporting the matter to Consumer Protection BC if the lender has contravened the Business Practices and Consumer Protection Act [10] in any other way. Consumer Protection BC can impose administrative fines or revoke licences if a lender repeatedly breaches the Act. If the client has suffered damages as a result of a breach of the Act, they may also wish to consider bringing a lawsuit against a lender under section 171 [11] of the Act.

Related topics and materials

See the other sections on borrowing money:

- Types of Lenders and Creditors
- Interest and the Cost of Borrowing Money
- Co-signing, Guarantees and Joint Debts
- Credit Insurance

See related topics:

- Contracts Overview
- Opting Out and Cooling-off Periods

Co-signing, Guarantees & Joint Debts

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

Co-signing is when someone agrees to be jointly responsible for a debt with another person. This is different from signing a guarantee, which is a promise to pay the debt of another person if they default on the debt.

**Client problems**

- Client has been asked to be a “co-signer” for a debt and wants to know what legal responsibilities are involved.
- Client co-signed a loan and wants to know their rights because the other party defaulted and the creditor is demanding payment from the client.
- Client and spouse have separated, and the client wants to know what to do about joint debts, such as credit cards.
- Client wants you to explain to someone else what it will mean to co-sign a bank loan for the client.
Summary of the law

This area of the law is complex. The extent of client responsibility can turn on fine distinctions of law, as can the availability of legal defences. A considerable body of statute law and case law governs the creditor and debtor relationship when there is more than one debtor in a credit obligation.

The following is only a brief outline of the basic principles. Consult a lawyer for an opinion in specific cases.

Co-signing: Guarantors versus joint debtors

Co-signing is the popular term for someone agreeing to be liable (responsible) for the debt of another person. In law, there is an important division in the responsibilities of people who co-sign. In general, when two or more borrowers contract to receive and take the benefit of credit, they are known as joint debtors. They are each fully and independently responsible for the debt.

Technically, creditors usually ask joint debtors to be "jointly and severally" liable (each person is responsible for the entire debt). This gives the creditor certain advantages if the debtors default and the creditor attempts to collect the whole judgment by making separate settlement arrangements to collect part of the judgment from each debtor.

There are many situations in which people are asked to be joint debtors, such as when two spouses take a mortgage to buy a house, obtain a line of credit to buy a car, or request credit cards from a bank.

If a borrower applies for credit and the lender demands that someone else promise to be responsible for the debt if the borrower defaults, the borrower is called the "principal debtor" and the other person is called a “guarantor”.

Most commonly, relatives or friends are asked to be a guarantor for a borrower who cannot obtain credit on the strength of their own financial record. The borrower may have a limited income or assets, or may have a poor credit history (see the section on Credit Reports and Credit Ratings). In business, individuals who are principals in a company are often asked to be guarantors for the debts of the company.

In most instances, creditors specify which type of contract they want the parties to sign and there may be relatively little to negotiate. The law will usually, but not always, follow the express intention of the parties when considering the liability of joint debtors or guarantors.

Default obligations of guarantors and joint debtors

The law distinguishes between credit contracts with jointly responsible debtors and credit contracts with a guarantor, but if there is a default in either case, the creditor has a right to claim against anyone who contracted for the debt.

Joint debtors

There is little joint debtors can do to avoid a debt completely or to legally shift liability to the other debtor. The law does not care, for example, if one party’s income is higher than the other’s or if the debtors have agreed between themselves who will pay off the debt. Debtors cannot bind a creditor to a contract to which the creditor has not been a party. This is especially a problem when spouses separate and one spouse promises to pay off certain debts as part of a separation
agreement. If that spouse defaults on paying the debt, the creditor can still sue both spouses.

There are particular problems for joint debtors with credit cards. Usually, the credit agreement between the parties and the creditor calls for each debtor to be fully responsible for all credit obtained through the card.

Guarantors

A guarantor’s responsibility for a debt only comes into effect if the principal debtor defaults on an obligation. The law allows certain defences and remedies for guarantors that are not open to joint debtors.

The most significant defence principle says that if the creditor and principal debtor make significant changes to the detriment of the guarantor in the credit contract (before or after the principal debtor’s default), then the guarantor may be able to get out of paying off the debt. For example, if a creditor lowers the monthly payments for a principal debtor having trouble making the full payments called for under the loan agreement, the creditor may wait a long period after default to start legal action against the guarantor. The courts may find this prejudicial enough to the guarantor to disallow the claim against the guarantor.

Defences for guarantors and joint debtors

In some instances, a guarantor or joint debtor may be able to argue that common-law defences, such as unconscionability (explained in the section on Contract Defences), should apply to their circumstances. In Bank of Montreal v. Koszil, the court found that a guarantor (a common-law wife) who had not received independent legal advice, and who was not fully aware of her common-law partner’s financial predicament before signing a promissory note (an enforceable promise to repay a debt or loan) and mortgage, was the victim of unconscionability. The action against her was dismissed. In Toronto-Dominion Bank v. Wong and Lim, however, the court found that a mother, as joint debtor, was responsible for her son’s debt even though it was clear that the benefit of the loan went to the son, and that the mother had not received independent legal advice. The court found that agreeing to sign the loan showed imprudence, but not unconscionability.

A common client concern about becoming a guarantor is the apparent unfairness of being responsible for someone else’s debt when little or no benefit has gone to the client. The client may complain, “My friend got all the money.” Unfortunately, this does not often translate into a defence or remedy for the client.

Even though the guarantor gains no monetary benefit from guaranteeing a loan, the law usually still finds legal consideration in this relationship. The benefit to the creditor is the guarantor’s promise to pay, while the benefit to the guarantor is the satisfaction that the principal debtor got the loan from the creditor.

Information gathering

The most important aspect of fact gathering for co-signing situations is to get copies of all the parties’ credit agreements. A lawyer must review the agreements to determine the client’s legal obligation. You must also get full details of the circumstances surrounding the credit contract, including discussions between debtors (for example, spouses) and discussions between the client and the creditor.

Solving the problem

Situations involving joint debtors (or a principal debtor and a guarantor) often include potential for a conflict of interest. Be careful about advising more than one debtor in any multiple debtor obligation. It may be wise to deal with only one of the debtors, particularly if one or more of the parties did not receive a direct benefit from the loan. Consider seeking advice from a lawyer about the potential for conflicts, even if the joint debtors are spouses. There may be defences against the creditor for some or all of the amount due, or there may be remedies against the other debtor.
When liability and the amount due have been confirmed, review the full financial circumstances of the client. Consider comprehensive remedies if there is more than one creditor.

In joint debtor situations, creditors may be more willing to accept a settlement proposal. Usually a creditor can accept partial payment from one debtor in full satisfaction of that debtor's liability, and still claim the balance from the other debtor. There are some other possibilities for settlement arrangements:

- Immediate lump-sum payment (for example, 25% to 50% of the full amount owed) in full satisfaction of the debt.
- Immediate part-payment (for example, 5% to 10% of the full amount owed), coupled with instalment payments to make up the balance to somewhere between 25% and 50% of the full amount owed.
- Creditor promises to release the client from liability on the debt when instalment payments totalling an agreed percentage of the full amount owed are reached (for example, if regular instalment payments are continued until 50% is repaid).

**Related topics and materials**

See the other sections on borrowing money:

- Types of Lenders and Creditors
- Interest and the Cost of Borrowing Money
- Payday Loans
- Credit Insurance

See related topics:

- Contract Defences
- Contract Remedies
- Contracts Overview
- Credit Cards
- Credit Reports and Credit Ratings
- Mortgages and Foreclosures
- Opting Out and Cooling-off Periods

Also see People’s Law School’s page on co-signing or guaranteeing a loan. [1]

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**References**

Credit Insurance

Credit insurance is a type of insurance policy purchased by a borrower that pays off one or more existing debts in the event of a death or disability.

Client problems

- Client is being offered, or asked to buy, some form of insurance as part of a credit transaction.
- Client thinks they have a claim on an insurance policy with a creditor, but the creditor is refusing to pay.

Summary of the law

The principles of insurance law are beyond the scope of this publication. However, there are a few instances where advocates may encounter insurance issues related to consumer transactions, particularly insurance for consumer loans or mortgages.

The first instance is when a consumer asks for advice about an offer for insurance as part of a credit transaction. For example, a consumer may be offered life and disability insurance when they take out a mortgage. The insurance coverage will usually be for an amount up to the value of the amount borrowed, and is designed to provide extra assurance that the obligation will be paid in the event of the borrower’s inability to pay.

While credit insurance may be a prudent thing to have, consumers should be careful to compare the rates and coverage offered through the creditor. The premiums that the consumer is asked to pay by a creditor are often higher than the premiums they could get from the consumer’s existing insurer, or from a new insurer who is not associated with the credit transaction. The consumer may find a better premium elsewhere for the same coverage, or better coverage for the same premium.

The second instance is when the consumer is attempting to make a claim on the credit insurance, and the insurer is resisting payment. While claims on insurance policies involving the death of an insured person are usually straightforward once proof of the death has been shown, claims on insurance policies because of alleged disabilities or, for example, unemployment, may be more problematic. Often, the terms of the contract are written relatively restrictively. If advocates encounter such a problem, it will probably be necessary to involve a lawyer.
Related topics and materials

See the other sections on borrowing money:

- Types of Lenders and Creditors
- Interest and the Cost of Borrowing Money
- Payday Loans
- Co-signing, Guarantees and Joint Debts

See related topics:

- Mortgages and Foreclosure
Credit Reports & Credit Cards

Credit Reports & Ratings

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

A credit report shows a person’s history of borrowing money and paying bills. It's used to calculate a credit rating, which is a number that indicates how likely a person is to pay back their debts.

Client problems

- Client wants to know how a bad credit rating affects their ability to get credit.
- Client asks about the effect of using a remedy under the Bankruptcy and Insolvency Act[^1], including going bankrupt, making a proposal, or getting a consolidation order on one’s credit rating.
- Client has been turned down for credit and says the credit report is unfair or incorrect.
- Client asks how to get access to their credit file at the credit bureau.

Summary of the law

Each institution that a consumer obtains credit from has its own details of the consumer’s history with that institution. A person’s credit record is basically the accumulation of their entire credit history. Historically, that information was kept at a local credit reporting agency, called a credit bureau. Credit bureaus and other reporting agencies provided credit report information to creditors for a fee. More recently, credit reporting services have been consolidated into national reporting services, including Equifax[^2] and TransUnion[^3]. These are not government agencies.

Credit reporting is regulated by the Business Practices and Consumer Protection Act[^4] and the Personal Information Protection Act[^5]. The two Acts have a number of provisions that are important for the protection of consumers.
**Limited disclosure of a consumer’s file**

Section 108[^6] of the *Business Practices and Consumer Protection Act* restricts disclosure of a consumer’s file to people or businesses that have a legitimate reason for seeking the information, such as prospective creditors, landlords, employers and insurers.

**Contents of a credit report**

Under section 109[^7] of the *Business Practices and Consumer Protection Act*, agencies must have reasonable procedures for ensuring accurate and fair reports. The section contains a number of restrictions and prohibitions about what information can be reported. For example, criminal record information can only be reported if there has been a conviction, and then only for a limited period of time. In general, information more than six years old cannot be reported. Information about a consumer’s race, belief, colour, sexual orientation, ancestry, ethnic origin or political affiliation cannot be reported.

**Notification when a report is obtained**

Section 107[^8] and section 108(1)(f)[^6] of the *Business Practices and Consumer Protection Act* state that in most circumstances a report cannot be obtained unless the consumer signs a written consent. The Act allows creditors to obtain the consent on credit application forms.

**Notice of denial or increased cost**

According to section 110[^9] of the *Business Practices and Consumer Protection Act*, if a consumer is denied credit or the cost of the credit is increased because of an unfavourable report, the creditor must give the consumer written notice of the denial or the increase.

**Consumer access to credit files**

Section 23[^10] of the *Personal Information Protection Act* gives consumers the right to access their credit file.

**Solving the problem**

There are often misconceptions about a person’s credit record. A client may be misled or intimidated by what a creditor, such as a collection agent, says about their credit record. In some instances, a client’s problem may be resolved simply by informing the client of their rights under the *Business Practices and Consumer Protection Act*[^4] and the *Personal Information Protection Act*[^5].

If there is an issue about a client’s credit record, the client should first seek disclosure of their record. Access is available online for a fee from Equifax[^2] and TransUnion[^3].

A consumer may also obtain their credit report without charge by mailing a request containing the following information:

- full name
- present address
- previous addresses within the last five years
- date of birth
- copies of both sides of two pieces of identification, one of which has the consumer’s signature, and one of which indicates the consumer’s current address

The mailing address for Equifax is:
Section 24 \[11\] of the \textit{Personal Information Protection Act} gives consumers the right to have any inaccuracies in the record corrected according to the procedures outlined in section 27 \[12\] of the Act. To dispute or correct a credit report, the consumer may email or write to Equifax or TransUnion. Equifax will also accept dispute information by phone.

Consumers may also file an explanatory note with the agency about any information in the file (\textit{Business Practices and Consumer Protection Act}, section 111 \[13\]).

If the client’s problem cannot be resolved at this level, they can complain to the provincial privacy commissioner. The privacy commissioner has the power to investigate and to order a reporting agency to amend a consumer’s file (\textit{Personal Information Protection Act}, section 52(3)(d) \[14\]).

**Related topics and materials**

See the other section on credit reports and credit cards:

- Credit Cards

See related topics:

- Collection Agents
- Credit insurance
- Types of Lenders and Creditors

See also the People’s Law School pages on credit reports \[15\].

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[1] http://canlii.ca/t/7vcz
[5] http://canlii.ca/t/84mg
Credit Cards

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

Credit cards, which allow a person to pay for things based on a promise to pay later, follow some basic rules of contract law and raise some special legal issues.

Client problems

- Client has lost a credit card and wants to know about liability if the card is used fraudulently.
- Client has bought defective merchandise with a credit card and wants to know if they can refuse to pay the credit card bill.
- Client has recently separated from a spouse and wants to know about liability for past and future bills on a joint credit card.
- Client wants to know how much interest is being charged, and how it is charged, on their credit card.

Summary of the law

Liability (responsibility) for charges made on credit cards follows the basic rules of contract law. In most instances, the agreement is made between the consumer applying for the credit card and the creditor accepting the application. The creditor issues the credit card subject to the consumer accepting the terms set out in a cardholder agreement.

Types of credit card agreements

There are two main types of credit card agreements:

- between merchants and consumers
- between financial institutions and consumers

In merchant agreements, the merchant issues its own card to the consumer. Use of the card is usually restricted to purchases from that merchant. For example, most major department stores issue their own cards.

In agreements with financial institutions (for example, banks), the creditor issues the card to the consumer for credit purchases at any business accepting the card. MasterCard and Visa are examples of financial institution cards. This type of agreement is really two agreements: one between the consumer-cardholder and the financial institution, and one between the merchant and the financial institution.

Typical cardholder agreements cover:

- the consumer's liability for charges on the card
Credit Cards

• how charges can arise — for example, from the consumer making purchases with the card, and (for cards issued by financial institutions) from the consumer obtaining cash advances with the card
• interest rates and how they are calculated
• monthly payment requirements
• responsibility when a card is lost or stolen
• the consumer’s credit limit
• termination of the agreement

The consumer is usually held responsible for charges made through both direct use (for example, when the consumer uses a “tap to pay” card or enters their card and PIN number in a merchant’s payment machine) and indirect use (for example, when the consumer gives the card number and expiry date over the phone).

Special credit card provisions

Some special legal issues arise with credit cards, both in common law and under statute law. Section 57 [1] of the Business Practices and Consumer Protection Act defines a credit card as being "a card or other device that can be used to obtain advances under a credit agreement for open credit". A "credit agreement" is defined as an agreement under which credit is extended and includes loans, credit sales, lines of credit, and credit cards, or a replacement or renewal of any of these.

Disclosing the cost of borrowing on credit cards

Under the Business Practices and Consumer Protection Act, credit cards are a form of "open credit" (the borrower is not borrowing a fixed or agreed amount of money). The Act requires lenders who extend open credit to make a statement available to the consumer in advance that explains the cost of borrowing on the credit card (see the section on Interest and the Cost of Borrowing Money). Once credit is extended, the lender must issue periodic statements showing details such as the total amount credited and the outstanding balance. In most cases, consumers get this information as part of their usual monthly statement.

Liability for lost or stolen credit cards

Section 99 [2] of the Business Practices and Consumer Protection Act limits a consumer’s liability for unauthorized use of a credit card. Given the growing problem with credit card fraud, this is an important protection. Once a consumer properly notifies the issuer, the consumer is not liable for any unauthorized use. Before giving proper notice, the consumer is liable for a maximum of $50 in unauthorized charges. The maximum liability set out in the credit agreement may be less than $50, but it cannot be more.

However, this protection does not apply to debit cards or when a credit card is used with a confidential personal identification number (PIN) to withdraw money from a cash machine. In such cases, the common law of contract applies. In Plater v. Bank of Montreal, the cardholder agreement stated that the cardholder was responsible for losses up to $500 if the PIN and credit card were not kept separately. Because it was found that the two were not kept in separate places, the cardholder was held liable for $500 rather than the $50 limit specified under the Business Practices and Consumer Protection Act.
Liability for jointly held credit cards

An important concern for consumers is their liability or responsibility when cards are issued to co-applicants or when cardholders agree to add other users to their existing credit card (see the section on Co-signing, Guarantees and Joint Debts). Liability for jointly held credit cards is not dealt with in the Business Practices and Consumer Protection Act[^3] — it is a matter of contract law, based on the cardholder agreement.

In general, cardholder agreements stipulate that each authorized user of a card is jointly and severally liable for the debts incurred on the card. This means the creditor can claim the full balance on the account from any of the holders, regardless of how little or how much each individual actually charged on the card. That liability continues at least until one of the parties to the agreement terminates the agreement. Responsibility for the debts of another cardholder may well continue until that cardholder’s card is physically recovered and returned to the financial institution.

There may be instances where a unilateral action (such as raising the credit limit and then borrowing to that new limit) by one of two parties responsible for a credit card may not affect the other where notice was not given to the other cardholder.

The cardholder agreement may also be written to make the cardholder liable for anyone using the card with the cardholder’s authority. For example, a cardholder might disclose a PIN to a friend to make a withdrawal at a cash machine. Under the terms of the cardholder agreement, the cardholder is responsible for any amount withdrawn, even if it was more than the cardholder had authorized the person to take.

Problems with products or services purchased with credit cards

The distinction between merchant credit cards and financial institution credit cards becomes important when the consumer has a problem with products or services purchased with the credit card. Usually, the consumer’s reaction is to refuse to pay the credit card bill, or at least the amount on the bill relating to the problem product or service.

Disputes between a consumer and a merchant over a purchase on a merchant’s own credit card are usually resolved according to general principles of contract law. The parties can negotiate or they can go to court. If the matter goes to court, the court’s decision on the merits of the case governs the liability on the credit card, or at least the credit card purchase.

Disputes between a consumer and a merchant over a purchase on a financial institution’s card are more complicated. Usually, the consumer has little right to refuse to pay the bill from the financial institution. Cardholder agreements generally contain terms that mean that the consumer must pay for charges on the card regardless of product or service quality, and that the bank is not in any way responsible for consumer-merchant disputes. However, some cardholder agreements do contain special terms that are essentially warranties or insurance for the purchases made using the card.

Information gathering

The type of information you need to obtain is governed by the kind of credit card problem the client has. Generally, you need to obtain a copy of the cardholder agreement, a copy of the latest monthly statement the consumer received from the creditor, and copies of any correspondence between the consumer and the creditor.

Solving the problem

If the consumer’s problem arises from an inability to pay the credit card bill, refer to the section on Options for Getting Out of Debt.
If the problem involves potential liability for a lost or stolen credit card, ensure as soon as possible that the consumer has notified the creditor. Most credit card issuers, including MasterCard and Visa, have special phone numbers that you can call at no charge for reporting lost or stolen cards.

It may be difficult to assess the extent of a consumer's liability on a joint credit card. In the absence of any other defence, the consumer will probably at least be responsible for any debts incurred up to the time that the consumer cancelled the credit card agreement.

**Related topics and materials**

See the other section on credit reports and credit cards:

- Credit Reports and Credit Ratings

See related topics:

- Assignments in Bankruptcy
- Consumer and Ordinary Proposals
- Contracts Overview
- Co-signing, Guarantees and Joint Debts
- Debtor's Options for Getting Out of Debt
- Interest and the Cost of Borrowing Money

See also the People's Law School pages on credit cards [4].

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**References**

Mortgages & Secured Loans

Mortgages & Foreclosure

This section explains how to solve problems involving mortgages — a legal agreement in which a borrower gives the lender a security interest in real property — and foreclosure, the most common way for a lender to enforce its rights under a mortgage that is in default.

Client problems

- Client has missed a mortgage payment and is worried about legal action by the mortgage lender.
- Client has received a foreclosure petition and wants to know their rights.

Summary of the law

The law of real property mortgages (that is, mortgages of land) and of foreclosures is complicated. In most instances, a person who has a problem with a mortgage and faces foreclosure should get the advice of a lawyer. This section gives advocates an overview of some of the key principles of these areas of law.

Mortgages

There are two legal aspects to a mortgage of land:

- a contractual promise to pay the money being lent, and
- giving security over the land to ensure payment.

Historically, the security aspect of a land mortgage meant the borrower was actually transferring the land to the lender until the mortgage was paid off. This did not mean that the lender went on the land title as the owner — the borrower was still the registered owner — but the mortgage lender was shown as a charge against the title. The notion of transfer meant that the lender had certain rights to take the land if the debtor defaulted. The court process that the lender had to initiate was a foreclosure (where the lender can take back the property if mortgage payments are not kept up). Amendments to the Land Title Act [1] have abolished the concept of transfer, but the rights of the mortgage lender to foreclose remain.

The mortgage registration process has been greatly simplified in recent years because many mortgages have similar terms. Most lenders insist on using their own standard mortgage contract, with few variations. Under the Land Title Act, mortgage lenders can file a copy of their standard mortgage terms at the Land Title Office, rather than filing a copy of the same terms for each mortgage. If the terms vary at all, the lender can file a document that shows only the changes. An
important protection for borrowers is that the lender must still give the borrower a copy of the standard mortgage terms (and any modifications) when the mortgage is signed.

While most institutional lenders have their own standard terms, the Land Title Act provides an alternative that lenders can adopt as their standard form of mortgage. While it is beyond the scope of this publication to go into detail about all the terms of a mortgage, the following are some of the more important aspects to understand.

Promises of the borrower

The fundamental promises of the borrower in any mortgage are to pay the amount borrowed on time and to give the property as security in case of default. In most mortgages, the borrower also promises to pay the property taxes, to keep the property in good repair, and to insure buildings on the property against fire and other risks.

Amount borrowed

The mortgage states the principal amount lent to the borrower, the interest rate at which the money is lent, and the periodic payments the borrower must make. The mortgage will also state the frequency of the payments, which can be weekly, bi-weekly, monthly, etc.

Length of the mortgage

There are two time periods relevant to most mortgages: the “term” of the mortgage and the “amortization period” of the mortgage. The amortization period refers to the length of time to pay off the whole mortgage. A typical amortization period for a new mortgage is 25 years.

The term of the mortgage refers to the length of time the borrower and lender agree that the borrower can have the money at an agreed rate of interest before, technically, the borrower has to pay back the remaining balance. Typically, lenders and borrowers agree on terms ranging from one to five years. While at the end of that time the borrower is technically required to pay back the remaining balance, it is almost always the case that the parties agree to extend the term for another period of time at a re-negotiated rate of interest.

Prepayment rights

One of the most important aspects of consumer mortgages is the right to prepay the mortgage (see the section on Prepayment Rights). A closed mortgage is when the parties agree that the borrower has no right to pay out the mortgage earlier than the end of the mortgage term (for example, one, two, or five years). An open mortgage is when the parties agree that the borrower can, if they want to, pay out the mortgage during the term of the mortgage.

Because prepayment rights benefit the borrower, most lenders charge a higher rate of interest for open mortgages, particularly for ones with longer terms. Some lenders offer a compromise between open and closed mortgages: mortgages that give a partial right of prepayment. A lender may agree to accept additional payments during the term of the mortgage (for example, 15% of the balance owing, in any 12-month period without penalty).
Assumption rights

When an owner-borrower wants to sell property with a mortgage on it, there are two basic options:

• pay out the mortgage (such as with the sale proceeds), or
• have the buyer assume the mortgage (that is, take over responsibility for paying the mortgage).

The assumption of mortgages may be important when interest rates are rising, or when the prospective buyer has trouble qualifying for a new mortgage loan. Typically, mortgages say that an existing borrower-owner cannot contract to have a buyer assume the mortgage without the approval of the lender. Historically, lenders were reluctant to release owner-borrowers from their promise to pay when a mortgage was assumed. As a result, some borrowers remained liable long after the property was sold, and if the subsequent owner defaulted, the original owner-borrower could still be responsible for the mortgage.

There are some important provisions in the Property Law Act [2] that deal with the assumption of mortgages over residential property. The most important provisions give protection to owner-borrowers who want to sell their property, with their purchasers assuming the existing mortgage.

Under the Property Law Act, there are two ways for the original owner-borrower to be released from a promise to pay:

• the owner-borrower can request a release at the time of the sale, or
• three months after the existing term of the mortgage has expired, the owner-borrower will be released anyway, unless the lender has made a specific demand for payment.

An important protection for owner-borrowers is that creditors cannot, by law, unreasonably refuse to grant release requests. As a result of these changes in the law, it is unlikely that advocates will encounter the problem of former owner-borrowers not being released from all their mortgage obligations when a house is sold.

Default in the mortgage

The most common way for a borrower to default in a mortgage is by failing to make the required periodic payments. However, most mortgages give lenders many other rights to declare the mortgage in default, including a failure to pay the property taxes, abandonment of the property, bankruptcy by the borrower, and adding further mortgages to the land without the permission of the existing mortgage lender.

An important right of the creditor, triggered upon default, is the contractual right to accelerate the agreement, which allows the creditor to claim the full balance owing, not merely the arrears.

Remedies of the lender

A plain reading of most mortgages appears to give mortgage lenders a frightening list of remedies against the borrower when there is a default. Older mortgage clauses spoke of the right to take possession of the land, to sell the land by private auction, to appoint a receiver, or to “take whatever action is necessary to take, recover, and keep possession of the land”. In fact, in most instances, mortgage lenders are restricted, for both practical and legal reasons, in taking foreclosure proceedings against the borrower.

Foreclosure

Foreclosure is the most common way for a mortgage lender to enforce its rights under a mortgage that is in default. Historically, foreclosure was the legal process by which the lender closed off the right of the borrower to get the title back, back when mortgaging meant there was an actual transfer of the property to the lender until the mortgage was completely paid. Under the present Land Title Act [1], there is not an actual transfer of the property to the lender, but the remedy remains essentially the same process: the lender goes to court to get the property or to get the property sold in
order to recover the money lent.

**The foreclosure process**

Foreclosures are started by petition, under the Supreme Court Civil Rules[^3]. If there are no special circumstances to suggest a lender should delay starting a foreclosure, the process is usually started around the third month that the mortgage is in default. The law requires the borrower to be served with the petition.

In most mortgage default cases, there is no formal trial on the issue of default. Because the default is usually not seriously in doubt, and because in most instances debtors do not have a defence to the claim for the amount owed, the Supreme Court Civil Rules allow foreclosures to be heard in a fairly summary manner.

The first hearing is usually held in Supreme Court Chambers — a special, more informal setting of the Supreme Court, where the evidence is presented through affidavits, rather than oral testimony of witnesses. The first hearing is sometimes referred to as an application for an *order nisi*, which is the main order in foreclosure proceedings. The first hearing is usually held within three weeks to a month of when the petition was served on the borrowers, and is likely to be over in a matter of minutes unless the foreclosure is contested.

At the first hearing, the lender asks for a number of court orders, including judgment against the borrowers, legal costs, and an order setting the length of time that the borrowers have to come up with enough money to at least pay the arrears. That period of time is called the *redemption period*. Under very historic principles of equity law, as well as under section 16(2)[^4] of the *Law and Equity Act*, that redemption period must be six months unless a shorter or longer period is justified. Increasingly, lenders are applying for and courts are granting shortened redemption periods, particularly in cases where the debtor has little or no equity in the property.

The courts will almost always set a very short redemption period if the debtor has abandoned the property, or the debtor is “wasting” (that is, destroying) the property.

At the end of the redemption period, the lender has a choice of remedies:

- apply to the court to have the title to the property transferred to the lender’s name (called obtaining a “**final order of foreclosure**”), or
- apply to the court to have the property sold (called obtaining “**conduct of sale**”).

Sometimes, before the redemption period expires, a mortgagee or another creditor (for example, a second or subsequent mortgage lender, or creditor with a judgment registered against the title) will ask for “conduct of sale”. In some instances, then, a borrower may find they cannot stay on the property during the full length of the redemption period.

**After the property is sold**

In some foreclosure proceedings a lender who obtains a conduct of sale of the property may sell it (with the court’s approval of the sale) for less than the amount owing to the lender. In this situation, the borrower remains personally liable to pay the lender for the amount still owing. That amount is called the “**deficiency balance**”.

(By contrast, where a lender applies to court for a final order of foreclosure and the title to the property is transferred to the lender, the borrower’s liability is extinguished. That is so even if the lender eventually sells the property for less than it was owed.)
Information gathering

While foreclosure is a legal process, the real factors in any foreclosure are financial, including the value of the property, the amount owed on the mortgage(s) on the property, the presence of any other financial claims against the title (for example, a judgment), and the financial circumstances (both short and long term) of the debtor. To help a borrower who faces foreclosure or has been served with a petition, you must collect and evaluate all of their financial information.

The value of the property can be estimated from the most recent assessment authority notice or civic property tax notice. Alternatively, a real estate agent may be willing to give an estimate, or the borrower can obtain an appraisal from a certified appraiser. The amount owed under the mortgage will be available from the foreclosure petition.

If a foreclosure has not been started, the information can be obtained from the lender. You must have a full picture of the borrower’s finances, particularly the charges that are registered against the title or are relevant to the title (for example, other mortgages, judgments, liens, property taxes, tax levies from the Canada Revenue Agency). Again, at least some of this information can be extracted from the foreclosure petition. Alternatively, start by conducting a title search of the property at the Land Title Office.

Solving the problem

A borrower’s rights and remedies in a foreclosure proceeding can be divided into two categories:

- rights and remedies that relate to redeeming or reinstating the mortgage
- rights and remedies that relate to the foreclosure process itself

Reinstating and redeeming

**Reinstating a mortgage** means bringing it back into good standing by paying all the arrears, as well as the creditor’s legal costs. The arrears are usually calculated to the date of reinstatement, not to the end of the redemption period (*Law and Equity Act*, section 19 [5]). This means, for example, that the creditor cannot claim six months’ interest (that is, interest for the usual full length of the redemption period) if reinstatement is offered after the first month of the redemption period.

If a borrower’s financial problems were temporary and are now resolved, reinstatement may be possible. If a debtor can come up with the full amount needed to reinstate, and it is realistic to expect the borrower to be able to maintain the required payments after reinstatement, a creditor will usually agree to reinstatement. If a creditor does not agree, and if the debtor does have the funds, an application can be made for a court to order reinstatement under section 25 [6] of the *Law and Equity Act*.

Reinstatement is basically relief against the acceleration right that the lender will usually exercise in a foreclosure proceeding. Reinstatement is only available when the term of the mortgage has not expired. For example, if there is a three-year term and default and foreclosure occur in the first year, reinstatement is viable (possible); the reinstated mortgage, if kept up to date, would run for at least two years. If default occurred right at the end of the three-year term, reinstatement is not viable, because once the term of the mortgage has expired, the right to reinstate lapses.

**Redeeming the mortgage** means paying it out. The borrower has to pay the principal amount owed, interest, and legal costs; the borrower also has to pay all property taxes in arrears. In practical terms, the borrower has two sources of funds for redeeming:

- another creditor willing to advance funds, or
- a buyer of the property, where the sale proceeds are used to redeem the mortgage.
The option of redeeming a mortgage again depends on the borrower’s financial circumstances. If the borrower has equity in the property, and if there is little likelihood of reinstatement because the debtor’s long-term financial prospects are poor, it may be advantageous to try to sell. The borrower can try to sell the property during the redemption period, though the ability to sell may be hampered if a creditor has obtained an order for conduct of sale.

**Foreclosure**

Even if redemption or reinstatement is impractical, advocates should ensure that the borrower’s full rights are safeguarded during the foreclosure process. Here are some points to watch for.

**Legal costs**

In general, creditors can only claim a fixed scale of legal costs, under Appendix B, Rule 5, of the Supreme Court Civil Rules [3].

**Venue**

Under section 21 [7] of the Law and Equity Act, if a municipality has a Supreme Court registry, foreclosures should be started in the municipal jurisdiction of the property. Outside municipal boundaries, or where there is no Supreme Court registry in the municipality, foreclosures begin at a registry within the judicial district of the property. This provision attempts to ensure that borrowers have reasonable access to the court process, and ends the practice of lawyers in the Lower Mainland starting actions in Vancouver or New Westminster for properties located in the far reaches of the province.

**Redemption period**

If the lender is asking for a redemption period of less than six months, the lender is obliged to justify the shorter period. You may be able to help borrowers present evidence to court that opposes a creditor’s request for a shortened redemption period.

**Conduct of sale**

During the redemption period, the lender or other creditors may apply for a conduct of sale. Borrowers may be able to oppose an order by showing that there is equity in the property and that they are making reasonable efforts to sell the property themselves. Borrowers may be able to argue that their efforts to sell the property are preferable, since creditors may be inclined to want to sell the property faster, at a lower price, than the borrower would like.

Even where an order for conduct of sale is made, the borrower may be able to oppose the approval of the sale. Court approval must be obtained for any sale — the creditor with a conduct of sale presents a buyer’s offer at a court hearing. The borrower may be able to argue that the offer is not enough, and that more time should be allowed to get a better price.

**Extending the redemption period**

When the lender is asking for a final order of foreclosure, the borrower may be able to argue that the redemption period should be extended. The borrower needs to show that there is reasonable equity in the property to protect the lender for the full amount owed, and the borrower needs to show that there is a reasonable likelihood of sale or redemption within the additional time. In residential foreclosures, borrowers may be given between one and three months; in foreclosures of farm property, sometimes the courts have given longer extensions.
Facilitating the borrower in moving from the property

Where no other remedy is available, and where the borrower must finally leave the property because it has been sold under a conduct of sale order or because the lender has obtained a final order of foreclosure, you may still be able to help the borrower move from the property.

Both orders stipulate a date when the debtor has to give vacant possession. With final orders of foreclosure in particular, there is usually some small negotiability in the date when the borrowers must move. This is because the cost and upset factor in a forced removal can be high for both the lender and the borrower. For example, if a final order requires vacant possession during the middle of a month, a lender may agree to allow possession until the end of the month, while the borrower arranges other accommodation. In these circumstances, you must give the lender reasonable assurances that the borrower will move on the agreed date and that the property will not be allowed to deteriorate in the meantime.

Financial solutions after sale of the property

Where there is a forced sale of the property, the borrower may come out of the foreclosure process still owing a considerable amount of money to the creditor with conduct of sale. (By contrast, where there is a final order of foreclosure and title is transferred to the lender, the borrower's liability is extinguished.) The borrower may also owe considerable amounts to other creditors with mortgages or judgments registered against the property. There may have been claims against the property in excess of the selling price of the property. If creditors' claims are not satisfied through the foreclosure, creditors can continue to claim any balance due. Clients may be under the impression that since they have lost their house, all the creditors' claims are extinguished — this is not the case.

Having seen the borrower through the foreclosure, it may be necessary to look to other remedies, including either a proposal or an assignment in bankruptcy under the Bankruptcy and Insolvency Act [8], or some form of negotiated settlement with the creditors.

Related topics and materials

See other sections on mortgages and secured loans:
- Prepayment Rights
- Security Agreements

See related topics:
- Assignments in Bankruptcy
- Consumer and Ordinary Proposals
- Enforcing Judgments Against Land
- Interest and the Cost of Borrowing Money

See also People's Law School pages on mortgages and foreclosure [9], MyLawBC's pathway on foreclosure [10], and the Canadian Centre for Elder Law's "Reverse Mortgages [11]."
Prepayment Rights

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

Prepayment rights enable a borrower to pay off or pay down a debt earlier than when periodic payments are due.

Client problems

• Client wants to pay off a mortgage and wants to know if they can do this and how much has to be paid.
• Client wants to pay off a consumer loan or a credit card account and wants to know if they can do this and how much has to be paid.

Summary of the law

In common law, parties can set out a variety of terms in a credit agreement. One important term is whether the borrower is allowed to pay off or pay down the obligation earlier than when the periodic payments (for example, the monthly payments) are due. This is called the right of prepayment.

The advantage to the borrower in prepaying is that the amount of interest paid to the lender is smaller. This may be particularly important for two reasons:

• When interest rates are relatively high, the borrower usually wants to pay off an obligation as fast as possible.
• If interest rates drop during the term of the credit agreement, the borrower may be able to borrow elsewhere at a lower interest rate and pay off the old obligation. Or the borrower may seek to renegotiate a lower interest rate with the existing lender.

In general, the common-law principle says there is no right of prepayment of a credit agreement unless there is a specific term in the agreement saying the borrower can do this. The borrower is obliged to pay principal and interest each month until the end of the agreement. While the parties could renegotiate the agreement to allow for prepayment, the borrower...
Prepayment Rights

could not force the creditor to accept other than what is called for in the credit agreement: full principal and all the interest payable over the full term of the agreement.

Statutory provisions now govern non-mortgage prepayment rights, making common-law principles irrelevant to non-mortgage credit agreements. Common-law principles still apply to mortgages, however.

Non-mortgage credit agreements

Prepayment rights for consumer loans and consumer credit card accounts are governed by section 74[1] of the Business Practices and Consumer Protection Act and Regulations. (In addition, certain aspects of prepayment for bank loans are covered in the federal Bank Act[2] and Regulations.)

Prepayment rights are rights for individual consumers only, not incorporated companies. The rights do not apply to individuals who enter into credit arrangements for business purposes. They do apply where there is a security agreement in addition to the borrower’s promise to pay.

There are two important aspects to section 74[1] of the Business Practices and Consumer Protection Act. The first is that consumers are given a statutory right to prepay any credit agreement to which the Act applies, except mortgages on land. Consumers can prepay some or all of a credit agreement. Under section 3[3] of the Act, this statutory right to prepay cannot be waived by a borrower — it is a right, no matter what the credit contract says about prepayment. The creditor cannot charge for prepayment, whether full or partial.

The second important aspect to section 74 is that it regulates how much of the non-interest finance charges the creditor can require as part of accepting a prepayment. For full prepayment, the creditor must refund the prescribed portion of any non-interest finance charges paid by the borrower or added to the outstanding balance.

For partial repayments, the borrower is not entitled to a refund or credit of any non-interest finance charges.

Mortgages

Most consumers have some idea of the terms "open" and "closed" mortgages. These descriptions refer to the common-law rights of prepayment, which the parties agree to in the mortgage agreement. Open mortgages allow prepayment; closed mortgages do not allow prepayment. In addition, consumers can negotiate some mortgages that allow limited rights of prepayment (for example, the borrower can prepay a percentage of the outstanding principal once each year, or elect to double the amount of the periodic payments).

The important advantage of an open mortgage to the borrower is the flexibility to prepay or renegotiate the mortgage if interest rates drop. For this reason, lenders usually charge a slightly higher rate for open mortgages than for closed mortgages over a comparable term.

Prepayment rights for mortgages on land are governed by section 10[4] of the Interest Act (Canada). Under that section, consumers have more limited rights of prepayment than for non-mortgage agreements governed by the Business Practices and Consumer Protection Act[5]. Basically, there is no statutory right of prepayment where the term of the mortgage is five years or less. For example, a borrower does not have a statutory right to prepay a closed mortgage with a three-year term. If the borrower wants to pay out the mortgage, they must negotiate with the lender. In general, lenders are unwilling to allow a mortgage prepayment without at least some additional interest being paid if current interest rates are lower than the rate agreed to in the mortgage. The lender may well insist that all the interest over the term of the mortgage be paid. This makes prepayment expensive and uneconomic, particularly in the early part of the term of the mortgage.

Where the term of the mortgage is for more than five years, the borrower effectively does have a right of prepayment. Section 10 of the Interest Act says that if a creditor refuses a prepayment offer, the borrower is not obliged to pay any
Prepayment Rights

Further interest. There are two important qualifications to this prepayment right:

- the prepayment can only be made after the first five years of the mortgage, and
- the borrower has to pay three months' worth of interest in addition to the principal amount.

Information gathering
Gather and confirm all information about the loan and credit agreement or contract.

Solving the problem
Your main concern when dealing with prepayment rights is probably ensuring that the amount to be paid out is correct. If there is any concern about the calculation of the balance due, it may be wise to ask a professional, such as an accountant or an actuary (or perhaps a credit union manager), for a second opinion.

Related topics and materials
See other sections on mortgages and secured loans:
- Mortgages and Foreclosures
- Security Agreements

See related topics:
- Contracts Overview
- Interest and the Cost of Borrowing Money

References
[2] http://canlii.ca/t/7vqm
Security Agreements

A security agreement documents an intention to grant another party a security interest in personal property to make sure a loan is paid back or a promise is kept.

Client problems

- Client wants to know what a car dealer means when the dealer says it will take a “lien” over a car as part of a financing arrangement.
- Client is buying a used car and wants to be sure that there are no “liens” against the car.
- Client wants to know the difference between a sales agreement and a lease agreement for a car.
- Client is behind in car payments and wants to know their rights because the lender is threatening to repossess the car.
- Client’s car was repossessed because of missed payments and the client wants to know if anything can be done about it.

Summary of the law

When a buyer does not have the money to pay for goods at the time of purchase, there are two ways the sale can be financed:

- **The seller extends credit to the buyer:** This means that the seller and buyer agree that the buyer will pay for the goods over a period of time.
- **The buyer borrows money to pay for the goods:** The buyer may borrow from a lender such as a bank or credit union.

When a buyer borrows money from a lender, that lender wants to ensure that the full amount is repaid and may want more protection than just the buyer’s promise. Similarly, a seller who extends credit as part of a sale is concerned about eventually being paid in full for the goods.

In the nineteenth century, sellers who extended credit as part of a sale and lenders such as banks began to develop special contractual terms to ensure repayment. Those terms were part of the sale or lending contract. Generally, those terms said that the lender or seller had a direct remedy against specific property of the borrower if the borrower defaulted in payment. Sellers could take back the goods and sell them again. Lenders could take the goods and sell them to get their money.

When lenders and sellers (called “creditors”) got those rights against the borrower’s property, it was known as “getting security”. This term is still in use, although sometimes consumers use other language. For example, people talk of a lender taking collateral over property or a seller getting a lien over property. The actual legal meaning of these terms is not always the same. In many instances, these terms are very simple expressions for complex and very different legal
arrangements. The term “getting security” is used here to mean the situations in which creditors get rights over a debtor’s personal property.

A creditor who gets security gets special legal advantages. The main advantage arises if the borrower defaults. Creditors who do not have security over a borrower’s property and who want to enforce payment must first sue the borrower and get a judgment. If they get a judgment, they can try to have the borrower’s property seized by a court bailiff. The court bailiff sells the property and gives the money to the creditor.

Security agreements allow the creditor to take the borrower’s property immediately upon default. The secured creditor does not have to sue the borrower first and wait to get a judgment before exercising its rights to take the property of the borrower. In practical terms, security agreements are often important because they allow a creditor first claim to the property of the borrower before creditors who do not have security.

Historically, the two most common forms of security agreements developed for consumer transactions were called “chattel mortgages” and “conditional sales agreements”. Typically, chattel mortgages are security that a lender takes, while sellers extend credit and obtain security through conditional sales agreements.

These types of arrangements facilitated sales and the extension of credit. In law, these arrangements allowed the lender or seller to have a “title” interest in the goods, and at the same time allowed the borrower a “possessory” interest. This possessory interest allowed the borrower to keep and use the goods as long as payments were not in default.

Problems arose with these arrangements when other parties became involved with the secured property. For example, sometimes a borrower sold the secured goods to another person without saying anything about the security agreement. In the early twentieth century, many Canadian provinces, including BC, passed laws to address the unfairness that often arose as a result of this legal principle. The basic idea of the laws was to ensure that sellers, lenders and all borrowers knew when goods were subject to a security agreement. The legislatures did this by setting up government registries to record security agreements such as chattel mortgages and conditional sales agreements. In BC, the registry used to be called the Central Registry. It is now called the Personal Property Registry [1] (see below).

The laws required lenders and sellers to register their security agreements. Registration became important because if an agreement was not registered, anyone who bought the secured goods from the borrower and who had no personal knowledge of the security agreement got to keep the goods. In effect, sellers or lenders lost their title rights, including the right to take the goods if the subsequent purchaser defaulted on payment. However, sellers or lenders still had these rights against the original borrower. If that person were in default and still had the goods, the creditor could still take the goods.

The registration system also gave creditors and consumers some protection by allowing either of them to check with the registry to find out if goods were already subject to a security agreement.

**The Personal Property Security Act**

In the past few decades, many provinces have replaced their various security agreement laws with one comprehensive law. The BC law is called the *Personal Property Security Act* [2]. It came into force on October 1, 1990.

This Act governs almost all personal property security transactions between creditors and individual consumers, and between creditors and businesses (section 2 [3]). It does not govern situations where the security is land (usually known legally as “real property”) or where the security agreement is governed by federal law (section 4 [4]). It is clear that security agreements (including those entered into by consumers), which would have been considered chattel mortgages or conditional sales agreements, are governed by the *Personal Property Security Act*. In addition, some consumer-type transactions (such as leases of personal property for longer than one year) are now governed by the Act (section 3 [5]).
There is a great deal of legal terminology in the *Personal Property Security Act*, and the Act defines many of these terms (section 1 [6]). The borrower is called a "debtor". A creditor with security is called a "secured party". The contract for security between the debtor and the secured party is called a "security agreement". The property to which a debtor and a secured party make a security agreement is "collateral".

The definition for "consumer goods" is very important. Consumer goods are defined in the *Personal Property Security Act* as "goods that are used or acquired for use primarily for personal, family or household purposes" (section 1 [6]). This definition was new with the Act. The language of the previous statutes made it possible, in some instances, for unincorporated businesses (that is, proprietorships and partnerships) to have consumer-rights protections. The definition of consumer goods in the Act appears to have eliminated this possibility. Now only individuals using collateral for personal purposes as defined in the Act have those rights.

Like the security agreement laws it replaced, the *Personal Property Security Act* governs how a creditor acquires security rights over a debtor’s property and how those rights can be enforced if there is default. The Act also details how priority rights are decided when more than one secured party claims a security interest in a debtor’s property.

### Creating security interests

Section 19 [7] is a key section in the *Personal Property Security Act*. It says that a security interest is "perfected" when it has "attached" to the property, and when "all steps required for perfection" under the Act have been completed. Perfection gives the secured party certain rights and remedies under the Act. Those statutory rights and remedies mean that the distinctions between title and possessory interests are not as important as under the old laws. It is important for creditors to ensure that they comply with the requirements of the PPSA to gain the statutory rights of a secured party.

"Attachment" (explained in section 12 [8]) is a technical concept under the *Personal Property Security Act*. At its simplest, it means that the secured party and the debtor enter into a written agreement. In most consumer transactions involving taking security, attachment requirements are met by written agreement with legal consideration (section 10 [9]). The specific term for consideration used in the Act is "value".

The "steps required for perfection" under the *Personal Property Security Act* include registration. The secured party registers a document called a "financing statement" with the Personal Property Registry [1]. The financing statement is a one-page form prescribed by government regulation. The essential terms of the agreement must be set out in the financing statement, which includes a description both of the parties and of the property over which security has been taken.

If anyone with a legitimate interest (such as another creditor) wants more detail about the full terms of a security agreement, the *Personal Property Security Act* gives that party a right to demand details of the particular security agreement from the secured party (section 18 [10]).

### Priority of security interests

Setting priorities for competing security interests is an important, and complicated, part of the *Personal Property Security Act* [2]. The following is a simple example of a priority issue, written using the terminology of the Act:

"Bank A and Bank B take security over the same collateral, a truck, from a debtor company called Mike’s Movers Ltd. Both banks have perfected their security by properly registering a financing statement. Mike’s Movers Ltd. defaults on both payment obligations. Who gets priority in taking the truck?"

The answer is fairly predictable: the secured party that was first to "perfect" takes priority. Assume Bank A was the first. It gets to have the full amount of its obligation paid before Bank B gets anything — there is no pro rata sharing. It is important to remember that secured parties generally take priority over any unsecured creditor. A creditor who has a
judgment and who wants the court bailiff to seize the truck to pay a judgment only gets paid after both banks are paid in full.

The issue of priorities becomes complicated, in part because the Personal Property Security Act makes rules for a wide range of priority situations that can arise between secured parties, particularly in business transactions. The Act also creates several exceptions to these basic priority rules. The most relevant exception to consumer transactions is the “PMSI”. PMSI stands for "purchase money security interest"; the term is usually known by its acronym (pronounced "pim-zee").

Here is an example of when a PMSI might be relevant:

"Bank C takes a security interest over all chattels (personal, moveable possessions) that a consumer owns now and might acquire in the future. (The Personal Property Security Act allows this type of agreement.) If the consumer owns household furnishings and one car now, and later buys a second car using cash, the second car becomes collateral under the Bank C security agreement. But, consider if the consumer only owned household furnishings when the security agreement with the bank was made. Suppose later the consumer wants to buy a car and does not have the cash to buy it. If a car dealership sells the consumer a car on credit, it will probably want security. (Or, if another creditor — such as a bank — gives the consumer a loan to buy the car, it too will probably want security.) When the car dealership searches the Personal Property Registry, it finds that Bank C has a security agreement that says it can claim collateral over the car that the consumer is about to buy."

This situation is governed by the PMSI exception. The Personal Property Security Act says that, among other situations, where credit is extended to a debtor so that the debtor can buy specific collateral (such as the car), the creditor who is extending the credit can take a security agreement, and, when it is perfected (completed), that security agreement takes priority over an agreement already perfected, even though it has terms broad enough to include the specific property that the debtor is now buying. The example illustrates the fairness of the PMSI exception to the basic rule of priority by time of perfection. The car dealership is advancing credit to facilitate a specific purchase. It probably would not extend credit for the car knowing that Bank C has a priority right to take the car upon default under the bank's agreement.

**Default rights in consumer transactions**

The Personal Property Security Act [2] creates special rights where the collateral meets the definition of "consumer goods". These are "goods that are used or acquired for use primarily for personal, family or household purposes" (section 1 [6]). These special rights apply to "security leases" of consumer goods, but not to "true leases"; for more on this distinction, see the Leases section.

The following are some examples of how the consumer goods protections apply under the Personal Property Security Act. In general, these rights cannot be waived by a debtor. In each example, assume that the security agreement was perfected, and that there are no competing secured parties (that is, there is no priority issue).

**The seize or sue rule**

In general, the seize or sue provisions in section 67 [11] of the Personal Property Security Act for consumer goods mean the secured party has the option of taking the collateral and selling it, or suing the debtor for the whole amount owing. The Act says, essentially, that a secured party can take the collateral regardless of the debtor's wishes. However, if the debtor wants to give up the property, but the secured party does not want to take it back, the secured party cannot be forced to take it back. The secured party must agree. If the secured party does agree to take it back, the Act calls this a "surrender", and the seize or sue rules apply as if the creditor had taken the goods when the debtor did not want to give them up. In short, the secured party must accept a surrender — a debtor cannot simply drop the collateral at the creditor’s
front door and automatically expect to get out of the whole contract.

The two-thirds rule
Section 58(3) \[12\] of the Personal Property Security Act says that a secured party cannot repossess consumer goods where at least two-thirds of the total amount secured has been paid unless it can get a court order to do so under section 58(4). The Act says the court can consider factors such as the present value of the goods, the reason for default, and the future circumstances of the parties (section 58(5)). One potentially important fact about the future circumstances of the debtor is whether the debtor will be able to make any payment in the foreseeable future. For example, if a debtor was temporarily laid off from work but expecting to be back within a few months, the court might be more inclined to refuse the creditor’s request for seizure.

The right to reinstate
Where consumer goods have been seized, the debtor is entitled to get the goods back by making up the arrears payments and paying the reasonable expenses incurred by the creditor in seizing the goods (section 62(1) \[13\]). Section 59(6) \[14\] of the Personal Property Security Act also says that the creditor must give the debtor 20 days’ written notice of an intention to sell the goods, and the notice must contain a statement of how much must be paid (that is, the arrears payments and the secured party’s expenses) to reinstate the payments.

An important legal protection (part of the right to reinstate when the collateral is consumer goods) is that the secured party cannot insist on being paid the full amount owing under the agreement rather than just the arrears. The right to demand and sue for the full amount under a credit agreement when the debtor is in default of one or more payments is a standard term in most credit agreements. The Personal Property Security Act says, in effect, that a secured party cannot insist on the contractual right of acceleration against seized collateral when the default is for consumer goods.

Relevance of the PPSA to the Bankruptcy and Insolvency Act
Creditors who have security rights under the Personal Property Security Act \[2\] also have special rights under the Bankruptcy and Insolvency Act \[15\] (see the sections on Bailiffs, Court Bailiffs and Sheriffs and Assignments in Bankruptcy). In very general terms, creditors with properly registered security agreements can take themselves outside most of the effects of the Bankruptcy and Insolvency Act, including:

- where there is an assignment in bankruptcy, and
- when the debtor has made a consumer proposal.

With some limitations, secured creditors can choose to be included in or excluded from the assignment or proposal — whichever is to their advantage. In most instances, the secured creditor’s decision is based on financial considerations.

In many consumer assignments in bankruptcy, secured creditors choose to be excluded from the assignment because the return to creditors in most consumer bankruptcies is minimal. The creditor is usually able to recover more by choosing to repossess and sell the security, and, under the provisions of the Bankruptcy and Insolvency Act, the debtor’s exemption claim does not cover secured goods. This means that any goods covered by the security agreement can be repossessed.

In practice, the debtor can only avoid the repossession by entering into a new agreement with the creditor to “buy” the secured goods at their resale value.
Information gathering

Most client problems with secured goods involve the remedies of a creditor when the debtor has defaulted in payments under the security agreement. Be sure to get a copy of the security agreement from the client. (Note that security agreements — as distinguished from financing statements — are not filed in the Personal Property Registry, and copies are only available from the client or the creditor.)

Make sure you have the correct details about the client’s history of payment, including how much was borrowed, when payments were made, and when there were defaults (if any). Satisfy yourself that the amount claimed by the creditor is correct.

Assess the entire circumstances of the debtor. If there are other creditors, you may have to recommend a remedy that includes those creditors as well as the secured creditor. Assess whether the financial difficulties of the client are long term or short term, as this affects the type of approach to take with the secured creditor.

Solving the problem

Assuming the client's only problem is with payments to the security agreement creditor, and assuming there has been default (and perhaps repossession), the approach to solving the client’s problem centres on the prospects of the client repaying the security agreement. If the client has some prospect for repayment, you may decide to ask the creditor for reinstatement of the agreement and the return of any repossessed goods. If the client has the financial ability to reinstate and the creditor refuses to agree to it, consider a court action for an order for reinstatement.

If the client is temporarily unable to pay but has future prospects for repayment, approach the creditor for an agreement to suspend enforcement for the short term. It may help if the client can at least make some small payment in the interim. A creditor may agree to renegotiate the agreement, taking smaller payments for the balance of the credit agreement.

If the client’s problems are more serious, either because there are other creditors to consider or because the client has a longer-term diminished ability to pay, you may need to review other remedies, such as those available under the bankruptcy legislation.

Finally, there may be some advantages for the client if they agree to surrender a security, such as a car. If there is a significant amount owing above the value of the security, and if there is an obvious inability to pay over the long term, it may be better for the client to give up the security. Use the seize or sue provisions to protect the client from any claim for a deficiency balance when the car is sold.

Related topics and materials

See other sections on mortgages and secured loans:

- Mortgages and Foreclosures
- Prepayment Rights

See related topics:

- Assignments in Bankruptcy
- Bailiffs, Court Bailiffs and Sheriffs
- Consumer and Ordinary Proposals
- Enforcing Judgments Against Chattels
- Leases
- Types of Lenders and Creditors

See also “Consumer Protection”, a chapter in the manual used by the UBC Law Students’ Legal Advice Program.
References

[1] https://www2.gov.bc.ca/gov/content/employment-business/business/managing-a-business/permits-licences/bc-registry-services-personal-property-registry
[15] http://canlii.ca/t/7vcz
[16] https://www.clicklaw.bc.ca/resource/1725
The law protects debtors from harassment by creditors and other debt collectors.

### Client problems
- Client says a creditor is unfairly trying to collect when the client has no money to pay a claim.
- Client says a creditor is persisting in contacting them even though the client disputes the debt.

### Summary of the law

When a debtor refuses, or is unwilling, to pay a creditor's claim, it is very likely that there will be friction between the two parties. Creditors are indignant that the debtor is not paying, while the debtor is indignant that the creditor is unfairly pressing for payment. Communication often breaks down, leading to pressure from the creditor, which the debtor feels is unreasonable.

### Tort actions

There are various provisions in the common law, as well as federal and provincial legislation, limiting or providing remedies against harassment. Tort actions (brought by a private citizen) against creditors in common law are possible, but unlikely. There is no specific cause of action for "harassment" or "invasion of privacy" in Canada. A debtor might have a tort claim of nuisance against a creditor if a creditor's collection tactics are extreme (for example, persistent, abusive phone calls). Some case law suggests that intentional mental harm may also be a tort. Naturally, if a creditor assaults a debtor during collection efforts, the debtor has a tort claim. Consult a lawyer if your client is considering bringing a common-law tort action against a creditor.
Protections under legislation

The Business Practices and Consumer Protection Act \(^1\), in Division 1 of Part 7, sets out prohibited collection practices.

These prohibitions apply both to the original creditor and to any assignee, such as a collection agency. The term “collector” in this section applies to both.

Harassment is prohibited

Section 114 \(^2\) of the Act prohibits communication or attempted communication with the following people in a manner or with a frequency that constitutes harassment:

- a debtor
- a member of the debtor’s family or household
- a relative, neighbour, friend or acquaintance of the debtor
- the debtor’s employer

Behaviour that constitutes harassment includes:

- using threatening, profane, intimidating or coercive language
- exerting undue, excessive or unreasonable pressure
- publishing or threatening to publish a debtor’s failure to pay

Further restrictions on communication with a debtor

The Business Practices and Consumer Protection Act \(^3\) restricts how, where and when a collector may communicate with a debtor in attempting to collect a debt. A collector, other than a creditor attempting to collect its own debt, must give the debtor written notice of the name of the creditor, the amount of the debt, and the identity and authority of the collector at least five days before initiating verbal contact with the debtor. (There is one exception to this restriction. A collector may phone the debtor to ask for or confirm their home address or email address, in order to send them the required written notice.)

A collector may only verbally contact a debtor at work once, and only in limited circumstances. A collector may only contact a debtor’s employer for the purpose of confirming a debtor’s employment or with the authorization of the debtor.

A collector may not continue to verbally contact a debtor if the debtor has requested that the creditor contact the debtor in writing only.

A collector may not continue to communicate directly with the debtor if the debtor has directed that all communication be with the debtor’s lawyer, or if the debtor has notified the collector and the creditor that they dispute the debt and want the matter taken to court.

A collector must not communicate by phone or in person with the debtor, a member of the debtor’s household, or a relative, neighbour, friend or employer of the debtor:

- on a statutory holiday
- on a Sunday except between 1:00 pm and 5:00 pm
- any other day except between 7:00 am and 9:00 pm
Further restrictions on collectors

Section 120 [4] of the Business Practices and Consumer Protection Act expressly prohibits a collector from collecting more than the debtor owes or from someone who is not liable for the debt. In addition to these rules specifically for debt collectors, section 124 [5] of the Act says that collectors cannot use practices that are prohibited by any other part of the Act or its regulations.

Consumer Protection BC publishes information in the "Debt Collection" section [6] of its website further explaining what collectors can't do. For example, a debt collector:

- must not publish or threaten to publish details of the debt except to a credit reporting agency
- must not use threatening, profane or intimidating language
- must not threaten to sue the debtor unless they are actually taking legal action

Legal action against collectors

Section 171 [7] of the Business Practices and Consumer Protection Act allows a person who has suffered damage to bring an action against a collector who has contravened the Act or regulations. Actions under section 171 can be brought in Small Claims Court. In Total Credit Recovery v. Roach [8], a debtor was awarded $2,000 compensation for harassing communications by a collection agency. Also of note is a case decided under earlier legislation, Toban v. Total Credit Recovery [9], in which a total of $10,000 in damages was awarded to the claimant for serious harassment, which included abusive calls to his landlord, employer and family members from whom the collector demanded immediate payment.

In extreme situations, the Criminal Code [10] may apply. Specific threats to harm a debtor, as well as repeated visits to a debtor's residence are prohibited under the Criminal Code.

Information gathering

When assisting a debtor with a harassment allegation, gather and confirm all information on the financial circumstances of the client, including income and expenses, assets and debts, and future prospects for changes in income. For the specific creditor involved, confirm basic details such as name and address.

Obtain sufficient detail to assess the debtor's liability and the amount the creditor claims is owed. Consider, for example, if the debtor has a defence to the claim if they were sued for the debt (see the sections on Contract Defences and the Debtor's Options for Getting Out of Debt).

It may be useful to have the debtor prepare a written account (with details of the number of times and content) of any contact the creditor has made. You could advise the debtor to keep a record of future unwanted contact as well, though reasonably quick action to solve the problem may ensure an end to such contact.

Solving the problem

There are several aspects to resolving a debtor's allegation of harassment.

Stop the harassment

The immediate concern will probably be putting a stop to the harassment. Even where a debtor is clearly liable on a debt, the law does not allow any creditor to pressure a debtor unreasonably. Consumer Protection's website at contains useful template letters [6] that can be used, for example, to request that a collector only communicate in writing, or to dispute the debtor's liability for an alleged debt.
It may be difficult for the debtor to act on their own if the debtor has been harassed. Intervention by an advocate or lawyer may be more effective. Consider hand delivering or sending a registered letter to the creditor outlining the debtor’s circumstances, along with a proposal for resolving the claim. Make it clear if the claim is being denied (in whole or in part), and make it clear, in any event, that the debtor does not want further direct contact. Consider advising any collection agent that if there is further direct contact, the debtor will consider taking legal action.

As an alternative, the debtor might contact Consumer Protection BC[^11] for help, letting the creditor know that such a complaint has been made. This contact is usually enough to stop the pressure. It may also be in the public interest to make such a complaint, as Consumer Protection BC may revoke the licence of a collection agent against whom there are a number of complaints.

**Look for financial solutions**

The broader concern may be the overall financial picture of the debtor. Consider, as always, if there are other creditors that ought to be dealt with at the same time. Consider the short-term and long-term financial circumstances of the debtor, and what remedies are most appropriate.

**Consider legal action**

If the conduct of the creditor has been particularly persistent, the debtor may wish to take legal action. There are a range of causes of action that can be brought, as described above. Such actions usually require legal advice. Regardless of the degree of persistence, consider carefully with the debtor if they wish to undertake such litigation. Often, debtors are relieved that the financial problems are resolved and have little desire to seek further redress.

In extreme circumstances, the conduct of the creditor might be brought to the attention of the local Crown Counsel for prosecution. Prosecutions under collection agent statutes are rare, but in the Saskatchewan case of *R. v. Ens*[^12], a debt collector was convicted of harassment after making six aggressive phone calls to a debtor over a two-day period.

Be careful not to violate the spirit of the Law Society of BC’s *Code of Professional Conduct for British Columbia*[^13], Rule 3.2-5. This rule prohibits making a threat to report criminal conduct in order to obtain a civil advantage. For example, it would be improper to demand damages (financial compensation) from the creditor in exchange for not reporting the creditor’s conduct to Crown Counsel.

**Related topics and materials**

See the other sections on dealing with debt:

- Collection Agents
- Garnishment and Set-offs
- Bailiffs and Sheriffs

See related topics:

- Contract Defences
- Debtor’s Options for Getting Out of Debt
- Tort Actions

See also People’s Law School’s page on dealing with debt collectors[^14].
References

[1] http://canlii.ca/t/84mr
[8] http://canlii.ca/t/1r?pw
[9] http://canlii.ca/t/1ndh1
[10] http://canlii.ca/t/7vf2
[12] http://canlii.ca/t/g8q91

Collection Agents

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

Collection agents are individuals or businesses that collect debts for other parties. They have no special legal powers to collect from a debtor, but their aggressive tactics can make them difficult to deal with.

Client problems

• A collection agent is trying to collect on a bill that the client says is not owed.
• A collection agent is harassing the client by making repeated telephone calls to them at home and work.
• A collection agent is threatening legal action against the client.

Summary of the law

Collection agents are in the business of collecting debts for other parties. They have a reputation for being the most aggressive people in the credit industry. This reputation comes from their tactics.

In general, creditors use collection agents:

• when the amount due does not justify the cost of using lawyers to collect,
• when the creditor has exhausted its own collection efforts, or
• when maintaining goodwill with the client is not a factor.

Collection agents usually take over a creditor’s claim by way of assignment. This means the creditor “sells” the claim to the agent. The claim is usually assigned in exchange for a promise that the agent will pay the creditor a certain percentage of any amount collected.
Collection agents will try to collect through direct contact with a debtor (often by phone), but rarely through the court process. Section 121[1] of the Business Practices and Consumer Protection Act prohibits a collection agent from bringing a legal proceeding as a plaintiff against a debtor without giving the debtor notice of the assignment of the debt by the creditor to the collection agent, or without giving notice that the collection agent intends to bring the proceeding.

Collection agents must be licensed under the Business Practices and Consumer Protection Act. Consumer Protection BC[2] is responsible for issuing, cancelling and suspending licences. A collection agent has a right to appeal such a decision to the courts.

Consumer Protection BC regulates the collection notices used by collection agents. The Business Practices and Consumer Protection Act defines collectors as employees of a collection agent, and makes the collection agent liable for any damage done by any collector (see the section on Bailiffs, Court Bailiffs and Sheriffs). By regulation, the licensing provisions do not apply to lawyers, employees of banks, trust companies or credit unions, or sheriffs and court bailiffs.

**Information gathering**

When assisting a debtor with a claim by a collection agent, gather and confirm all information on the financial circumstances of the client, including income and expenses, assets and debts, and future prospects for changes in income. For a specific debt, confirm the details of the collection agency and the creditor who assigned the debt to the agency.

Information gathering should include obtaining sufficient details to make an assessment of the debtor’s liability and the amount owed. Consider, for example, if the debtor might have a defence to the claim if the matter were brought to court by the collection agent.

It may be useful to have the debtor prepare a written account of the number and content of the contacts the collection agent has made. Advise the debtor to keep a record of future unwanted contacts by the collection agent, though reasonably quick action to solve the problem may ensure an end to such contacts.

In general, carefully review the entire financial circumstances of the debtor — the fact that the client is having problems with a collection agent may well mean they are facing financial difficulties with other creditors as well.

**Solving the problem**

There are several aspects to resolving a debtor’s problem with a collection agent. The immediate concern will probably be putting a stop to unwanted contacts by the agent. Even where a debtor is clearly liable on a debt, the law does not allow any creditor, including collection agents, to pressure a debtor unreasonably (see the section on Harassment by Debt Collectors).

It may be difficult for the debtor to act on their own under these circumstances. Intervention by an advocate or lawyer may be more effective. Consider hand delivering a letter or sending a registered letter to the collection agent outlining the debtor’s circumstances along with a proposal for resolving the claim. Make it clear if the claim is being denied (in whole or in part). It is unlawful for a collection agent to continue to try to collect a debt if the debtor has notified the collection agent and the creditor that the debt is disputed and the debtor wants the creditor to take the matter to court (see section 116(4)(c)[3] of the Business Practices and Consumer Protection Act). You must make it clear that the debtor does not want further direct contact.

In the past, the government directed that collection agents must not try to collect from debtors who are currently on welfare. A quick and effective way of stopping agencies from repeatedly contacting such clients can be to contact the collector in writing and inform them of the client’s status (perhaps enclosing a copy of a cheque stub), asserting that the client has the right under the Business Practices and Consumer Protection Act, section 116[3], not to be contacted,
except in writing, and advising the collector that a complaint will be made to Consumer Protection BC if there are further unnecessary contacts. The advocate should propose that the client will update the collector about their financial circumstances at reasonable intervals (for example, every three months).

If a collector continues to phone a debtor after the debtor has requested to be contacted in writing only, the debtor might contact Consumer Protection BC for help, letting the collection agent know that such a complaint has been made. This is usually enough to stop the pressure. It may also be in the public interest to make such a complaint, as Consumer Protection BC may take steps to revoke the licence of a collection agent if there are a number of complaints.

A broader concern in these cases is the overall financial picture of the debtor. Consider if there are other creditors who ought to be dealt with at the same time. Consider the short-term and long-term financial circumstances of the debtor and what remedies are most appropriate.

If the collection agent has been particularly persistent, the debtor may wish to take legal action. There are a range of causes of action that might be brought. Such actions usually require legal advice. Regardless of the degree of persistence, consider carefully with the debtor if they wish to undertake such litigation. Often, debtors are relieved just to resolve the financial problems and have little desire to seek further redress.

Related topics and materials

See the other sections on dealing with debt:

- Harassment by Debt Collectors
- Garnishment and Set-offs
- Bailiffs, Court Bailiffs and Sheriffs

See related topics:

- Types of Lenders and Creditors

See also People's Law School's page on dealing with debt collectors [4].

References

Garnishment & Set-offs

When a debtor doesn’t pay a debt, a creditor may try to access money owed to the debtor by someone else. The creditor can do this through a process called garnishment. Alternatively, a creditor may seek to set-off the debt against other money of the debtor.

Client problems

• Creditor has threatened to garnish the client's wages or bank account.
• Creditor has taken steps to garnish the client’s wages or bank account.

Summary of the law

Garnishment is a statutory remedy governed by part 1 of the Court Order Enforcement Act [1]. It allows a creditor to seek a court order to access money owed to a debtor by someone else (that is, a third party). The most common money “attached” (redirected to a creditor) are wages and bank accounts. For example, suppose an employer (the third party) owes wages to an employee (the debtor). The creditor may be able to garnish a portion of the wages for payment on the debt. When a debtor has money in a bank account, the money in the bank is considered a debt owed to the debtor. The creditor may be able to garnish the bank account for payment on the debt.

Joint debts cannot be garnished unless all the persons to whom the debt is owed are also judgment debtors (a person who has been found in a court judgment to owe money to another party, called the judgment creditor). For example, a joint bank account may be garnished only if all the account holders are also judgment debtors.

Set-off is a remedy that is similar to garnishment but does not require a court order. It is often used by banks when a client has savings on deposit with the bank while having an overdue loan with the same bank (but not necessarily the same branch). In such cases, the bank may be able to set-off the amount of the overdue loan against the amount in the savings account. For example, if the client has an overdue credit card account of $7,000, but also has $5,000 in a savings account, the bank may apply the funds in the savings account toward the credit card debt, thus reducing the savings account to zero, and reducing the overdue credit card account to $2,000. Many credit card and loan contracts have terms allowing banks to use set-off.
Exempt income

Some private pension benefits and many types of government income benefits, such as welfare payments, are exempt from being seized by creditors. (For example, see section 29 of the Employment and Assistance Act.) This means that a creditor cannot use a garnishing order to make the government or pension plan administrator pay the benefits, or any portion of them, to the creditor. Also, there is some case law indicating that such benefits may be exempt from garnishment or set-off even after they have been deposited in a bank account, especially if the purpose of the account is to receive the benefit. (See Metropolitan Toronto (Municipality) v. O’Brien and McIntosh v. Laronde.) However, this area of the law is not fully developed. Government can give itself a statutory right to set-off payment of some government benefits against debts owed to the government — one example being that the Canada Revenue Agency can take at least a portion of a person’s Canada Pension Plan benefits in payment of arrears of taxes.

Garnishing orders against bank accounts

To get a garnishing order against a bank account, a creditor must start a legal action in either Small Claims Court or Supreme Court (see the section on Court Processes in Consumer and Debt Matters). The garnishing order can be obtained without a court hearing and without notice to the debtor. The creditor files an affidavit and a draft order with the court registry. A registry official processes the draft order and gives the completed order to the creditor to serve on the third party and the debtor. The affidavit and order must follow a format set out in the schedules at the end of the Court Order Enforcement Act.

Because creditors often start legal action and get the garnishing order simultaneously, garnishing orders against bank accounts can take debtors by surprise. The first notice debtors may get is when they are served the paperwork for the legal action and the garnishing order at the same time. Or, a debtor’s first notice may even be the bank calling to say a cheque has bounced because the account was emptied by the garnishing order.

Garnishing orders against wages

To get a garnishing order against wages, a creditor must have a judgment. Unlike bank accounts, wages cannot be garnished before judgment. To get a garnishing order against wages, the judgment creditor follows the same procedures for garnishing a bank account.

When a garnishing order is served on a bank, the bank is obliged to take from the debtor’s account as much as is needed to satisfy the order. A bank account can be emptied completely this way. When a garnishing order is served on an employer, the employer is obliged to send the court registry only a portion of the debtor’s wages. That portion is usually 30% of the net wages due — that is, 30% of the amount payable, after statutory deductions for things such as income tax, Canada Pension Plan, and Employment Insurance. The other 70% is exempt from garnishment. When garnishment is for child or spousal support, the exemption is only 50%.
**Information gathering**

If the debtor has only been threatened with garnishment, there is no order or affidavit to review. If the debtor has actually been garnished, get a copy of the garnishing order and the supporting affidavit that must have been filed as part of the application for the order. In most instances, the debtor has been served with the order already. If the debtor does not have either the order or the affidavit, obtain copies from the court registry where the order was issued.

**Solving the problem**

Whether garnishment or set-off is threatened or an order has actually been issued, the matter must be resolved urgently. Review the entire financial circumstances of the debtor. Enforcement action by one creditor may indicate that the debtor has several creditors, and thus the solution should include all creditors.

When dealing with a specific creditor, satisfy yourself that the creditor’s claim is valid, both as to the debtor’s liability and as to the amount claimed by the creditor. If either issue is in doubt, you should probably refer the matter to a lawyer.

Where a set-off has occurred, there may be no practical solution, except the stop-gap measure of opening a new account with a different savings institution (not at another branch of the same institution), so that further set-offs will not occur in the future. However, if the funds have been taken from an account that is used to receive government income benefits, it may be possible to get the set-off cancelled. In some cases, the bank may voluntarily reverse the set-off if an advocate shows them a copy of the statute that grants the funds exempt status. If the bank does not reverse the set-off, then the only solutions may be to open a new account at a different institution or make an application to court to have the funds refunded. Where a garnishing order has been made and money has been paid to the court registry, there are two main remedies available.

### If a garnishing order was made before judgment

If a garnishing order was made before judgment (such as against a bank account), a debtor can make an application to set aside the garnishing order. The application would not deal with the merits of the creditor’s claim; rather, it would deal with the validity of the garnishing process. For this reason, you and the client must consider carefully whether it is worthwhile to make such an application.

An application to set aside a garnishing order is heard by a judge of the court where the order was issued. The debtor either files the application in Small Claims Court or files a Requisition in Supreme Court. In special circumstances, the application can be heard at a registry nearest to where the debtor resides, rather than a more distant court registry. Consult registry staff on how to make such an application.

The grounds for setting aside a garnishing order made before judgment can be found in the Court Order Enforcement Act. Under section 3 of the Act, the affidavit in support of the garnishing order must contain certain information about the claim against the debtor. If the information is wrong, the order will probably be set aside. In general, judges require strict compliance with the Act. Reviewing a garnishing order before judgment for these technical defects probably requires a lawyer because there is a great deal of case law on the requirements of section 3.

Under section 5 of the Court Order Enforcement Act, a judge has the discretion to set aside the garnishing order, even if the order and affidavit are technically sound (that is, there are no defects under section 3). The Act says that the judge can do this when it is “just in all the circumstances” to do so. Cases decided under this section have usually been decided on the basis of the merits of the case itself, and also on the basis of how much hardship there would be to the debtor if the money were to remain in court.
Additionally, the creditor may be able to have the garnishing order set aside if it was made against an account used to receive government benefits on the grounds that, as noted above, such funds are exempt from seizure.

**If the garnishing order has been made after judgment**

If the garnishing order has been made after judgment (such as against wages), section 5 of the *Court Order Enforcement Act* is the only realistic ground you can use to have the order set aside (apart from the exempt government funds exemption noted above). The same test applies. However, when a judge sets aside an order made after judgment, an instalment payment order must form part of the order to set aside. The advantage of this requirement for the debtor is that so long as the instalment payment order is being complied with, section 5 says the creditor cannot take other judgment enforcement steps against the debtor (such as having a court bailiff seize assets).

Clients may be concerned about being fired if their wages are garnished. You can point out *Court Order Enforcement Act*, section 27, which states that employers cannot dismiss or demote employees solely because of the service of a garnishing order on the employer. If they do, employers can be prosecuted for breaches of section 27.

**Related topics and materials**

See the other sections on dealing with debt:

- Harassment by Debt Collectors
- Collection Agents
- Bailiffs, Court Bailiffs and Sheriffs

See related topics:

- Court Process in Consumer and Debt Matters
- Enforcing Judgments Against Chattels
- Instalment Payment Orders

See also the People's Law School's page on when creditors seek to garnish wages or bank accounts [4] and the BC Supreme Court's kit to apply to set aside a garnishing order [5].

**References**

[1] http://canlii.ca/t/84h5
[3] http://canlii.ca/t/1vt5n
When a debtor doesn’t pay a debt, a creditor may seek to take (or "repossess") the debtor’s personal property to satisfy the debt. Repossessions are typically carried out by bailiffs.

Client problems

• A creditor with a lien over a client’s car has threatened to repossess the car because the client missed a payment.
• A bailiff came with a warrant to repossess a client’s rented furniture because the client missed a payment.
• A sheriff came with a writ (a written court order) to take a client’s household goods because they have not paid on a court judgment that a creditor took against the client some months ago.
• Client asks what rights they have to refuse to let a "repo man" into the client’s residence or onto the client’s property.

Summary of the law

The rights of creditors and debtors in cases of repossession are the rough edge of debtor-creditor law. There is the potential for great upset to clients, and for one side or the other to use force. Those helping the debtor must act very quickly to resolve the problem.

The civil law relationship between a creditor and debtor may be governed by criminal laws in these situations. Criminal law is distinct from civil law. Criminal law sets out the nature of offences, and is used for charging and trying people accused of a crime, and sentencing those found guilty. In civil law, the emphasis is not on punishing a person who has done wrong, but on fixing problems that their actions have caused so that the other party is compensated in some way, or at least does not suffer a loss. Some examples of civil law are debt law, personal injury, malpractice, and claims for breach of contract.

Repossessions occur in two main instances:

• **Contractual repossessions:** When there is default under a security agreement or lease agreement between a debtor and creditor.

• **Judgment enforcement repossessions:** When an unsecured creditor wants assets of the debtor seized and sold to satisfy a court judgment.

It is important to distinguish between these two situations, because the rights and remedies of all the players (including the debtor, creditor, and party doing the repossessing) are different in each situation.

There is a fundamental difference in the authority and the laws under which each action is taken:

• **Contractual repossessions:** A bailiff carrying out a repossession under a security agreement or a lease agreement is repossessing on the basis of contractual rights governed by the *Personal Property Security Act* [1] (see the section on
Bailiffs & Sheriffs

Security Agreements) or related legislation such as the Repairers Lien Act\(^\text{[2]}\) (see the section on Repairers' Liens).

- **Judgment enforcement repossessions:** A court bailiff carrying out a seizure for a judgment creditor does so under a court order governed by the Court Order Enforcement Act\(^\text{[3]}\) and the Supreme Court Civil Rules\(^\text{[4]}\) (or the Small Claims Act\(^\text{[5]}\) and Small Claims Rules\(^\text{[6]}\)).

As explained below, a debtor can deal with a repossession problem in various ways.

**The players**

Under British Columbia law, the roles of bailiff, court bailiff, and sheriff are different. In some instances, the legal principles governing the actions of these parties are the same; in other instances, the parties have different rights. Their roles also have historic meaning, particularly that of the sheriff.

Basically, bailiffs, court bailiffs, and sheriffs carry out the directions of creditors, or the court orders creditors have obtained. Usually this means the bailiff, court bailiff, or sheriff can take chattels (a legal term that means personal, moveable possessions) from a debtor. In some instances, where a creditor has a security interest in the chattels of a debtor, an employee of the creditor could carry out the repossession directly. However, creditors usually prefer to hire bailiffs to do this for them.

**Bailiffs**

Under the Business Practices and Consumer Protection Act\(^\text{[7]}\), Part 7, bailiffs are persons who act on behalf of another party (for example, a creditor) to carry out tasks such as repossessing chattels. Bailiffs must be licensed under the Act and must go through the same licensing processes as collection agents do. Bailiffs can be refused licences or have their licences suspended by Consumer Protection BC\(^\text{[8]}\).

In general, bailiffs carry out contractual repossessions — that is, repossessions on behalf of creditors who have a security interest over the goods of the debtor when the debtor defaults on payment on the security agreement. The Business Practices and Consumer Protection Act regulates bailiffs’ conduct:

- Section 114\(^\text{[9]}\) prohibits bailiffs from exerting "undue, excessive or unreasonable pressure" on a debtor in repossessing chattels.
- Section 122\(^\text{[10]}\) prohibits bailiffs from removing chattels from the home of a debtor in the debtor’s absence or when another adult is not in the home unless the bailiff has a specific court order saying they can do so.

Bailiffs are prohibited from repossessing chattels that are not, for example, part of the security agreement under which the creditor is claiming the right of repossession. Sometimes, it is a difficult legal issue to determine whether a security agreement covers a particular chattel. Some security agreements may cover a single item, such as a car. Other security agreements say that they cover not only all property that the debtor owns at the time the agreement is made, but also all property that the debtor acquires after the agreement is made.

Bailiffs are in the business of repossessing. The law does not give bailiffs any special rights, and they must operate their business within the requirements of the Business Practices and Consumer Protection Act.

**Court bailiffs**

The term court bailiff is relatively new to British Columbia. The designation arose from a government decision some years ago to privatize judgment enforcement processes. Prior to privatization, judgment enforcement processes (including seizing chattels on behalf of judgment creditors under writs of seizure and sale) were carried out by sheriffs. Now, most judgment enforcement processes are carried out by court bailiffs. The government contracts with some bailiff businesses to provide court bailiff services in each region of the province.
Bailiffs receive court bailiff designation from the Attorney General under the authority of the *Sheriff Act*[^11]:

- Under section 3(2)[^12], a court bailiff “is deemed to be a sheriff” for a number of purposes, including almost all aspects of judgment enforcement.
- Court bailiffs cannot carry out orders for the arrest of debtors; this must still be done by sheriffs.
- Court bailiffs are not governed by the provisions of the *Business Practices and Consumer Protection Act* (see the Debt Collection Industry Regulation[^13], section 2(1)).

**Sheriffs**

The role of the sheriff goes back many centuries in English law. Sheriffs play two important roles in British Columbia today:

- They are employees of the provincial government, appointed under the *Sheriff Act* (section 2[^14]).
- They are officers of the court according to section 6[^15] of the *Sheriff Act*.

While their significance in debtor-creditor matters has been reduced because the judgment enforcement process has been privatized, there are some instances when sheriffs may become involved. For example, sheriffs carry out arrest orders under civil proceedings (where the plaintiff — in this case, the creditor — seeks a remedy against the defendant — in this case, the debtor — and the defendant is unlikely to face imprisonment). They are not governed by the provisions of the *Business Practices and Consumer Protection Act* except when issuing a warrant under the *Repairers Lien Act*[^2] (see the Debt Collection Industry Regulation[^13], section 2(1)).

**Debtors’ rights in repossessions**

From the debtor’s perspective, the rights of the parties in repossessions revolve around two basic issues:

1. What right does either side have to use force?
2. What legal alternatives are available to the debtor to avoid repossession?

**Validity of authority to repossess**

Determining the validity of the authority under which the repossession is being attempted (that is, the right to make the repossession) is important when considering the use of force. In most instances, the right to repossess is clear, particularly in judgment enforcement situations.

In contractual repossessions (including under security agreements, leases, and repairers’ liens), the validity usually arises from a breach of the contract by the debtor, such as failing to make a payment. Failing to make a payment usually means creditors can:

- invoke an acceleration clause (which means the debtor no longer has the right to pay in instalments) in the credit agreement and declare the whole balance of the credit agreement due, and
- take steps to repossess their security.

In most instances, the breach will be clear. However, note that the client might claim that they and the creditor made a subsequent agreement that the creditor would not repossess. In this case, the creditor may have temporarily given up the right of repossession, so long as the debtor abides by the new agreement (for example, to make up missed payments by a certain date).
**Extent of force allowed**

Assuming the authority is valid, the next issue is how much force can be used. A few basic principles are important to consider here:

- A bailiff or court bailiff cannot forcibly enter the debtor's residence if it is clear that the debtor is refusing entry. If the bailiff enters, the debtor can ask that person to leave. The act of pushing past or physical confrontation by the bailiff may be considered a civil assault, for which the debtor could seek damages. The debtor's resistance must be reasonable in the circumstances. Resistance with a weapon, for example, would not likely be seen as reasonable.
- If entry is allowed, a bailiff or court bailiff is generally allowed to take authorized chattels.
- A bailiff or court bailiff can generally take the chattels of a debtor if the goods are outside a dwelling house (for example, a car in a driveway).
- A bailiff or court bailiff cannot usually use force to take something in the direct possession of the debtor (that the debtor is physically holding) that the debtor is refusing to release.
- If either party wrongly uses force, they may be liable for criminal charges. In *R. v. Doucette* [16], for example, three bailiffs were convicted of assault when a struggle developed as they were trying to repossess a television from the debtor's apartment.

For more on the extent of force allowed in a repossession, see the section on Tort Actions. See also the section on Recovery of Goods.

**Information gathering**

Gather and confirm all information on the financial circumstances of the client, including income and expenses, assets and debts, and future prospects for changes in income. Obtain copies of all the relevant documents, including documents that relate to the creditor as well as the bailiff or court bailiff carrying out the repossession. In the case of repossessions by bailiffs, obtain the security or lease agreement. In the case of repossessions by a court bailiff, obtain copies of all court documents, including the judgment upon which the writ for seizure was based.

If the client does not have the legal documents, you can obtain copies from the court registry. There may be some urgency to the matter. Ensure that the client has not missed a deadline such as:

- making up arrears payments negotiated between the client and the creditor, or
- filing a claim for exemption where a court bailiff has already made a seizure.

**Solving the problem**

Clients facing repossession come to advocates at different stages of the repossession process. This will often affect what advice is appropriate and which approach to use to solve the problem.

**Contractual repossessions**

Clients may come before repossession, telling you that they think the creditor will repossess, or that the creditor has threatened to repossess. Assure clients of their basic right not to have their residence entered forcibly. At the same time, stress the importance of taking the initiative to resolve the problem and avoid a repossession confrontation.

If a client has the financial resources to make up the arrears payment(s), the first approach is usually to offer the creditor the arrears. If the client's ability to pay is limited because of illness, job loss, or another valid cause, a variation on this approach might be to ask the creditor to take a lower monthly payment for a fixed period of time.
For security agreements covered by the *Personal Property Security Act* \[1\], the debtor has a number of special statutory rights when the goods are “consumer goods” as defined under that law. These include:

- **The right to reinstate**: The right to reinstate the contract (that is, go back to making regular monthly payments instead of paying the whole balance) if the client pays the arrears (section 62 \[17\]).
- **The two-thirds rule**: The right not to have the goods repossessed when at least two-thirds of the purchase price has been paid (section 58 \[18\]).

In some instances, it may be to the advantage of the client to allow repossession, or even to offer to return the secured goods to the secured creditor (this is called “surrender” of the goods). Under the consumer goods provisions of the *Personal Property Security Act*, the debtor’s financial obligations to the creditor may be cancelled upon repossession.

If the value of the goods to be repossessed is relatively low compared to the total amount owed to the creditor, the debtor may be able to have the entire debt discharged in exchange for giving up the goods.

If a security agreement states that all current and after-acquired property of the debtor is covered by the agreement, there may be an argument (in fairly extreme situations) that the agreement is an unfair trade practice, or unconscionable (unscrupulous or unreasonable).

**Judgment enforcement repossessions**

See the section on Enforcing Judgments against Chattels.

**Complaints against bailiffs and court bailiffs**

Aside from seeking a negotiated or court-imposed resolution to a repossession problem, you may wish to help clients complain to Consumer Protection BC. If a bailiff’s conduct seriously breaches a provision of the *Business Practices and Consumer Protection Act* \[7\], Consumer Protection BC may take action against the bailiff’s licence. The Act also provides for prosecuting breaches of the *Personal Property Security Act*.

You may also wish to consider helping clients complain about the conduct of court bailiffs to the Ministry of Attorney General \[19\].

**Actions against bailiffs and court bailiffs**

In general, if a bailiff or a court bailiff has wrongfully taken property from a debtor, the debtor has a cause of action to have the property returned and a cause of action for general damages. See the section on Recovery of Goods. Determining if the property was wrongfully taken usually requires a lawyer’s opinion.

If a bailiff uses excessive force in carrying out a repossession, the debtor may have a cause of action for civil assault. See the section on Tort Actions.

Raising the possibility of legal action, or actually starting an action, can give the debtor a particularly effective bargaining advantage. For example, the debtor’s claim may be set-off against some or all of the creditor’s claim.
Related topics and materials

See the other sections on dealing with debt:
- Harassment by Debt Collectors
- Collection Agents
- Garnishment and Set-offs

See related topics:
- Enforcing Judgments Against Chattels
- Leases
- Recovery of Goods
- Repairers' Liens
- Security Agreements
- Types of Lenders and Creditors
- Unfair or Deceptive Practices

See also the People's Law School page on when a creditor seeks to repossess property[20].

References

[7] http://canlii.ca/t/84mr
[16] http://canlii.ca/t/g18pq
[19] https://www2.gov.bc.ca/gov/content/justice/courthouse-services/bailiffs
Legal Actions

Fraudulent Conveyances & Preferences

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

It is against the law for a debtor to avoid a creditor’s claim by transferring an interest in property (a fraudulent conveyance) or making payments to (“preferring”) another creditor (a fraudulent preference).

Client problems

- Client asks if it is permissible to “hide” assets from creditors or a court bailiff.
- Client asks if it is permissible to pay off a relative who is a creditor, but not other creditors.
- Client asks if they can avoid creditors coming after the client’s house by transferring it into the name of their spouse, who is not legally liable for the debts of the client.

Summary of the law

Many debtors actively try to avoid creditors’ claims against them, either legally (by an assignment in bankruptcy, for example) or illegally. This section briefly outlines the basic legal and ethical issues to watch for when clients ask “what if” questions. (See also the comments on ethics at the beginning of this publication.)

Fraudulent conveyances

Under the Fraudulent Conveyance Act [1], disposing of property to delay, hinder or defraud creditors is illegal. The law still sees it as the debtor’s property and so allows creditors to continue to get at that property.

The most common disposal of property of interest to the Fraudulent Conveyance Act is the transfer of property to a relative, such as a spouse. If a husband and wife jointly own a house for many years and suddenly the husband transfers it to his wife just as a creditor begins a legal action against the husband, the transfer might be considered a fraudulent conveyance. Transferring chattels (personal, moveable possessions; see the section on Enforcing Judgments Against Chattels) under the same circumstances might also be considered fraudulent.

If a creditor feels that a disposition was fraudulent within the meaning of the Fraudulent Conveyance Act, it can bring a court action against the debtor and attempt to get at the asset as part of its enforcement steps.
**Fraudulent preferences**

Under the *Fraudulent Preference Act*[^2], if a debtor cannot pay their creditors and makes a transfer or payment favouring one particular creditor, that transfer or payment is considered a fraudulent preference and is void. The debtor is said to have “preferred” that one creditor over the others. This situation is probably more likely to arise in commercial situations than in consumer situations. However, it may arise, for example, in situations where the debtor borrows money from a relative and pays off the relative but does not pay any other creditor.

If a creditor feels that a transfer is fraudulent according to the *Fraudulent Preference Act*, it can bring a court action against the debtor and attempt to get at the money (or other asset) transferred as part of its enforcement steps.

**Solving the problem**

Fraudulent conveyances and fraudulent preferences are among the most troubling situations for lawyers who advise debtors. The Law Society has repeatedly expressed concern that lawyers be extremely careful when clients ask for legal advice in this area of law. A debtor may ask questions about ordering their financial affairs when a creditor or creditors are pressing the debtor, or ask the lawyer to carry out a transfer for the debtor (such as a conveyance of an interest in land) under similar circumstances.

If you encounter a client who has already made what appears to be a fraudulent conveyance or fraudulent preference, tell the client to seek the advice of a lawyer.

It is unlikely that a client will ask you to actually assist in a fraudulent conveyance or transfer. More likely are the “what if” questions from clients who want to know the legal limits of ordering their affairs to avoid creditors.

Since this area of the law is a difficult one from both a substantive and an ethical viewpoint, you should probably decline to answer a client’s questions in this area and seek the assistance of a lawyer. At the same time, ensure that the client is aware of their options for practical, appropriate remedies.

**Related topics and materials**

See the other sections on legal actions:

- Recovery of Goods
- Tort Actions

See related topics:

- Assignments in Bankruptcy
- Court Process in Consumer and Debt Matters
- Debtor’s Options for Getting Out of Court

[^2]: http://canlii.ca/t/8420

**References**

[1] http://canlii.ca/t/841z


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Recovery of Goods

The right to take or keep property depends on the validity of the contractual or legal right claimed. If someone wrongfully took or kept property, the rightful owner of the property has a cause of action for the return of the goods.

Client problems

- Secured creditor has repossessed property belonging to the client that was not subject to a security agreement.
- Court bailiff has seized property from a judgment debtor that actually belongs to the client, who is not a judgment debtor.
- Client has lent property to someone, and the other person will not give it back.
- Someone has taken the client’s property and will not give it back.

Summary of the law

In general, when someone takes or keeps someone else's property, the person taking or keeping the property must have a legal right to do so. The owner of the property usually has the right to attempt to recover it or, if recovery cannot be carried out peacefully, to get a court order for the return of the property.

A range of circumstances give legal rights to take or keep property; those circumstances are discussed throughout this publication. For example, secured creditors can repossess property that is the subject of a security agreement when the debtor defaults on payment, court bailiffs can seize the assets of a judgment debtor under an order for seizure and sale, and repairers have lien rights to keep the chattels (personal, moveable possessions) of a debtor until payment is made for the repair services.

The legal right to take or keep property

Determining the legal right to take or keep property can be relatively straightforward, such as when property is lent to a friend or relative. Without a contract or understanding about how long the friend or relative can keep the property, the law usually says that the owner can demand the return of the property whenever they wish.

Another example is when someone claims that property taken from them is actually owned by a third party. This issue can arise, for example, when a court bailiff seizes assets from a judgment debtor, and a third party claims that the property seized actually belongs to them. If that is true, the third party is entitled to the return of the goods.

Other instances, such as those in which creditors are involved, can be more legally complicated. Basically, the right to take or keep the property depends on the validity of the contractual or legal right claimed. For example, in the case of
security agreements, it must be clear that the debtor has defaulted and that the goods in question are subject to the security agreement. The chattels of a debtor cannot be repossessed if the debtor is not in default or if the security agreement only covers a vehicle (and not other chattels) owned by the debtor.

**Remedies for the return of goods**

If it is determined that someone wrongfully took or kept property, the rightful owner of the property has a cause of action for the return of the goods. Both the Small Claims Court and the Supreme Court can make orders for the return of goods. The courts may also award damages, in addition to the return of the property, for the inconvenience of having had the property taken.

There is an additional interim remedy available to parties who have had property wrongfully taken. Under section 57 [1] of the *Law and Equity Act*, Small Claims Rule [2] 17(18), and Supreme Court Civil Rule [3] 10-1, the courts can make an immediate order for the preservation or return of goods, pending a final disposition of the case. This means that the person making the claim may be able to get an immediate order for the return of the goods, on their promise to hold the goods until the matter goes to trial — if it comes to that. Consult a lawyer about the process and the likelihood of success with interim applications.

**Information gathering**

Gather and confirm all information about the circumstances leading up to the goods being taken, including copies of any communication between the parties.

**Solving the problem**

There are two main situations in which clients seek the recovery of goods:

- when goods have been lent to, left with, or taken by friends or relatives who will not return the property
- when goods have been taken or kept by someone, such as a creditor, who is claiming a legal right of possession

In either situation, be careful in your fact gathering. In particular, look for details that involve the issue of legal justification. As noted above, there are a range of instances that may make the issue legally complicated and that require consultation with a lawyer.

If a party is improperly keeping property, a first step toward resolving the problem should be to approach the other side to demand its return, followed by court action (in Small Claims Court, if the value of the property is under $35,000) if necessary. Also consider an application for the interim recovery of the goods. If an application for interim recovery is successful, the other side may well abandon the claim to possession and the matter is resolved.
Related topics and materials

The recovery of goods between separated spouses is a related issue. Consult a lawyer for an opinion on what rights are available to spouses and what assistance the local police may provide in enforcing recovery attempts.

See the other sections on legal actions:

- Fraudulent Conveyances and Fraudulent Preferences
- Tort Actions

See related topics:

- Bailiffs, Court Bailiffs and Sheriffs
- Enforcing Judgments Against Chattels
- Repairers' Liens
- Security Agreements

Tort Actions

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

Occasionally a party collecting on a debt or resisting collection may commit a wrong against another that gives rise to a 

client problems

- Client was assaulted by a bailiff who was repossessing goods.
- Client’s car was taken from their property by a bailiff or court bailiff.
Summary of the law

Torts are civil wrongs committed by one person against another for which the law will give a remedy. Torts have developed over many centuries through common-law court decisions. Torts have some parallels with, but are separate from, criminal law. For example, intentionally hitting someone can be a criminal offence of assault, but also a tort of battery. As a criminal matter, the person committing the act may be prosecuted. As a civil matter, the person who was hit may be able to sue the person who did the hitting for damages. This lawsuit would be a tort action.

This section introduces areas of tort law particularly relevant in consumer or debt situations.

Assault

Historically, an assault was defined in common law as any situation where a wrongdoer instills in the victim the fear that they will be struck or otherwise physically attacked. No direct force need be applied to the victim so long as the threat can genuinely make a reasonable person afraid of being injured. The tort of battery occurs when actual violence is applied against the victim, although the violence need not be substantial. Although the distinction between assault and battery is maintained in tort law, common usage calls both wrongs an assault.

There are some consumer and debt situations in which assaults are more likely to occur, such as:

- contractual repossessions of chattels (personal, moveable possessions) by a bailiff on behalf of a secured creditor
- statutory seizures of chattels by a court bailiff acting upon a writ of seizure and sale

Deciding who is in the right and who is in the wrong in any confrontation (and, in particular, when the debtor is entitled to resist) involves considering a number of legal principles.

Location of the incident

A key consideration is the location of the confrontation. Often, the confrontation occurs at or around the residence of the debtor. In general, a debtor is entitled to resist any entry to their own residence. A residence includes a house or apartment, as well as immediately adjacent buildings or parts of the residence, such as a garage. This principle certainly applies to bailiffs, and it also appears to apply to some situations involving court bailiffs.

Debtor refuses to give consent

The debtor must indicate that they are not giving consent to the repossession or seizure. The debtor can refuse entry to their residence or property, or request that the person who has entered has to leave. Thus, if a bailiff ignored a refusal of entry to premises and pushed past a debtor to take goods, the debtor would probably be justified in attempting to eject the bailiff. The act of pushing past, and of any subsequent physical confrontation, would probably be considered a civil assault on the part of the bailiff, for which the debtor could seek damages.
**Reasonableness of resistance by the debtor**

A debtor’s resistance must be reasonable under the circumstances. Resistance with a weapon, for example, would probably be considered unreasonable.

**Nature of the authority of the bailiff or court bailiff**

A possible limitation to the debtor’s right to resist might be where the person attempting to repossess or seize, probably with police officers or sheriffs in attendance, is enforcing a specific order of the court, which specifically ordered the debtor to give up certain property. This type of order might be sought, in fairly rare circumstances, where a debtor had initially resisted entry to property either by a bailiff or a court bailiff, and where the creditor had, with notice to the debtor, obtained a further order of the court.

The debtor’s right to physically resist a bailiff or court bailiff has repercussions in both civil and criminal law. In criminal law, it usually means that the debtor can use reasonable force in resisting when appropriate.

The debtor may well have a valid legal defence to any criminal charge arising from an incident under these circumstances. This also means that bailiffs or court bailiffs themselves could be charged with assault for any force that they used against the debtor, where the debtor had made it clear they were resisting actions against the debtor’s property. In civil law, it would mean that the debtor has a cause of action to sue the bailiff or court bailiff for damages.

There is some important case law that guides and illustrates these principles. In the Ontario case of *R. v. Doucette* [1], three bailiffs, acting on behalf of a secured creditor, hit a debtor while they were attempting to repossess a television from his apartment. The bailiffs were convicted of criminal assault, where it was clear that the debtor was not exerting unreasonable force in resisting and where he had clearly communicated a demand for the bailiffs to leave his apartment.

In the BC case of *R. v. Todd*, a debtor was convicted of common assault on a police officer who had accompanied a bailiff to repossess a truck from the debtor. In the course of resisting the repossession, the debtor hit the officer in the head and kicked him in the groin. The court determined that the force used by the debtor in resisting was excessive.

In an older BC civil case called *Roman v. Motorcar Loan Company Limited and Burns*, the debtor was hit while a bailiff was attempting to repossess a car from the debtor’s garage. The debtor recovered damages against the bailiff. The BC Court of Appeal held, on the particular facts of the case, that while the bailiff was liable for damages, the creditor should not be held vicariously liable for the acts of the bailiff.

**Trespass**

*Trespass* is a very broad legal concept. Basically, it is the wrongful interference with a debtor’s property. This includes wrongly taking a debtor’s chattels, and wrongly entering or remaining on a debtor’s property. Wrongly entering or remaining on a debtor’s property usually justifies a debtor’s reasonable attempts at removing the person from their property. If there is resistance to the removal, it is the trespasser who is in the wrong, and the debtor may be able to claim damages for both trespass to property and assault.

Wrongful taking of a debtor’s chattels, as a cause of action separate from assault, involves considering:

- the legal right that the creditor had to take the chattel, and
- the circumstances under which the creditor took the chattel.
Legal right to take chattels

A creditor’s right to repossess usually arises from a security agreement. That right must be exercised within the limits of the Personal Property Security Act [2] (see the section on Security Agreements), as well as other statutes such as the Business Practices and Consumer Protection Act [3].

The most basic mistake that a creditor can make is to have the wrong goods seized. For example, if furniture that is owned by a friend or relative of the debtor is taken as part of a repossession by a bailiff, the rightful owner of the goods will have a right to claim the return of the goods, or damages, or possibly both, from the creditor. Note, however, that the courts are often wary of other people coming forward to claim ownership of goods that are in the possession of a debtor. It may be up to the person claiming ownership to prove to the satisfaction of the court they are indeed the rightful owner of the goods.

There are numerous instances in which a creditor’s belief in their right to repossess may be mistaken or wrong, and where a debtor may have a right to sue for trespass to chattels. For example, the security agreement and the common law of contract usually say that the creditor cannot repossess unless there is a default in payment. If a creditor missed crediting a payment made on time by the debtor, and subsequently repossessed a car, the creditor would probably be liable for damages for wrongly taking the car. If a creditor accepts a late payment from a debtor, the law may imply that the creditor has given up a right of repossession until there is another default. If a creditor’s employee gives a debtor a verbal extension of time to make a payment, a repossession within that extension period may be considered wrongful.

The statute law sets a number of limits on repossession. If those limits are broken, the debtor may have a cause of action for trespass to chattels. For example, the Personal Property Security Act [2], section 58, says that creditors cannot repossess secured consumer goods where a debtor has paid at least two-thirds of the total amount secured (that is, two-thirds of what is owed on those goods), unless they get a court order first. A repossession without such a court order would probably be considered a trespass to the chattel, for which the debtor could recover damages.

Possible wrongful repossessions where statutory requirements had not been complied with would also exist under the Repairers Lien Act [4] (see the section on Repairers’ Liens).

If the person carrying out a repossession lacks the proper authority, it can give rise to a cause of action for trespass. In the case of Re Bad Boy Mobile Homes Ltd. [5], the court held that a repossession made by a person who was not licensed as a bailiff was unlawful (the repossession had been carried out by an employee of the creditor). An extension of this principle may be that a debtor would be entitled to damages for wrongful repossession, and possibly to the return of any goods taken, where it could be shown the repossession was carried out by an unlicensed person. This situation is illustrated by the case of Millar v. Sumo Engine Co. (Canada) (1989) Ltd. (see below).

Circumstances in which chattels are taken

Where there has been a trespass to land, the repossession of chattels may be considered wrongful. A trespass to a debtor’s residence is usually wrongful in the absence of consent by the debtor. The debtor may have a cause of action for damages for trespass, and the debtor may have a right to have the goods returned. This issue usually arises when bailiffs attempt to repossess motor vehicles on behalf of secured creditors or repairers.

In Millar v. Sumo Engine Co. (Canada) (1989) Ltd., a bailiff, acting on the direction of a creditor who claimed a repairer’s lien over a debtor’s car, repossessed it from a locked apartment garage by sneaking in behind another tenant who had activated the garage door. The court held that the locked garage was part of the debtor’s dwelling house. Since there was no consent to entry, both the entry and the repossession were unlawful, and the court ordered the car returned. However, in Shane v. Kazakoff [6], the court said it was not unlawful to peacefully repossess a car from the driveway of private property.
The *Business Practices and Consumer Protection Act*[^3], section 122, prohibits bailiffs (but not sheriffs, who are exempted by the Debt Collection Industry Regulation[^7], section 2(1)) from repossessing chattels unless the debtor, a spouse, the debtor’s agent, or an adult resident in the debtor’s dwelling is present. So, if a bailiff entered a debtor’s house while no one was home and took secured goods, the debtor would have a cause of action for damages resulting from a breach of the statute. This right would likely arise in common law and certainly arises specifically under the *Business Practices and Consumer Protection Act*, section 171.

### Information gathering

Clients may be seeking advice on confrontation-type situations either before or after an incident. If an incident has not happened, but the client is asking “what if” type questions, advocates should direct their fact gathering (and advice) toward helping the client avoid a confrontation. This includes getting a full picture of the client's financial circumstances and as much detail as possible on the actions of the creditor (for example, what threats have been made).

If an incident has occurred, advocates should be careful to quickly determine if the situation has stabilized — for example, is the bailiff intending to return? are criminal charges pending against anyone?

### Solving the problem

#### Before an incident

Advocates should be very careful when giving advice to clients who are asking “what if” type questions on such issues as how much force is reasonable in resisting a bailiff. The focus of advice should not be on how far a debtor can resist should a confrontation occur; rather, it should be on how the confrontation can be avoided through resolving the underlying financial or contractual problem.

#### After an incident

There are several ways to resolve situations in which there has been a tort against a debtor:

- do nothing
- bring a tort action against the bailiff and creditor
- complain to the police
- complain to a licensing body

The fundamental question for a debtor when they are considering any of these remedies is whether it is worthwhile to take action. For example, the debtor should understand that taking a court action, whether in Small Claims Court or in Supreme Court, will likely be time-consuming and the outcome is never certain. The debtor’s initial upset and desire for compensation may wane in the face of waiting a long time for the matter to be resolved in the court system.

However, it may well be that the court will demonstrate considerable sympathy to the debtor's circumstances, particularly where the facts show that the creditor or bailiff has acted in an unreasonable or oppressive manner.

Where the facts are favourable to the debtor, the creditor may well decide that it is financially prudent to settle an action for damages before the matter goes to trial. The value to a debtor who brings such an action is they will gain some bargaining advantage to reduce or eliminate the debt to the creditor as a set-off to the damages that might be awarded for the tort of the creditor.

Where the creditor did have a right to repossess, but where the repossession was carried out in a wrongful manner, the debtor may well decide that it is better just to leave matters as they are. For example, if a debtor was in default of a car payment with little likelihood of being able to continue the payments, and if, under the seize or sue provisions of the
Personal Property Security Act \[^2\], the debtor is no longer indebted to the creditor, the debtor may feel that it is impractical to seek the return of the vehicle.

Complaints to the police may be a remedy in more blatant situations, particularly where there has been actual physical contact between the parties. Complaints to a licensing body may also be a remedy in more blatant situations, where it may be that there is a continuing course of conduct such that the licence of the bailiff might be suspended.

Related topics and materials
See the other sections on legal actions:
- Fraudulent Conveyances and Fraudulent Preferences
- Recovery of Goods

See related topics:
- Bailiffs, Court Bailiffs and Sheriffs
- Enforcing Judgments Against Chattels
- Harassment by Debt Collectors
- Recovery of Goods
- Repairers' Liens
- Security Agreements

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References
[1] http://canlii.ca/t/g18pq
[6] http://canlii.ca/t/1dtzt
Debtor’s Options for Getting Out of Debt

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

This section outlines options a debtor may use to resolve debt problems, from budgeting out of debt to consolidating their debts to declaring bankruptcy.

Client problems

• Client wants to know how to resolve problems with one or more creditors.

Solving the problem

Most debt problems are primarily financial problems, not legal problems. Accordingly, a debtor can take several steps that do not involve the legal process. In many instances, a debtor can resolve a problem directly with the creditor, possibly with the assistance of an advocate.

The following solutions apply to debtors who accept liability (responsibility) for a claim by a creditor. If you believe there is a defence that makes the client not legally liable for the claim, see the sections on Contract Defences, Court Process in Consumer and Debt Matters, and Examination of Debtors for ways to resolve the problem.

First steps

Many debt problems can be resolved by direct, early communication with creditors. Many debtors make matters difficult by ignoring their problems. Carefully note the history of communication (or lack of communication) between the client and creditor as part of the initial fact gathering.

It is important that resolutions be realistic and that the client be committed to them. For example, a financial solution often involves the client having to cut back on spending. You should review the client’s budget arrangements to ensure that a solution is feasible and that the client is likely to follow it.
**Budgeting out of debt**

Most financial solutions involve carefully reviewing a client's household budget and, in some instances, educating them as well as acting as a legal advocate. You should be aware of basic budgeting techniques so that you can give clients basic budgeting advice, and supplement this with budgeting materials.

The recipe for budgeting out of debt is usually simple:

1. Client carefully monitors their expenses.
2. Client cuts back on current expenses.
3. Creditors cooperate (they may be asked to accept a little less each month, for example).

**Interim measures**

There are a number of short-term remedies that creditors may agree to:

- time extensions
- moratoriums (where the repayment is suspended for a time)
- suspension of interest charges

If a debtor is temporarily unable to make full payments on a debt obligation because of unemployment, illness or other cause, the creditor may be willing to allow a few payments to be made up later. Or, the creditor may be willing to suspend (or lower) interest charges for a short period of time.

**Debt pooling**

If a client has several creditors and a limited amount to pay toward debts each month, debt pooling may be appropriate. Essentially, the client works out how much can go to debts each month after accounting for current living expenses. Each creditor is asked to accept a share from this amount (the pool) in proportion to the amount that is owed. Usually, creditors are asked to accept less per month than they are entitled to receive and to be paid off over a longer period.

Debt pools can be a considerable amount of work to set up and maintain, and they require the cooperation of the client's major creditors. The advantage of pooling is that it allows some flexibility from month to month: if a client has been consistent in their payments (or paid more some months), then creditors may be agreeable to taking less for a month or two when the need arises.

Debt pools can be run by the client alone or by the client with the assistance of an advocate (or other credit advisor). The Credit Counselling Society of BC[^1] is a reputable, non-profit agency that offers debt pooling and credit counselling services.

Be wary of commercial pooling services, which charge the debtor for their services.

[^1]: Credit Counselling Society of BC
Debt consolidation and debt refinancing

Debt consolidation usually refers to gathering all debts into one payment scheme or with one creditor. For example, a client may be able to get a debt consolidation loan from a credit union to pay off a number of smaller debts. The advantages of such loans are usually that the debtor gets a smaller monthly payment for the one debt, and the interest rate on that loan may be lower than at least some of the smaller credit obligations (for example, department store charge accounts).

Debt refinancing means getting another credit contract for an existing debt obligation. Refinancing may be with the same creditor or a different creditor. The advantage that a debtor usually seeks in debt refinancing is a lower monthly payment or lower interest rate, or both. The disadvantage is that it could take the debtor more time to pay off the loan.

Debt settlement

In some instances, a creditor may be willing to accept less than the full amount owed on a debt and agree to a debt settlement. The debt may have been in arrears for some time, and the creditor may be willing to accept 50% or 75% of the amount owed if the debtor can come up with a lump sum to make the payment. The advantage to the debtor is that they can have the debt discharged for less than is owed. The disadvantage is that it may be difficult to get a source of credit to fund such a settlement. (Debtors may be able to ask relatives.) A debtor may be able to use a combination of settlement and instalment payments. For example, if a debtor owes a creditor $10,000, the creditor may be willing to accept a lump sum payment of, for example, $3,500, and monthly payments of $300 for 12 months (for a total of $7,100). The creditor usually insists that the settlement agreement is only valid if the debtor makes the 12 monthly payments. If the debtor defaults on those payments, the creditor will claim the full balance owed.

Consumer or ordinary proposal

A proposal is an offer a debtor makes to their creditors to settle their debts. The offer can be to pay them a percentage of what is owed, to extend the time to pay them, or both. If the creditors accept the proposal, the debtor pays them under the terms of the proposal, typically for a period of three to five years. If the debtor meets the conditions in the proposal, they will be legally released from their debts — except for a few types of debt, such as support payments.

For more on this option, see the section on Consumer and Ordinary Proposals.

Bankruptcy

Bankruptcy is a legal process where the debtor gives up most of their assets to get rid of their debts. The most common way for a debtor to go bankrupt is to voluntarily declare bankruptcy by making an “assignment in bankruptcy”. Going bankrupt is a long process with serious consequences, so it represents the most drastic option for getting out of debt.

For more on this option, see the section on Assignments in Bankruptcy.

Related topics and materials

See the other sections on getting out of debt:

- Assignments in Bankruptcy
- Consumer and Ordinary Proposals
- Orderly Payment of Debts

See related topics:

- Contract Defences
Debtors Options for Getting Out of Debt

- Instalment Payment Orders
- Interest and the Cost of Borrowing Money
- Stays of Enforcement.

See also People's Law School's pages on getting out of debt [2], the chapter “Creditors' Remedies and Debtors' Assistance” [3] from the manual used by the UBC Law Students' Legal Advice Program, and the Credit Counselling Society of BC [4]'s pages on options for getting out of debt.

References
[1] https://www.nomoredebts.org/
[3] https://www.clicklaw.bc.ca/resource/1727

Assignments in Bankruptcy

Bankruptcy is a legal process where a debtor gives up most of their assets to get rid of their debts. The most common way for a debtor to go bankrupt is to voluntarily declare bankruptcy by making an "assignment in bankruptcy".

Client problems
- Client is so far in debt that they feel they have to "go bankrupt", but does not know anything about the process.
- Client has several creditors trying to collect and feels that the debts owed are unmanageable.
- Client thinks they need to go bankrupt but has a number of questions for you, such as: How long will it take? What will I be left with? How much does it cost? Will I ever get credit afterwards? Are there any alternatives?
- Client has heard about a law that allows the client to get rid of debts by paying off a part of each debt to each creditor.
Summary of the law

In Canada, bankruptcy is governed by the federal Bankruptcy and Insolvency Act [1]. There are actually three debtor remedies under the Act:

- assignments in bankruptcy
- proposals
- orderly payment of debts (this remedy is not available in BC at this time)

This section discusses assignments in bankruptcy. Usually this involves a client working with a licensed insolvency trustee and volunteering to declare bankruptcy.

While remedies (legal ways of enforcing a right or approaching a problem) under the Bankruptcy and Insolvency Act are very important for debtors, advocate involvement is limited because assignments and proposals must be handled by people authorized under the Act. There is no “do-it-yourself bankruptcy” in Canada, and lawyers and advocates cannot perform the functions prescribed under the Act. However, your role in these remedies is still important, and you must understand them so you can advise clients of all possible options for resolving a financial problem.

An assignment in bankruptcy is a serious step; once the assignment is made, there is usually no way to reverse the process. Advocates may continue to provide assistance and support for debtors who are going through assignments or proposals.

Going into bankruptcy

Debtors can go into bankruptcy in two ways:

- **They may make a voluntary assignment in bankruptcy**: This process is started by the debtor.

- **They are forced into bankruptcy**: A creditor can sometimes force a debtor into bankruptcy by filing a court action called a petition, and asking the court to declare the debtor bankrupt.

The majority of consumer bankruptcies are started by voluntary assignments in bankruptcy. Creditors will only try to force debtors into bankruptcy when there are considerable assets available to be sold to pay creditors, and when creditors think they are not going to get any more money from the debtor through any other means. Petitions in bankruptcy are used much more frequently against businesses than individual debtors.

Debtors legally qualify to make assignments in bankruptcy if they:

- owe more than $1,000 to their creditors,
- are generally unable to pay their credit obligations as the obligations become due, and
- are unable to file a viable proposal.

It is possible to go bankrupt by owing money to only one creditor, but most people who go bankrupt have several creditors.
**What has to be given up in a bankruptcy**

Basically, the bankruptcy process involves debtors giving up most of their assets in exchange for having their debts eliminated by law. However, some assets are exempt and so can be kept by the debtor.

RRSPs, RRIFs and DPSPs (Deferred Profit Sharing Plans), with the exception of contributions made in the last 12 months before the debtor went into bankruptcy, are designated exempt property under section 67 [2] of the *Bankruptcy and Insolvency Act*.

Also, debtors in British Columbia who go bankrupt may keep assets that are exempt from seizure under the *Court Order Enforcement Act* [3]. The Court Order Enforcement Exemption Regulation [4] allows these exemptions:

- $4,000 for household furnishings and appliances
- $5,000 for one motor vehicle (reduced to $2,000 if the debtor is a maintenance debtor)
- $10,000 for tools and other personal property used by the debtor to earn income from their occupation

As well, all essential clothing and medical and dental aids are exempt. A bankrupt may also keep equity in their principal residence of $12,000 if the residence is located within the Metro Vancouver or Victoria areas, and $9,000 if the residence is located elsewhere in BC. If two spouses own a principal residence together and both declare bankruptcy, they may each be able to claim a $9,000 or $12,000 (depending on the location) exemption on the equity in that principal residence (see *Re Halverson* [5]).

In cases where creditors have security claims over a debtor’s assets, bankruptcy can be a particular hardship because the creditor is usually entitled to repossess the asset as soon as a bankruptcy is started. It does not matter if the asset is normally exempt from being sold off for the creditors. If an asset is subject to a security agreement (extra assurance for the creditor in case the borrower cannot repay a loan), even down to basic household furnishings, the secured creditor is legally allowed to take it and sell it. Debtors may be forced to make arrangements to repay at least the actual value of the assets, during or after the bankruptcy, to avoid having the assets repossessed.

**What may still be owed after bankruptcy**

To many debtors, the prospect of losing assets does not mean much because they have nothing, or nothing that can be taken in the bankruptcy process. However, debtors must understand that not all debts are eliminated through bankruptcy. Under section 178 [6] of the *Bankruptcy and Insolvency Act*, a discharge from bankruptcy will not release the bankrupt from certain debts, including:

- fines, penalties or restitution orders imposed by a court
- awards of damages by a court for intentionally inflicted bodily harm or sexual assault
- spousal or child support arrears
- debt or liabilities arising from certain types of fraudulent conduct on the part of the debtor
- student loans if the debtor files for bankruptcy before ceasing to be a student or within seven years of ceasing to be a student (however, a former student can make a special application to be discharged from their student loan after having been out post-secondary studies for five years; see the section on Types of Lenders and Creditors)

In some instances, a debtor will have to pay back some money to their creditors as a condition of their discharge. Courts are more likely to order partial repayment when the bankrupt has an income tax debt.
Starting the process

The process begins when a debtor files an application for bankruptcy (called "the assignment") through a licensed insolvency trustee. The application outlines all assets and debts, income and expenses, and other information about the debtor.

The trustee handles the affairs of the debtor and completes their bankruptcy process. A government employee called an official receiver supervises the process and makes sure the law is followed.

In most instances, a debtor goes to a trustee before making an assignment. The debtor may be referred to the trustee by a credit counselling service, a lawyer, or the official receiver. The trustee helps the debtor prepare the assignment papers. The trustee is usually then confirmed by the official receiver to handle the bankruptcy for that debtor.

The most important effect of an assignment is that all legal actions by creditors against the bankrupt are stopped. Unless creditors get court permission, they cannot sue a bankrupt or take judgment enforcement proceedings (see the sections on Enforcing Judgments Against Chattels and Enforcing Judgments Against Land). Most insolvent individuals and families file for bankruptcy under the "summary administration" provisions because the value of their eligible assets is less than $15,000.

Licensed insolvency trustees

Insolvency trustees are licensed by the federal government to handle a debtor's bankruptcy process; only trustees who have a licence can do this job. Under the Bankruptcy and Insolvency Act [1], a trustee's primary obligation is to the creditors of the debtor, not to the debtor. Trustees are usually accountants because lawyers are not given licences to administer bankruptcies. This reflects a long-standing legal view that the trusteeship obligation to creditors conflicts with a lawyer's fundamental duty to their client, the bankrupt.

However, lawyers do have a significant role in the bankruptcy process. If any matter in the administration of the bankruptcy is disputed, the matter will likely have to go to court. When bankruptcy matters go to court, all the parties are entitled to be separately represented: trustees, each creditor, and the bankrupt.

The cost of bankruptcy

Sometimes the cost of the bankruptcy can be a problem for a debtor. The starting fee allowed under the Bankruptcy and Insolvency Act for handling a summary administration bankruptcy is around $1,800 plus GST and counselling fees (Bankruptcy and Insolvency General Rules [7], Rule 128). A trustee's fee for administering the bankruptcy must be paid by the debtor.

Technically, a debtor does not pay a fee straight to the trustee for a bankruptcy. The Bankruptcy and Insolvency Act says that a trustee is to be paid out of whatever funds are obtained during the administration of a bankruptcy. The total fund that the trustee holds is called a debtor's "estate". This estate can be made up of money obtained from selling off the debtor's assets, as well as from some of their income, which may have to be paid every month to the trustee.

When there is little prospect for any assets to be sold off, and if the debtor has a very low income, there may not be an estate from which to take a fee. For this reason, a trustee may demand that a debtor get some money first to put into the estate to start the bankruptcy process. When the bankruptcy is finished, the trustee can then take that money. Usually, a trustee will want the debtor to pay most or all of the fee before starting the bankruptcy, because once a trustee agrees to take on a bankruptcy, it is essentially impossible for them to refuse to complete its administration.

Some financing arrangements are possible. A trustee may do a bankruptcy with a down payment and a commitment for monthly payments to be paid into the estate. Trustees may demand that someone else guarantee those payments by putting up the money until the trustee gets all the bankrupt's payments. Another option is to have the bankrupt sign over
a post-bankruptcy tax refund or child tax credit to the trustee. However, such assignments have been found to be of “no force and effect” against the bankrupt (see Marzetti v. Marzetti\textsuperscript{[8]}).

If the debtor may have trouble either paying the fee up front or making a payment plan, it may be wise for them to approach the Office of the Superintendent of Bankruptcy\textsuperscript{[9]} to inquire about the Bankruptcy Assistance Program\textsuperscript{[10]}. Under this program, the office may be able to connect the debtor with a trustee who is willing to take the case on easier terms than those usually required.

The client must understand that trustees are not obligated by law to administer anyone’s bankruptcy. And even when they take on a debtor at the request of the government, it does not mean that the debtor will not have to pay anything for the process. A trustee usually requires the debtor to pay court filing fees. The trustee applies the normal bankruptcy rules to sell off any assets that are not exempt from the bankruptcy process, and may also demand that the bankrupt, if working, pay some wages into the estate.

**Bankruptcy counselling**

The *Bankruptcy and Insolvency Act*\textsuperscript{[1]} specifically requires debtors to obtain financial counselling during the bankruptcy process. The debtor is obliged to attend two counselling sessions following the assignment.

**Summary administration of the estate**

Following the assignment in bankruptcy of the debtor and the appointment of the trustee, the trustee begins administering the bankruptcy. From the time of the assignment, the non-exempt assets of the bankrupt technically belong to the trustee, on behalf of the creditors. The trustee owns those assets for the benefit of the creditors. All those assets comprise the estate. The main work of the trustee is to determine what assets are in the estate, identify all creditors and how much they are owed, and divide up the available estate among the creditors.

The trustee begins by locating the creditors. If they want to share in the estate, they must file a claim and have that claim accepted by the trustee. The trustee also works with the bankrupt to determine the assets in the estate. Sometimes assets must be sold and the sale proceeds are then paid into the estate.

Creditors who hold at least 25% of the dollar value of the total claims filed may request a meeting of creditors. They must do so within 30 days of the assignment.

The *Bankruptcy and Insolvency Act* treats secured creditors differently from other creditors. A bankrupt cannot claim exemption of assets covered by a security agreement. The result can be harsh for the bankrupt since it is possible in some cases for secured creditors to take almost everything a bankrupt possesses. For example, if a properly registered security agreement specifically covers a bankrupt’s present household furnishings, they could be taken. Creditors can take and sell the assets covered by the security agreement and may also be able to make a claim to the trustee for the balance. In practice, the creditor and the bankrupt may agree to avoid the seizure by having the bankrupt enter into a new credit contract to pay the creditor for the actual value of the assets covered by the security agreement.

If a bankrupt owns a house, it may have to be sold, even if the bankrupt owns the house with a non-bankrupt person (including a spouse). The bankrupt is only entitled to a half-share of the net sale value of a jointly owned house. If half of the equity exceeds the exemption limit for a principal residence prescribed by the *Court Order Enforcement Act*\textsuperscript{[3]}, it must go into the estate for the creditors.

An employed bankrupt who earns more than the amount set by the Superintendent of Bankruptcy will have to make monthly payments to the trustee for the benefit of the creditors from any income above what is reasonable to support the number of people in the bankrupt’s family and the bankrupt’s personal situation (called “surplus income”).
When the trustee has completed the estate administration, the creditors are paid a share of the estate proportionate to the amount they are owed. The final steps for the trustee are to obtain a discharge from their duties and a discharge from bankruptcy for the bankrupt.

**Discharge from bankruptcy**

In most cases, a bankrupt will receive an automatic **absolute discharge from bankruptcy** a specific period of time after filing their assignment in bankruptcy. As the discharge date approaches, the trustee must notify the government and the person’s creditors of the bankrupt’s right to an absolute discharge from bankruptcy. The creditors, the Superintendent, and the trustee all have a right to object to this absolute discharge. If no objections are received, then the bankrupt is discharged at the end of the applicable time period.

The applicable period of time depends on whether or not the person has been bankrupt before and whether or not they have had surplus income during the bankruptcy. In the case of a first-time bankrupt, the period is nine (9) months if there has been no surplus income, and 21 months if there has. In the case of a second-time bankrupt, the period is 24 months if there has been no surplus income, and 36 months if there has.

Automatic discharges do not always apply. Situations in which they do not apply include:

- the bankrupt has been bankrupt more than once before
- the bankrupt refused or neglected to take financial counselling
- one or more of the creditors objects to the automatic discharge
- the trustee or the Superintendent objects to the discharge
- the bankrupt has over $200,000 in income tax debt that comprises 75% or more of their debt

If there is an objection to the discharge, the matter goes to mediation or before a court official for hearing. If the bankrupt has been bankrupt before, the discharge must be heard by the court. When discharge hearings are required, bankrupt persons must make the applications themselves. All creditors who filed claims are given notice of the hearing.

The various grounds on which creditors and trustees can object to a discharge are set out in the *Bankruptcy and Insolvency Act* [1]. The grounds are broad enough that it is possible to object to any bankrupt’s discharge. The real reason that creditors object is that they hope the court will make an order that the bankrupt has to pay back a percentage of the money owed to all the creditors. This is called a **conditional order**. The condition could be that 25% to 50% must be paid to every creditor, through the trustee, before the bankrupt is finally discharged. If the judge decides to ignore the objections of the creditors, then the bankrupt is granted an absolute (unconditional) discharge and the bankruptcy process is over.

In recent years, an increasing number of discharge cases have come up for discharge hearings. In part, this is simply because the number of bankruptcies has increased over the years. However, it is also because creditors appear to be objecting to discharges in more cases. Also, the Superintendent of Bankruptcy has been objecting in situations where the bankrupt appears to have been abusing the bankruptcy process. Persons who have gone through bankruptcy before may attract special attention.

It is difficult to say with any certainty if a court will give an absolute discharge or impose conditions. Many factors are considered. One main factor is the **behaviour of the debtor** both before the assignment and during the course of the bankruptcy. For example, if the bankrupt has not cooperated with the trustee (for example, they have refused to pay a certain amount of wages every month), a judge may decide to give a discharge on condition that a portion of the wages be paid to the trustee for the following year or two.

Another important factor is the **kind of debts** the bankrupt had. While there are very technical rules governing which creditors a person is ordered to pay as a condition for bankruptcy discharge, the courts feel some kinds of debts are more
important to repay, at least in part, as a condition of discharge from bankruptcy. These include debts to the government for past income taxes, and debts arising from court judgments in motor vehicle injury cases.

The debtor’s income situation is probably the most important factor in a court’s decision to impose repayment conditions for discharge. If there is little discretionary income after the debtor meets modest monthly expenses, there is little point in making an order for a large repayment. However, for people making a reasonable salary, the court is likely to make a conditional discharge order, even if the bankrupt’s behaviour before and during the bankruptcy was not criticized. The court may also impose conditions if the debtor emerges from bankruptcy with a large amount of exempt assets, such as RRSPs.

In a very few cases, courts may make one of two other kinds of orders when a bankrupt is asking for a discharge. The court may suspend the discharge for a few months to a year to show the debtor that their behaviour in the bankruptcy was not proper in the view of the court. In extreme cases, a court may refuse outright to give a discharge. Note that this does not mean that a bankrupt will stay in bankruptcy forever, but that they must make another court application after a reasonable waiting period.

The effect of a bankruptcy discharge

After discharge, a bankrupt is legally released from paying debts incurred prior to the assignment in bankruptcy, except those debts described in the Bankruptcy and Insolvency Act[^1], section 178 (as discussed above). In addition, debts owed to creditors who were not notified of the bankruptcy may not be completely released. A debtor may choose to pay debts from which they have been released, but has no obligation to do so.

Information gathering

The advocate’s role with most debtors is to provide guidance for the most appropriate remedy to resolve the debt problem. This requires the advocate to obtain full details of the debtor’s income and expenses, and assets and liabilities. The financial situation of a spouse may also be relevant. It is important to review the debtor’s financial circumstances over both the short term and long term. An assignment in bankruptcy is not appropriate if the debtor is only temporarily unable to repay debts.

Solving the problem

Bankruptcy is a final solution after all other alternatives have been considered or tried. It is not a short-term solution for someone who is temporarily unemployed, for example. If there is any prospect of future income that will allow a debtor to repay debts over a reasonable period of time, then bankruptcy should be avoided.

Assessing whether bankruptcy is a good option

To assess whether bankruptcy is appropriate, compare the level of debt to the level of income. It is not possible to set an arbitrary level and say, for example, that everyone who owes $5,000 should not go bankrupt, or that everyone who owes $50,000 should go bankrupt. For a welfare recipient, $5,000 in debts may well be enough to justify bankruptcy. For a doctor, $50,000 in debts may not justify bankruptcy.
The impact of bankruptcy on getting credit

One question that often bothers debtors is whether they will be able to get credit after going through bankruptcy. It is difficult to give a general answer since each case is different but getting credit after bankruptcy may be a problem for a time. A person who is facing bankruptcy is probably not a good prospect for any, or increased, credit.

Creditors will often warn that no bankrupt will ever get credit again. This is an exaggeration. There is no law that says that people who have gone through bankruptcy should not have credit.

Bankruptcy does affect the debtor’s credit rating (see section on Credit Reports and Credit Ratings). A record of a person’s first bankruptcy can be kept on the debtor’s credit report for six years after their discharge from bankruptcy. This does not mean that the person cannot get credit for six years; it means only that any potential creditor who requests the debtor's credit report will be aware of the fact of their bankruptcy.

It is probably true that if creditors are aware of a person’s recent bankruptcy, consumer or mortgage credit may be refused, particularly if the creditor is a bank. It may be somewhat easier to obtain credit from a creditor who is also a seller financing a sale and getting a security agreement for the item sold. Thus, for example, it may not be too difficult to buy an inexpensive car on credit (assuming a debtor decides they absolutely need to buy on credit after a bankruptcy experience).

If some time has passed since a bankruptcy, the likelihood of getting credit is greater, particularly when a pattern of stability of income and residence has been established. For example, a person who has had a steady job for a couple of years and who has lived at the same address for that time may meet credit-granting terms, even those of a bank.

The advocate’s role in advising on bankruptcy will usually be to give general advice on the appropriateness of the remedy and to generally explain the process to the debtor. If bankruptcy appears to be appropriate, refer the debtor to a licensed insolvency trustee or the federal bankruptcy office.

Related topics and materials

See the other sections on getting out of debt:

- Debtor’s Options for Getting Out of Debt
- Consumer and Ordinary Proposals
- Orderly Payment of Debts

See related topics:

- Enforcing Judgments Against Chattels
- Enforcing Judgments Against Land
- Garnishment and Set-offs
- Mortgages and Foreclosure
- Payday Loans

See also People’s Law School’s page on declaring bankruptcy [11], the guidebooks Discharge from Bankruptcy [12] and Bankruptcy and Student Loans [13] from Justice Education Society of BC, and the page “You Owe Money [14]” from the Superintendent of Bankruptcy Canada.
Assignments in Bankruptcy

References

[1] http://canlii.ca/t/7vcz
[7] http://canlii.ca/t/7wfk
[8] http://canlii.ca/t/1frqh
[12] https://www.clicklaw.bc.ca/resource/2476

Consumer & Ordinary Proposals

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

A proposal is an offer a debtor makes to their creditors to settle their debts. The offer can be to pay them a percentage of what is owed, to extend the time to pay them, or both.

Client problems

- Client wants advice on repaying debts and has the financial ability to pay something toward all of them, but needs a lower overall monthly payment and additional time to pay.

Summary of the law

The federal Bankruptcy and Insolvency Act [1], in Part III, contains the provisions under which a debtor can make a proposal to all or a class of creditors (for example, only unsecured creditors) to pay off a percentage of their debts, after which the debtor will be discharged at law from owing the balance of the debts to those creditors.

The proposal provisions are not the same as an assignment in bankruptcy. Proposals are designed to provide an alternative to bankruptcy for those debtors who have some ability to pay on their debts. In a bankruptcy, the debtor gives up what they own to eliminate their debts. A proposal is aimed at the debtor who has some ability to pay on their debts, but who cannot pay off all their debts over a reasonable time because of the overall amount due relative to the monthly income available to make payments.
The Bankruptcy and Insolvency Act provides for two types of proposals: consumer proposals and ordinary proposals.

**Consumer proposals**

A consumer proposal can be made by an individual who has total debts of $250,000 or less (excluding money owed on a mortgage for the debtor's house). Generally, a consumer proposal takes a maximum of five years to complete.

As with assignments in bankruptcy, the debtor must undergo counselling as part of the proposal process. Consumer proposals are administered by proposal administrators (trustees licensed under the Bankruptcy and Insolvency Act).

**The process**

A proposal administrator first makes a full inventory of the debtor’s income and expenses, assets and liabilities, and creditors, and sets that information out in a proposal with the debtor’s offer of partial payment. The proposal is filed with the Superintendent of Bankruptcy’s office, which supervises proposals (and assignments in bankruptcy) for the federal government. Then that form, along with additional information, is immediately sent to all the creditors of the debtor.

Basically, the proposal to the creditors is that the debtor will pay them a percentage of the amount of money owed to them. For example, if the debtor owes all creditors $25,000, and the debtor and administrator feel that the debtor can pay $12,500 over five years to those creditors, each creditor would receive 50% of the amount owed to them during the five years that the payments are made.

Creditors have up to 45 days to accept or reject a consumer proposal. Creditors who do not respond are deemed to have accepted the proposal. If no creditor objects to the proposal within 45 days, the proposal is considered to have been approved by the creditors.

In some circumstances, the administrator must hold a meeting of creditors at which they vote on the proposal. The official receiver (a government official) might order the meeting of creditors, or it might be requested by creditors holding 25% or more of the “proven claims” (that is, debts for which they have filed claims with the administrator). For a proposal to succeed, a majority of the creditors (based on the amount owed) must approve. (The votes are based on the amount of money owed, so each creditor has as many votes as they are owed in dollars.)

If the proposal is accepted (either because there is no obligation to call a meeting of creditors or because the proposal is approved at a meeting of the creditors), the debtor begins making payments to the administrator, and the administrator then forwards payments to the creditors.

Debtors who have had their proposals accepted are protected from legal action or judgment enforcement action by all creditors covered by the proposal. Under the Bankruptcy and Insolvency Act, creditors covered by the proposal cannot start or continue legal actions against the debtor as long as the proposal is in force.

Within two months of a proposal being approved, the debtor will meet with the administrator for the first of two counselling sessions. The second counselling session is held within seven months.
The cost of a consumer proposal

The cost of a consumer proposal is approximately $1,500, plus GST and counselling fees. In addition, the debtor must pay a fee to the administrator equal to 20% of the moneys distributed to creditors, and a levy to the Superintendent of Bankruptcy equal to 5% of all the funds disbursed.

Ordinary proposals

An ordinary proposal is available to insolvent individuals, families and businesses whose debts exceed $250,000. The process for obtaining approval of an ordinary proposal is similar to the process for obtaining approval of a consumer proposal, with some significant differences as follows:

• There is always a meeting of the creditors.
• A rejection of an ordinary proposal by creditors results in immediate bankruptcy as of the date of the creditors’ meeting.
• The proposal must be approved by a majority of the creditors, who represent at least two-thirds of the total dollar amount owed. If the proposal is accepted by the creditors, it must then be approved by the court.
• The fees for each case are decided individually and voted on by the creditors.
• There are no mandatory counselling sessions.

Information gathering

The advocate’s role with most debtors is to provide guidance for the most appropriate remedy to resolve the debt problem. This requires that the advocate obtain full details of the debtor’s income and expenses, and assets and liabilities. The financial situation of a spouse may also be relevant. It is important to review the debtor’s financial circumstances over both the short term and long term to assess whether a proposal or bankruptcy is a better option for the client.

Related topics and materials

See the other sections on getting out of debt:

• Debtor’s Options for Getting Out of Debt
• Assignments in Bankruptcy
• Orderly Payment of Debts

See related topics:

• Types of Lenders and Creditors

See also People’s Law School’s page on making a consumer proposal [2] and the page “You Owe Money [3]” from the Office of the Superintendent of Bankruptcy Canada.
Orderly Payment of Debts

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

The federal *Bankruptcy and Insolvency Act*[^1], in Part X[^2], contains provisions for the “orderly payment of debts”. These provisions enable a debtor to consolidate most of their debts and pay them off through one monthly payment to the court.

Before 2002, Part X of the Act was administered by the Debtors Assistance Branch of the BC Ministry of Attorney General. Since the government closed the Debtors Assistance Branch in 2002, however, BC has not provided consolidation services under Part X for debtors, despite the fact that Part X remains in force in the province.

Related topics and materials

See the other sections on getting out of debt:

- Debtor’s Options for Getting Out of Debt
- Assignments in Bankruptcy
- Consumer and Ordinary Proposals

[^1]: http://canlii.ca/t/7vcz

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References

[^1]: http://canlii.ca/t/7vcz
Part 4. Court
This section gives an overview of the court process in consumer and debt matters.

**Client problems**

- Client asks for help in starting a court action, or, having advised the client that they should take a matter to court, you want to explain the court procedures.
- Client comes to you with court documents indicating that a legal action has been started against the client. Aside from dealing with the merits of the case, you want to explain the court procedures.
- Client explains that they cannot afford a lawyer and want you to help in court or at least give some advice about court procedures.
- Client wants to know how much a legal action is going to cost.

**Summary of the law**

It is beyond the scope of this publication to go into detail about court jurisdiction and procedure. There is a large body of statute law, court rules, and case law on this subject. This section gives an overview of the court process, relevant to advising clients. A number of sources of information on court procedures are listed at the end of this section.

There are two basic aspects to any court case:

- **Substance**: Refers to the merits of the case — whether the client has a claim against someone else, or, if the client is a defendant, whether there is a defence to a claim made against them.
- **Procedure**: Refers to the court processes necessary to resolve the merits of a case.

Almost all legal actions in British Columbia will be started in either Small Claims Court or Supreme Court. In a very few instances, not covered here, an action may be started in the Federal Court of Canada. Small Claims Court and Supreme Court are commonly called trial courts, because that is where trials of claims are heard. The key resources for understanding the processes in these two courts are the rules prescribed for each: the Small Claims Rules [1] and the Supreme Court Civil Rules [2].
Court Process

Jurisdiction
When starting a legal action, the first consideration is which court it will be launched in — in other words, which court has “jurisdiction” (the legal right to act in or judge a case) over the matter. Rules often dictate this, but sometimes it is a matter of choice. In most consumer and debt actions, the main factor governing jurisdiction is the dollar amount of the claim.

Here are the main factors to consider for each court.

Civil Resolution Tribunal
• This is an online system that encourages a collaborative approach to resolving disputes.
• Handles most small claims actions up to $5,000.
• Deals with most types of consumer and debt cases (section 3.1(1) of the Civil Resolution Tribunal Act).
• Does not have jurisdiction in specific types of claims, such as claims for libel, slander, malicious prosecution, or against the government (section 3.1(2) of the Civil Resolution Tribunal Act).

Small Claims Court
• Has monetary jurisdiction over actions up to $35,000 (excluding costs and interest). Most claims up to $5,000 are dealt with by the Civil Resolution Tribunal.
• Deals with most types of consumer and debt cases (section 3(1) of the Small Claims Act). Some causes of action (for example, libel, slander, and malicious prosecution) cannot be brought in this court (section 3(2) of the Small Claims Act).
• Some statutes specify that an action can be brought in this court. For example, section 171(3) of the Business Practices and Consumer Protection Act states that certain actions under that Act can be brought in Small Claims Court.
• Procedures are easier to follow than in the Supreme Court, so the plaintiff (the person making the claim) may not need a lawyer.

If the amount the client wants to claim is over the $35,000 limit, it may be to their advantage to consider reducing the claim to the maximum allowed to start the action in Small Claims Court, where they may not need a lawyer. Note that if a client pursues this option, they cannot start another action for the difference between the upper limit of the court and the amount owed.

Supreme Court
• Has monetary jurisdiction over any amount of money being claimed.
• Claims within the monetary jurisdiction of the Small Claims Court may be started here, though there are disadvantages.
• Procedures are more complicated than in Small Claims Court, so the plaintiff will probably need a lawyer.
• If the plaintiff uses a lawyer for claims that could have been brought before the Small Claims Court, the plaintiff is almost always barred from claiming compensation for legal fees.
**Legal costs**

A client's immediate concern is usually what chance they have of successfully commencing or defending a legal action. This is an assessment of the merits of the case and includes explaining how much clients will get if they win or how much they will have to pay if they lose a legal action.

**Legal costs** are the costs of having a matter resolved in the court system. These costs include fees payable to the court, lawyer fees, and expenses involved in the litigation.

Assessing what the legal costs will be is probably as important as advising clients on the merits of the case. First, clients often have no idea about lawyer fees or court filing fees, or are misinformed about what to expect. Second, legal costs often prove to be a major factor in a client's decision on how a matter is to be handled.

**What legal costs include**

Clients should understand the range of costs that can be encountered in the legal process, including:

- **Court fees**: Court fees are what the government charges for people to use the court system. For example, in Small Claims Court, it costs a claimant $100 to file a Notice of Claim where the claim does not exceed $3,000.

- **Disbursements**: Disbursements are the expenses associated with carrying out the legal process and include having legal documents served, photocopying costs, and fees for expert witnesses to testify at trial.

- **Lawyer fees**: Clients should be clear on what a lawyer is going to charge for taking a case. Most lawyers charge an hourly rate for taking a case to court. They may quote a fee that includes going to trial. (See the section on Lawyers' Fees.)

**Compensation for legal costs**

The law usually allows a successful litigant (a person involved in a legal action) some compensation for their legal costs from the other side. For example, if a party is successful in making or defending a small claims action, the *Small Claims Act*[^7] and Small Claims Rules[^11] permit a judge to add to the judgment the successful party's court fees and expenses that they consider are directly related to the conduct of the lawsuit. As well, the Small Claims Court can order a party or witness whose behaviour causes unnecessary expenses for another party to pay all or part of those expenses. The Small Claims Rules also allow the court to impose a penalty of up to 20% of an offer to settle against a party who refuses a settlement where the judgment of the court is ultimately equal to or less than the amount offered by a defendant, or equal to or more than the amount offered by a plaintiff.

The *Small Claims Act* does not allow any recovery of lawyer fees in Small Claims Court actions, regardless of the outcome.

Successful parties in Supreme Court are generally awarded some compensation for their lawyer fees as well as for their court costs and disbursements. The amount of compensation, however, is a complicated issue. Very roughly, a successful litigant can expect to be compensated for one-third to one-half of their overall legal costs, including lawyer fees.
**Procedural considerations**

The following are some of the basic procedural considerations in a legal action, up to the time of trial.

**Resolution of the problem**

In the majority of cases, the merits of a legal action are resolved before trial. This may happen because:

- the parties negotiate a settlement at some stage
- the plaintiff gives up on the case
- the plaintiff uses certain procedures to get a judgment without going to trial
- the defendant seeks a remedy (for example, bankruptcy or a proposal) to stop the legal proceeding

**Time limits and defaults**

Time limits are crucial in court procedures. There are consequences for exceeding a time limit for doing something. For example, a judgment may be entered against the defendant.

The most important time limits involve filing pleadings, including defence documents.

In a matter before the Civil Resolution Tribunal, a respondent must provide a Dispute Response Form to the tribunal within 14 days of receiving a Dispute Notice (Civil Resolution Tribunal Rules[8], Rule 72).

In Small Claims Court, a defendant must file a Reply in the court registry within 14 days after the plaintiff’s Notice of Claim is served on the defendant (Small Claims Rule[1]3).

Under the Supreme Court Civil Rules[2], a plaintiff files a single document called a Notice of Civil Claim and a defendant must file a Response to Civil Claim. A defendant must file and serve the Response to Civil Claim within 21 days of being served with the Notice.

**Pre-trial procedures**

There is a significant difference between the number of steps involved in the legal process in Small Claims Court before a trial is held and the number involved in Supreme Court. (As well, for claims under $5,000, the Civil Resolution Tribunal[3] offers an avenue for resolving disputes without going to trial.)

In Small Claims Court, the pre-trial processes are minimal. The main step is a settlement conference. This is an informal hearing where both parties meet with a judge to see if some or all of the substantive and procedural issues can be resolved by agreement instead of going to trial. In many cases, there may also be a formal mediation presided over by a mediator (note that a mediator is not a judge and cannot make a judgment on a case). Such sessions are generally held before the settlement conference. In some cases, a trial conference must be held before the trial. Consult the Small Claims Rules[1]7 to 7.5 for details.

In Supreme Court, several pre-trial processes are possible. Here are two of the most important:

- **Discovery of documents**: A requirement that each side produce relevant documents for inspection by the other party.
- **Examination for discovery**: Pre-trial questioning of opposing parties by lawyers.
Rules of evidence
Perhaps the most difficult aspect of court procedures for clients to understand is how evidence is presented at court. Some rules of evidence (guidelines on what type of evidence is allowed) arise in common law, others in statute law, and still others under Small Claims Rules [1] and Supreme Court Civil Rules [2]. Small Claims Rules give wider latitude (they are more flexible) in presenting evidence and even specify that a judge may conduct a trial without complying with the formal rules of procedure and evidence (Rule 10(1)).

Burden of proof
The party bringing the action (the plaintiff) is responsible for proving all elements of their case to the judge on a balance of probabilities (which version of the case is more likely).

Information gathering
Gather and confirm all information on the financial circumstances of the client, including income and expenses, assets and debts, and future prospects for changes in income.

Solving the problem
To advise clients on court processes, you should have current copies of the rules for the Civil Resolution Tribunal, the Small Claims Court and the Supreme Court.

Related topics and materials
See the other sections on going to court:
• Limitations
• Instalment Payment Orders
• Foreign Claims and Judgments
• Contempt of Court
See related topics:
• Assignments in Bankruptcy
• Consumer and Ordinary Proposals
• Lawyers' Fees
References


Limitations

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

A limitation period, or limitation date, refers to the time frame within, or by, which someone must take legal action.

Client problems

• Client has not paid on a debt for a number of years and wants to know if they are still liable for the debt.
• Client says there is an “old judgment” against them that a creditor is now trying to collect on again, and the client wants to know if the judgment is still valid.
• Client asks how long they have to hide from creditors before the client does not have to pay anymore.

Summary of the law

If someone does not start a lawsuit within the applicable limitation period, then the other party may have a “limitation defence” against their claim. In other words, if someone starts a lawsuit against someone else after a limitation period or date has passed, the other person can ask a court to dismiss (throw out) the lawsuit for this reason.

There are two main principles of limitations law that advocates should be aware of: limitations for debts and limitation for judgments. This area of the law is complex. The applicability of limitations defences can turn on fine distinctions of law. The summary provided below is only a brief outline of basic principles. A lawyer should be consulted for an opinion in specific cases.
Limitations for debts

A new Limitation Act \[1\] was enacted in 2013. As of June 1, 2013, a basic two-year limitation period applies to most claims for injury, loss or damage. Section 6 of the Act governs most debt situations. Legal actions for claims, including unsecured debts, cannot be brought later than two years after the date on which the right to bring the action arose.

Note that under the former Limitation Act, the limitation period for debts was six years. Figuring out whether the current or former Limitation Act applies to a particular case is very important.

The first step in deciding which Act applies is to determine the date on which a claim was discovered, or the right to bring the action arose. In general, a creditor does not have the right to sue a debtor so long as the debtor is keeping up on the payments under the agreement. A creditor’s right to bring a legal action arises when the debtor has defaulted on their contractual obligation to pay. Most consumer-related credit arrangements, ranging from mortgages to credit cards, require some form of periodic payment. If the periodic payment is missed, the debtor is usually in default and the creditor can sue.

If the creditor’s right to sue a debtor first arose on or after June 1, 2013, then the two-year limitation period under the current Limitation Act generally applies. For example, if someone owes periodic payments on a credit card and their periodic payment was first missed on July 12, 2013, the creditor has the right to bring a legal action on that date. However, if the creditor’s right to sue a debtor first arose before June 1, 2013, then the former Limitation Act (and general six-year limitation period) may apply. For example, if someone stopped paying their credit card bill on November 30, 2012, and the creditor was aware of the default at that time, the six-year limitation period under the former Limitation Act would apply. The former Act applies because the creditor discovered the claim before June 1, 2013.

Section 24 \[2\] of the Limitation Act extends a limitation date. The limitation period (two years or six years) starts all over again if there has been an acknowledgement of the debt. "Acknowledgement" of a debt includes making a payment. This means that in many instances, the limitation date will run from the date of the last payment, rather than the date when the payments under the agreement were first in default. A debtor is also said to have "acknowledged a debt" if they or their agent make a signed written statement (including an email) in which they confirm they are responsible (liable) for a debt.

Note that under the former Limitation Act, unsecured debts to the government (for example, welfare overpayments) were generally governed by a six-year limitation period. Under the current legislation, most debts to the province of BC continue to be governed by a six-year limitation period. This same six-year limitation period also applies to claims by ICBC for “motor vehicle indebtedness”.

If there is some question as to whether a client might have a limitation defence, advocates should tell the client not to make any payments in the meantime, and not to give any kind of written statement (for example, in a letter to the creditor) acknowledging the debt.
**Limitations for judgments**

Under section 7[^3] of the *Limitation Act* (and section 3(3)(f) of the former *Limitation Act*), creditors have up to 10 years from the date of a judgment to enforce the judgment. The creditor can take enforcement steps at any time during those 10 years. Since the law considers a judgment itself to be a cause of action, a creditor is also allowed to sue the debtor again, at the end of (but within) the 10 years, to get another judgment. That second judgment is also good for 10 years.

**Information gathering**

Advocates should obtain all related documents from the client and should carefully verify all relevant dates, including when the contract was made, when there was a default or defaults, and, most important, when payments were last made.

**Solving the problem**

Basically, limitations are defences for debtors. If a limitation defence is applicable, it must be brought to the attention of the court in any legal action. If a limitation defence appears to be applicable, advocates should consult a lawyer, and clients should be advised to have no communication at all with creditors until legal advice is obtained.

**Related topics and materials**

See the other sections on going to court:

- Court Process in Consumer and Debt Matters
- Instalment Payment Orders
- Foreign Claims and Judgments
- Contempt of Court

There are many limitations in law besides the provisions outlined here. The UBC Law School’s *Table of Statutory Limitations Manual*[^4] contains all the statutory limitation provisions and is available by subscription.

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[^1]: [http://canlii.ca/t/8qx3](http://canlii.ca/t/8qx3)
[^4]: [http://ubclawreview.ca/tsl/](http://ubclawreview.ca/tsl/)
Instalment Payment Orders

In court actions, judges have the authority to order that a judgment be paid in instalments.

Client problems

• Creditor has threatened to sue or has sued the client in court. Client does not deny the claim and says they can make reasonable monthly payments on the debt but cannot pay off the whole debt.

• Client has been sued and is concerned that their assets will be taken or wages will be garnished.

Summary of the law

Most credit agreements call for a debtor to make monthly payments to repay the total amount borrowed. So long as the debtor makes the payments, the creditor generally cannot demand any more. Except in the case of specific types of “demand” credit agreements (for example, demand promissory notes or demand lines of credit), a creditor cannot suddenly simply decide to demand the full balance due.

However, the creditor is usually entitled to sue for the entire balance due if the debtor defaults on the credit contract (by missing a payment, for example). The creditor is entitled to do this because most contracts have an acceleration clause (a clause that allows the creditor to claim the full amount if the debtor does not meet the terms of the original contract).

If the creditor’s claim for the full amount is successful in court, the law generally says that the debtor is immediately obliged to pay the full amount, rather than just monthly payments. If the debtor has no legal remedies to pursue (see the sections on Contract Remedies and Debtor's Options for Getting Out of Debt) or is unsuccessful in negotiating an agreement about payment with the creditor, the creditor can then take steps to enforce the judgment, such as by seizure of assets or garnishment.
Authority for instalment payment orders

In both Small Claims Court and Supreme Court actions, judges have the authority to order that a judgment be paid in instalments, similar to how the debtor may have been making payments on the debt before the judgment. Historically, the courts have required special circumstances before making this kind of order (see Royal Bank v. McLennan \[^1\]).

The authority for instalment payment orders comes from various sources.

Court Order Enforcement Act

Under section 48 of the Court Order Enforcement Act \[^2\], where an order has been obtained for a sum of money, it is payable immediately unless the court makes a different order. The court can also:

- make the order payable by instalments, or
- suspend the execution of the order as long as it considers it proper.

Section 48 was applied in the case of Canadian Imperial Bank of Commerce v. Pegg \[^3\], where a rancher was allowed to pay off a judgment by a lump sum payment of about 40% of what was owed, plus monthly payments afterward. In making the order, the court decided:

- the bank was well secured with the judgment, since the amount owed was about one-sixth of the value of the land owned,
- that the prejudice to the debtor (losing a livelihood) was much greater than to the creditor (waiting a little longer for the money), and
- that the debtor had been making every effort to resolve the matter with the bank.

Court rules

Under the Supreme Court Civil Rules \[^4\], at or after the time of giving a judgment, a judge can "provide that an order for the payment of money be payable by instalments" (Rule 13-2(31)). The rules also state that if a debtor defaults on the instalment payment order, the full balance once again becomes due.

In Small Claims Court, Small Claims Rule \[^5\] 7(14)(c) says instalment payment orders can be made at a settlement conference, by agreement of the parties.

If a judge finds in favour of a creditor at trial in Small Claims Court, the judge can order a payment schedule at that time with the agreement of the creditor (Rule 11(4)). If the creditor does not agree, the judge can order a special "payment hearing" for later to determine how the judgment should be paid. Rule 12 covers the procedure for payment hearings and Rule 12(13) gives the court the authority to make an instalment payment order at that hearing.

If no payment order is made at trial, the debtor can still apply after the judgment for a payment hearing (Rule 12(10)). As with the Supreme Court Civil Rules, if a debtor defaults on a payment schedule, the full balance becomes due (Small Claims Rule 11(14)).
Specific situations
Because of the broad provisions of the rules of court in both Supreme Court and Small Claims Court, additional authority may not be needed. However, the following provisions may give added weight to arguments in favour of instalment payment orders and may be more efficient to use:

• Where a garnishing order has been made: Under section 5 of the Court Order Enforcement Act [2], a judgment debtor who has been garnished can apply to have the garnishing order set aside and the judgment ordered payable in instalments. So long as the order is in good standing, the creditor cannot issue any further garnishing orders. Section 5 outlines the procedure for applying for an order, and for applying to vary the order if the debtor’s circumstances change. Section 5 also says that if the judgment debtor is in default of the instalment payment order for more than five days, the order is terminated.

• Where a creditor is seeking to have the debtor’s home sold to pay debts: Under section 96 of the Court Order Enforcement Act, a judgment debtor can ask the court to defer the sale of the “home of the debtor” if the creditor is applying to have the home sold to satisfy a judgment. Section 96 says the deferral can be made subject to terms and conditions (including instalment payments) that the court orders.

• At a subpoena to debtor hearing: Under the Supreme Court Civil Rules [4], a judgment debtor can ask the court to make an instalment payment order at a subpoena to debtor hearing (Rule 13-3(11)).

Effect of instalment payment orders
As long as the debtor does not default on an instalment payment order, the debtor is protected from the creditor taking other steps to enforce the judgment. This is certainly clear in Small Claims Rule [5] 11(6) for payment schedules ordered in Small Claims Court actions.

Where instalment payment orders are made under another authority, such as the Supreme Court Civil Rules, the overall extent of the protection is less clear. However, from existing case law and provisions in the Court Order Enforcement Act [2] and the Supreme Court Civil Rules, garnishment, writs of execution (a court order to enforce a judgment of possession), and applications for subpoena to debtor hearings are not allowed if a Supreme Court instalment payment order exists and the debtor is not in default.

Information gathering
There are two important aspects of fact gathering when a debtor applies for an instalment payment order:

• The financial circumstances of the client: Obtain a complete financial picture of the client, including income and expenses, and assets and liabilities. It is particularly important to determine whether there are any other creditors, the extent of the debtor’s assets, and the amount the debtor could pay each month on the judgment.

• The court in which the creditor is making the claim: Information about the court involved will govern what procedures to follow when applying for the instalment payment order.

If the client has been sued, obtain all relevant court documents from the client or from the court registry. If the client has not been sued, determine the amount owing to anticipate in which court an action might be brought.
Solving the problem

Is the remedy viable?

Instalment payment orders are a useful remedy for debtors, but in limited circumstances:

- **There are only one or two major creditors**: The client should not be in default to, or unable to pay, more than one or two major creditors. Applying for orders for several creditors is cumbersome; other remedies such as proposals are probably more efficient.

- **The client has sufficient income**: The client must have sufficient income to pay off the full amount owed, as well as other debts, within a reasonable time.

- **There are special circumstances**: The court must generally be persuaded that there are special circumstances to justify such an order. It is the responsibility of the debtor to demonstrate the justification.

Advocates should take the initiative to propose an instalment repayment agreement with the creditor, whether or not legal action has been started, rather than simply relying on the possibility that the court will make such an order. An application for any instalment payment order should probably be made only if the advocate cannot negotiate an arrangement directly with the creditor.

Some case law suggests that courts are less sympathetic to making instalment payment orders if the debtor is cash poor but asset rich. That is, if the client has relatively little income but significant, non-necessity assets, the court may feel that the debtor should sell the assets and pay the creditor with the money earned from the sale.

The procedure

Instalment payment orders must be made in the course of a legal proceeding started by a creditor. For Small Claims actions, the debtor can ask for such an order at a settlement conference or at the end of a trial. Or, after the judgment, the debtor can apply for a hearing according to procedures set out in Small Claims Rule [5] 12.

For Supreme Court actions, the best time to ask for an order is often in response to a motion by the creditor for a summary judgment or summary trial. The debtor files and delivers a Notice of Application and supporting affidavit in the creditor’s court action, asking for the application to be heard when the creditor’s application is heard.

Similarly, an application could be made in response to a garnishing order (**Court Order Enforcement Act** [2], section 5), an application to sell the debtor’s home (**Court Order Enforcement Act**, section 96), or a subpoena to debtor notice (**Supreme Court Civil Rule** [4] 13-3(11)). These orders are somewhat flexible.

Small Claims Rule 17(3), section 5(3) of the **Court Order Enforcement Act** (in place of garnishment), and Supreme Court Civil Rule 13-3(11) provide authority for a debtor (and creditor) to apply to vary an instalment payment order once the order has been made, and where there is a change in the circumstances of the debtor.
Related topics and materials
See the other sections on going to court:

- Court Process in Consumer and Debt Matters
- Limitations
- Foreign Claims and Judgments
- Contempt of Court

See related topics:

- Assignments in Bankruptcy
- Contract Remedies
- Garnishment and Set-offs

Foreign Claims & Judgments

A “foreign” claim or judgment means a claim or judgment made in a jurisdiction outside the province of British Columbia.

Client problems

- Client tells you that a creditor is trying to collect on a debt or judgment from another province or from the United States.
- Client has been served with legal documents from another province or the United States that show that a creditor is suing or threatening to sue the client in that jurisdiction.
Summary of the law

This section provides a brief introduction to the law on claims and judgments that originate outside BC. In general, you should consult a lawyer about such claims. This section does not cover enforcement of maintenance claims under family law statutes.

A “foreign” claim or judgment is one made in a jurisdiction outside the province of British Columbia. Thus, the province of Alberta is a foreign jurisdiction, as is the state of Washington. There are special rules in common law and in BC’s statute law governing how foreign claims and judgments are handled in BC courts.

The law of foreign claims and judgments is complex. A claim or judgment may eventually be enforceable against the debtor in BC. Debts are not left behind if a debtor moves from Ontario to BC, for example.

If a debt was incurred in a foreign jurisdiction and the debtor is now in BC, the creditor usually has a choice of suing the debtor in the foreign jurisdiction or in BC. If the creditor sues on the debt in BC, the debtor can respond and consider appropriate BC court remedies in the usual way (see the section on the Court Process in Consumer and Debt Matters).

If the creditor sues on the debt in the foreign jurisdiction, the debtor faces the obvious disadvantage of trying to defend or resolve the matter in that jurisdiction. Creditors almost always first sue in the foreign jurisdiction (that is, foreign to the debtor) because it is usually more convenient for them. Just because the debtor does not live there does not mean that the courts there will not let the case go ahead. In general, as long as the creditor satisfies the court that the debt arose in that jurisdiction and that the debtor has been served with the necessary court paperwork for that jurisdiction, the court will give a judgment.

Once a creditor has a judgment in the foreign jurisdiction, they may then take enforcement steps in BC. The law says there are two main ways a creditor can begin enforcement:

• by starting a new legal action using the foreign judgment as a cause of action
• by registering the foreign judgment under provisions in the Court Order Enforcement Act[^1]

Whichever process is used, the debtor faces a further problem: the statute law and case law on enforcing foreign judgments severely restrict the defences the debtor can raise. In general, defences are limited to procedural fairness in how the judgment was taken in the foreign jurisdiction. The trend in Canadian case law has been to restrict the interpretation of instances when those procedural defences are available.
**Information gathering**
Obtain full information on the client’s financial situation, as well as the details of the foreign claim. Be particularly careful about checking the time limits for the debtor to respond to court proceedings in the foreign jurisdiction or in BC.

**Solving the problem**
If there is an issue of liability, whether the client is being sued in the foreign jurisdiction or has had a judgment made there and is now being sued in BC, you should get a lawyer to review the matter. If the client admits the claim (or judgment), you may be able to help arrange a repayment scheme. Alternatively, you may assist the debtor in seeking other financial remedies that include the foreign debt. For example, the debtor can usually include the foreign claim or judgment in an assignment in bankruptcy.

**Related topics and materials**
See the other sections on going to court:
- Court Process in Consumer and Debt Matters
- Limitations
- Instalment Payment Orders
- Contempt of Court

See related topics:
- Assignments in Bankruptcy
- Contract Defences

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**References**
[1] http://canlii.ca/t/84h5

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Contempt of Court

Contempt of court can arise when a party fails to obey an order to appear for a hearing or fails to make a payment on a judgment when they are clearly able to do so.

Client problems

- Client is going to refuse to attend a trial, even though they have received a summons to appear.
- Creditor is threatening to put client in jail unless a debt is paid.
- Judge has told client that they could be jailed if a payment order is not obeyed.
- Client was served with a notice to appear in court, and the bailiff said the client could be arrested and jailed if they do not appear at the hearing.
- Client asks what will happen if they fail to appear for a court hearing for which the client has been given a notice saying that they must appear.
- Client asks what will happen if they refuse to make payments on a judgment, even though there is an ability to pay and an order to make instalment payments.

Summary of the law

Imprisonment for debt was abolished in British Columbia well over a hundred years ago. The principle that a person cannot be imprisoned for debt is specifically stated in s. 51 of the Court Order Enforcement Act [1].

However, a person can be arrested and at least temporarily imprisoned for behaviour that is considered to be in contempt of the legal process. There are provisions in the Civil Resolution Tribunal Act [2], the Small Claims Rules [3] and the Supreme Court Civil Rules [4] that govern contempt in collection matters.

In any level of court, contempt usually arises in one of two situations:

- **Failure to obey an order to appear** for a hearing when there has been proper notice of the hearing.
- **Failure to make a payment** on a judgment when the debtor is clearly able to make payment.
Civil Resolution Tribunal

A person who fails or refuses to comply with an order of the tribunal is liable, on application to the Supreme Court, to be punished for contempt (Civil Resolution Tribunal Act, section 60)\(^5\).

Small Claims Court

Under the Small Claims Rules\(^3\), there are various provisions for arresting someone who has not obeyed a court order or who has not appeared at court as required in a summons. Basically, failure to obey the order or to appear is considered contempt for the court process, and the Rules allow for the person in contempt to be arrested, brought before the court, and, in some instances, imprisoned. The following discussion of the provisions in the Small Claims Rules focuses on the contempt and arrest process, not the purpose of the various hearings described.

Payment hearings

Payment hearings assess a debtor’s ability to pay and consider whether there should be a payment schedule. A debtor can be ordered to attend such a hearing (if, for example, they attended a trial and a payment hearing was ordered for a later date), or served with a summons to attend the hearing. Under Small Claims Rule 12(15), a creditor can request that the court issue an arrest warrant if the debtor did not attend a payment hearing they were ordered to attend or were served with a summons to attend.

Default hearings

Default hearings are held when a judgment debtor has not obeyed a judgment repayment schedule previously ordered by the court (such as at trial or a payment hearing). Under Small Claims Rule 13(9), creditors can ask the court to issue an arrest warrant for people who do not attend default hearings that they were ordered to attend or were served with a summons to attend.

There is a second contempt-related process possible at default hearings: imprisonment for failure to obey the judgment repayment schedule. This can apply if the court decides that the debtor’s explanation, or lack of explanation, of why the payment schedule has not been obeyed is not satisfactory and amounts to contempt of court.

The arrest process

Under Small Claims Rule 14, a person who is ordered to be arrested for contempt is initially notified with an arrest order, and not actually arrested. The person has seven days to arrange with a court registrar to attend court voluntarily. If the person fails to do this, a sheriff or peace officer can arrest the person after that time. If the person is arrested, they must be brought to court right away. The person may be released immediately, with the court making an order that they attend on another date to deal with the matter while the creditor is present.
The imprisonment process

If a warrant for imprisonment is issued at a default hearing for a debtor’s unreasonable failure to pay on a judgment, the person can be arrested within a 12-month period after the order is made. When the debtor is arrested, they can avoid imprisonment by paying the amount shown owing under the order. Rule 15(7) specifically provides that imprisonment under the Small Claims Rules[^3] does not cancel either the debt or any right of the creditor to take steps to collect it.

Contempt rule

A Small Claims Court judge is given additional powers to deal with contempt under Small Claims Rule 19. This rule should be read carefully, as there are considerable consequences for people who are in breach of it. Under Rule 19(1), a judge can order a person to be imprisoned for up to three days for specific contemptuous conduct, including:

- refusing to be sworn (to affirm) at a hearing or refusing to answer a question at a hearing
- refusing to produce a record or other evidence
- failing to obey a direction of a judge
- repeatedly failing without a reasonable excuse to attend court when summoned or ordered

In addition to this remedy, the judge can make an order on the merits of the case (for example, dismissing the claim of a contemptuous plaintiff, or dismissing the reply of a contemptuous defendant).

Supreme Court

Under the Supreme Court Civil Rules[^4], there are various provisions for arresting someone who, among other things, has not obeyed a court order or who has not appeared at court as required in a summons. Basically, failing to obey the order or failing to appear are considered contempt for the court process, and the Rules allow for the party in contempt to be arrested, brought before the court, and, in some instances, imprisoned. The following discussion of the provisions in the Rules focuses on the contempt and arrest process, not the purpose of the various hearings described.

Rule 22-8 governs the contempt process. Being in contempt of a Supreme Court order can be punished by imprisonment or a fine or both. In addition, the judge can make an order on the merits of the case when there is contempt (for example, dismissing the claim of a contemptuous plaintiff, or dismissing the reply of a contemptuous defendant).

Rule 22-8 states that certain acts are in contempt of court, including any act or omission described in Rule 22-7(5) or Rule 12-5(25). The actions listed in these two rules are similar to some of the contemptuous acts outlined under the discussion of contempt for Small Claims Court. They include:

- neglect of a subpoena (official order to attend court) to go to court
- neglect of a subpoena to attend an examination in aid of execution (a post-judgment examination process, governed by Rule 13-4)
- refusal to be sworn (to affirm) or answer questions at trial

The subpoena-to-debtor process (an inquiry into the income, expenses and assets of a judgment debtor) under Rule 13-3 is similar to the payment and default hearing process under the Small Claims Rules[^3]. The subpoena-to-debtor process has specific (and very detailed) rules for arrest for failing to attend a hearing as required, and for unreasonably refusing to pay on an instalment order that may have been made by the court. These are set out in some detail in Rules 13-3(12) to 13-3(26).
Information gathering

Gather and confirm all information on the financial circumstances of the client, including income and expenses, assets and debts, and future prospects for changes in income.

Obtain copies of all documents relevant to the creditor's claim, including correspondence and legal documents. If the client does not have the legal documents, you can obtain copies from the court registry.

You must appreciate that there may be some urgency to the matter. Ensure that the client has not, for example, missed a required court hearing date, or missed a payment under a Small Claims Court payment order or under a Supreme Court subpoena to debtor.

Solving the problem

While many clients may be unhappy with the court process, relatively few act in contempt of it. You may need to explain the contempt process to clients who ask “what if” questions or to clients who openly admit that they are going to act in contempt of the court process.

Only rarely will you be faced with an act of contempt for which the client is facing arrest or imprisonment. In those instances, it is probably more likely that the client has been in contempt out of ignorance, fear or frustration, rather than open defiance of the process. You may be able to facilitate a quick resolution by explaining the client’s responsibility to them and helping them comply with the requirements of the court process. However, if there is an actual defiance of the process, you may only be able to explain the repercussions to the client. If the client continues to act in a contemptuous manner, you may be limited in what you can do, or you could consider involving a lawyer in the matter.

Related topics and materials

See the other sections on going to court:

- Court Process in Consumer and Debt Matters
- Limitations
- Instalment Payment Orders
- Foreign Claims and Judgments

See related topics:

- Bailiffs and Sheriffs

References

[1] http://canlii.ca/t/84h5
Enforcing Court Judgments

Examination of Debtors

Once a creditor has a court judgment against a debtor, the creditor can ask to have an examination of the debtor. This is a hearing to gather information about the debtor’s financial situation and have an order made.

Client problems

• Client has been served court papers requiring them to go to a hearing to answer questions about their ability to pay a court judgment.

Summary of the law

Once a judgment is taken against a debtor, the creditor has a number of legal methods to enforce the judgment. One method, available in both Small Claims Court and Supreme Court, is a kind of enforcement hearing. This is a hearing to gather information about the debtor’s financial situation and have an order made. At this hearing:

• the debtor is questioned about their ability to pay,
• the creditor has an opportunity to find out the financial circumstances of the debtor, and
• the creditor can get a judgment payment order against the debtor.

The proceedings differ somewhat between Small Claims Court and Supreme Court.

Small Claims Rules

The emphasis in the Small Claims Rules[^1] is on the creditor and debtor coming to a payment arrangement. If a judgment is made against a debtor but a payment order was not made at trial, the judgment creditor (the person or organization to whom money is owed), or the judgment debtor can initiate a payment hearing under Small Claims Rule 12.

If a judgment creditor applies for a payment hearing, the judgment debtor is served with a summons for this hearing and must attend. Failure to attend can result in the debtor being declared in contempt of court.

A judgment debtor who wants to apply for a payment hearing must complete a notice under Small Claims Rule 12(10), file it with the court registry, and then serve it on the judgment creditor at least seven days before the payment hearing.

At the hearing, the judge considers the financial circumstances of the debtor and may order a payment schedule.
Supreme Court Civil Rules

Under the Supreme Court Civil Rules [2], there are two examination processes. The Supreme Court process most similar to the Small Claims Court payment hearing is called the subpoena to debtor process. This is outlined in Rule 13-3 of the Supreme Court Civil Rules. Under this process, the judgment debtor (the person who owes money) is summoned to a hearing to look into the debtor's financial situation. If the debtor does not attend, they may be declared in contempt of court. Under the subpoena to debtor process, the registrar (or master) who holds the hearing examines (or allows someone to examine) the debtor. The registrar can make a payment order.

The other examination process, under Rule 13-4, is an examination in aid of execution. At an examination in aid of execution hearing, the judgment creditor (the person or organization to whom money is owed), or its lawyer, asks the debtor questions about the debtor's income, assets and other finances. Usually a court reporter is present to record the questions and answers. For this hearing, the judgment debtor is served with a notice, called an “appointment”, which sets out when and where the hearing will be held.

Information gathering

In some instances, clients may have ignored the legal proceedings taken against them. An examination hearing in either court may be the first hearing they attend. You must get a client's full financial picture, including a history of the court proceedings. Obtain copies of all relevant court documents, either from the client or from the court registry. Be careful to note the date of the hearing.

Solving the problem

If the client has ignored the legal process to date, advocates may need to explain the entire process. It may well be, for example, that a default judgment was taken against the debtor. (You may want to satisfy yourself that, even at this late date, there is no defence or cause of action for the client. There may still be a remote possibility of applying to set aside the default judgment or commencing a legal action against the judgment creditor.)

Explain to the debtor how important it is to attend the hearing. At the same time, review the debtor's circumstances to consider how best to resolve their financial difficulties. If the judgment creditor is the client's only creditor, consider negotiating some kind of financial solution on behalf of the debtor before the hearing. This might mean that the hearing need not be held. If there are other creditors, other types of financial or legal solutions may be necessary.

If an arrangement with the creditor cannot be made, you may be able to assist the debtor in obtaining an instalment payment order at the hearing. Small Claims Court judges can make instalment payment orders at payment hearings, and Supreme Court registrars can make instalment payment orders at subpoena to debtor hearings. You may be able to use these hearings to your client's advantage. An instalment payment order protects the client: in both courts, the creditor cannot take the enforcement process any further so long as the judgment debtor is not in default of the instalment payment order.
Related topics and materials

See the other sections on enforcing court judgments:

- Enforcing Judgments Against Chattels
- Enforcing Judgments Against Land
- Stays of Enforcement

See related topics:

- Contempt of Court
- Court Process in Consumer and Debt Matters
- Instalment Payment Orders

References


Enforcing Judgments Against Chattels

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

An unsecured creditor who obtains a court judgment against a debtor can take action against the personal property (“chattels”) of the debtor.

Client problems

- Creditor has threatened to take the client’s car.
- Client brings you court documents showing a bailiff has taken their chattels.
Enforcing Judgments Against Chattels

Summary of the law

Chattels is a legal term that generally refers to a person’s moveable possessions. The term “chattels” generally does not include possessions that cannot be moved (like “real property”; that is, houses or land). This section deals with the rights of an unsecured judgment creditor to have a debtor’s chattels seized to satisfy a judgment debt. Secured creditors (creditors with a security interest in some or all of a debtor’s chattels) have very different legal rights (see the section on Types of Lenders and Creditors).

Actions against chattels before judgment

In general, an unsecured creditor cannot take action against the chattels of a debtor until a judgment is obtained. Only after a judgment has been granted on a debt claim can a creditor look to the assets of the debtor to satisfy the judgment. Aggressive creditors often threaten action against assets even before a judgment is obtained. (See the section on Harassment by Debt Collectors.) Such threats are usually baseless because seizure of chattels after judgment can usually be avoided.

However, two exceptions allow unsecured creditors to tie up the assets of a debtor while a legal action is pending (that is, before a judgment):

- A pre-judgment garnishment (of a bank account, for example): see the section on Garnishment and Set-offs.
- A Mareva injunction: Mareva comes from a leading British court decision that outlines when a court can order a debtor not to dispose of assets while an unsecured creditor’s claim is being processed in the courts. Mareva injunctions can only be made by Supreme Court judges — not Small Claims Court judges — under complex circumstances, so a client should consult a lawyer if such an injunction has been threatened or issued.

Actions against chattels after judgment

Once a judgment is obtained, a creditor is entitled to a further order for seizing a debtor’s assets to satisfy the judgment. In Supreme Court, such an order is known as a writ of seizure and sale (see Supreme Court Civil Rule [1] 13-2(1)); in Small Claims Court, it is called an order for seizure and sale (see Small Claims Rule [2] 11(12)). The creditor can obtain these orders from court registry staff (a court hearing is not needed). The orders are then delivered to the local court bailiff to carry out.

Sections 47 to 78 of the Court Order Enforcement Act [3] set out the procedure that a court bailiff follows to enforce orders. Usually, the court bailiff requires information from the judgment creditor on which assets may be seized. The asset most likely to be seized after judgment is a car; household goods are not usually worth enough to justify seizure. The Court Order Enforcement Act also allows court bailiffs to seize other assets such as stocks, bonds and promissory notes (enforceable promises to repay a debt or loan).
Property exempt from seizure and sale

Under section 71 of the *Court Order Enforcement Act* [3] and the Court Order Enforcement Exemption Regulation [4], a debtor may exempt certain goods and chattels from being seized and sold:

- household furnishings and appliances to a value of $4,000
- one motor vehicle up to a value of $5,000 ($2,000 if the debtor is required to pay child or spousal support under an order)
- $10,000 for tools and other personal property of the debtor that are used by the debtor to earn income from their occupation
- necessary clothing for the debtor and their dependents
- medical and dental aids required by the debtor and their dependents

When carrying out personal property seizures, the court bailiff must allow the debtor to select goods and chattels to this exemption level. Under the *Court Order Enforcement Act*, section 73(2), the judgment debtor must make a claim for exemption within two days after the seizure (or notice of the seizure). This exemption has been strictly interpreted by the courts — the exemption is lost if the claim is not made in time.

The *Court Order Enforcement Act* does not provide detailed procedures for claiming the exemption, however. The court bailiff is directed to make a list of the items claimed if the debtor does not deliver one, but as a precaution, it is a good idea to make a list, file it in the court registry, and then personally deliver a copy to the court bailiff — all within the time limit.

If there is a question about the value of assets or ownership of assets, the court bailiff will not actually take possession of the assets, but may seize them in name only. The bailiff does this by having the debtor sign a notice acknowledging the seizure and that the debtor is holding the assets for the court bailiff until the value or ownership is settled. This process is commonly known as a “walking seizure”.

Sections 74 to 78 of the *Court Order Enforcement Act* provide a somewhat cumbersome process for valuing assets if the court bailiff and the debtor disagree over how much property can be claimed as exempt. Advocates rarely need to resort to this process.

The *Court Order Enforcement Act* allows an exemption to be claimed over a debtor’s equity in secured goods. Say, for example, a debtor owns a car worth $10,500. Assume there is $5,000 outstanding on a security agreement with a creditor (other than the judgment creditor). The difference between the value of the car and the amount owed to the secured creditor is considered to be the judgment debtor’s equity in the car. In practical terms, this is the amount of money that the debtor could get after paying off the secured creditor if they sold the car.

If the car were a judgment debtor’s only asset, it probably would not be worth seizing under an order for seizure and sale, even though it is worth (and could be sold for) $10,500. This is because the secured creditor is entitled to be paid in full first (that is, $5,000). Then the debtor could claim the $5,000 exemption (reduced to $2,000 if they are a maintenance debtor). Court bailiff costs would probably take up the rest of the $500 balance.

The matter becomes more complicated when the judgment creditor has a judgment against two debtors who own property jointly. The most common example is when spouses who are joint judgment debtors own household assets and a vehicle jointly. The law appears to allow the spouses to combine their exemption claims in this situation, so that, in total, they could claim $8,000 worth of household goods as exempt between them.

Other exemptions under BC and federal law may provide additional exemptions for a judgment debtor against any form of judgment enforcement, including seizure by a court bailiff and garnishment:

- The *Insurance Act* [5] exempts payments from insurance companies under certain annuity contracts.
- The *Credit Union Incorporation Act* [6] exempts certain credit union shares.
• Under the *Indian Act* [7] (Canada), real and personal property of a status Indian or a band situated on a reserve is not subject to seizure, except by other Indians.
• Provincial laws exempt the pensions of teachers and provincial and municipal employees.
• Provincial laws exempt welfare benefits.
• Federal laws exempt Employment Insurance payments, Canada Pension Plan benefits, veterans allowances, and Old Age Security payments.
• The *Court Order Enforcement Act* exempts RRSPs, RRIFs, and DPSPs (Deferred Profit Sharing Plans).

Consult a lawyer about how these laws might apply.

**Information gathering**

Gather and confirm all information on the financial circumstances of the client, including income and expenses, assets and debts, and future prospects for changes in income. Obtain copies of all court documents, particularly copies of the court judgment, the seizure and sale order, and any notice of possession signed by the judgment debtor.

**Solving the problem**

Assess two matters immediately:

• when the seizure, if any, was made
• whether there are other creditors aside from the judgment creditor issuing the order for seizure and sale

You must determine the date of the seizure to ensure that the debtor's exemption claim is made within the two-day time limit. If there is any doubt, the debtor should make a claim immediately, after which you can determine the most appropriate remedy for the client.

Determining if there are other creditors is important when you are deciding what remedy to recommend. If there is only the judgment creditor, you may be able to focus on negotiated remedies such as a repayment agreement, or court remedies such as an instalment payment order. If there are several creditors, you may need to consider more global remedies such as debt pooling (see the section on the Debtor's Options for Getting Out of Debt), or remedies under the *Bankruptcy and Insolvency Act* [8] (see the sections on Assignments in Bankruptcy and Consumer and Ordinary Proposals).

**Related topics and materials**

See the other sections on enforcing court judgments:

• Examination of Debtors
• Enforcing Judgments Against Land
• Stays of Enforcement

See related topics:

• Bailiffs, Court Bailiffs and Sheriffs
• Garnishment and Set-offs
• Harassment by Debt Collectors
• Instalment Payment Orders
• Recovery of Goods
• Repairers' Liens
• Security Agreements
Enforcing Judgments Against Land

This information applies to British Columbia, Canada. Last reviewed for legal accuracy by Alison Ward in August 2018.

An unsecured creditor who obtains a court judgment against a debtor can bring an enforcement action against land owned by the debtor.

Client problems

• Creditor has threatened to take a client's house, or to foreclose or repossess the house.
• Client brings court documents showing the creditor has started a foreclosure action or an action to have the client's house sold under the Court Order Enforcement Act[1].

Summary of the law

Foreclosures and enforcement actions are the two main legal proceedings that creditors may bring against a home that a debtor owns. It is important to understand the differences between the proceedings.

Difference between foreclosure and an enforcement action

Foreclosure is a proceeding brought by a creditor who has a mortgage interest in a property. Usually, when a person borrows money to buy a home, they have to give the lender a mortgage over the home as security. If the borrower defaults, the lender can bring a legal action to take (or "foreclose") the property and, at the same time, get a judgment for the money owed. See the Mortgages and Foreclosure section for details.
An enforcement action is a proceeding brought by an unsecured creditor who has obtained a judgment against a debtor. An unsecured creditor does not have a mortgage as security. The creditor must first get a judgment, and then bring the enforcement action against property owned by the debtor.

**Procedure for an enforcement action**

**Starting an enforcement action**

Enforcement actions for the sale of land must be brought in Supreme Court under sections 92 to 113 of the *Court Order Enforcement Act* [1]. These sections provide a code for the procedure for having the property sold. The judgment creditor’s first step is to register the judgment against the debtor’s property in the Land Title Office.

If the judgment that the creditor is seeking to enforce by the sale of land was obtained in Small Claims Court, the creditor must begin a Supreme Court action under the *Court Order Enforcement Act* to force the sale of the property.

If the judgment that the creditor is trying to enforce by the sale of land was obtained in Supreme Court, the creditor need only file a Notice of Application in the Supreme Court action between the creditor and debtor.

**Hearing of the enforcement action**

At the first hearing (called a “show cause” hearing), the debtor must show why the property should not be sold to satisfy the judgment. It is difficult, though not impossible, for debtors to convince the judge to dismiss the creditor’s action. Under s. 96(2) of the *Court Order Enforcement Act*, if the home of the judgment debtor is on the land, the court may defer the sale depending on how the judgment debtor responds to the terms and conditions, usually instalment payments, set by the court.

Most often, the judge makes an order for the next hearing in the process. This is a hearing before a registrar held in a more informal setting. The registrar hears evidence on matters such as the value of the property, what creditors have claims (and for how much) against the property, and the debtor’s financial circumstances.

The registrar writes a brief report, files it in the court file, and sends a copy to both the creditor and the debtor. Then the creditor has to file an application for the final court hearing before a judge. At that final hearing, the judge reviews the registrar’s report and decides whether to make an order to have the property sold.

**If an enforcement order is made**

If the order to sell the property is made, the creditor can proceed with the sale by forwarding a copy of the sale order to the local court bailiff. The court bailiff usually arranges for a real estate agent to sell the property.

Under the Court Order Enforcement Exemption Regulation [2], a judgment debtor whose principal residence is located within the Metro Vancouver or Victoria areas may claim $12,000 equity that is exempt from seizure. Judgment debtors living outside these areas may claim an exemption of $9,000 equity in their principal residences.

**If the debtor shares ownership in the property**

If the debtor’s interest in the land is a joint tenancy or tenancy in common, rather than the entire title, a creditor can still take enforcement action. Essentially, the process is the same, except that if one of the co-owners of the property is not a judgment debtor, then only the interest of the judgment debtor is subject to sale. The buyer/new owner may be the judgment creditor, the non-creditor owner, or a third party. If the new co-owners are not compatible, either one of them may apply for a sale of the entire ownership of the property under the *Partition of Property Act* [3].
Information gathering

Learn all the circumstances

Confirm which parties the creditor is making a claim against. For example, is the claim against one of two spouses? Is it against both spouses? Is it against guarantors?

Confirm whether any legal action against the debtor has begun. If a legal action has been started, confirm the nature of the proceedings and the stage the proceedings are at.

Obtain all the facts on the history of the dealings between the debtor and the creditor.

Obtain all the facts on the debtor’s financial circumstances, including income and expenses, assets and debts, and future financial prospects.

If the creditor holds a mortgage and has started a foreclosure, the debtor will be served with a foreclosure petition. If the creditor does not have a mortgage, then a Small Claims Court or Supreme Court action for a judgment must be started first. The proceeding for enforcement against the land is taken after judgment.

Confirm with the debtor what legal documents have been served. If necessary, conduct a search at the court registry for legal documents.

Consider conducting a Land Title Office search of the debtor’s property to confirm all the charges against the title.

Practical realities

The most significant issue in an enforcement action against land is the equity the debtor has in the land. For this reason, you must obtain a realistic appraisal of the property. The most recent statement from the BC Assessment Authority can help. Alternatively, you could use a real estate agent or qualified appraiser.

Enforcement actions against land are relatively rare because often there is little equity in the land for either the debtor or the creditor. Small amounts of equity ($12,000 in the Metro Vancouver and Victoria areas, and $9,000 elsewhere in the province) are exempt from execution under the Court Order Enforcement Exemption Regulation [2].

Often, other creditors’ rights may have priority over an unsecured creditor with a judgment registered against the land. In general, if these creditors’ claims were registered against the title to the land before the unsecured creditor’s judgment was registered, the holders of these claims are entitled to be paid in full out of any enforcement action sale before any money is paid to the judgment creditor.

Many different types of creditors can have priority, including:

- creditors holding mortgages
- government authorities with claims for taxes (for example, a municipality owed property taxes or the federal government owed income taxes)

Also, the costs of the sale (including lawyers’ fees, court bailiff sale fees, and any real estate agent fees) have to be paid before the judgment creditor is paid.

If there are other judgment creditors on title, a judgment creditor may get little out of an enforcement proceeding. By law, if one judgment creditor brings an enforcement action, all the judgment creditors who have registered their judgments against the land get a share of the sale proceeds based on the size of their claim. There is no priority of time among judgment holders, as there is with most other creditors. This means that if a creditor with a relatively large judgment registered against the land after a creditor with a small judgment, the former still gets a proportionally larger share of the sale proceeds available after the priority creditors (those who are judged to be entitled to be paid first) are paid in full.
Solving the problem

Review all of the debtor’s financial circumstances. If there are other creditors, consider a remedy (see the section on Debtor’s Options for Getting Out of Debt) that includes all creditors.

Consider whether it is feasible for the debtor to sell the property and pay off all creditors.

If there is only one significant creditor, consider negotiating a financial solution that works for the debtor’s circumstances. This might include:

• making a settlement
• temporarily lowering instalment payments
• temporarily suspending payments
• granting additional security to the creditor

If no financial solution is possible because the debtor has no foreseeable ability to pay on the judgment, it may still be possible to convince the creditor to suspend the enforcement action if you can show the creditor that there will be little equity available for the judgment.

As a final alternative, the debtor can defend against the enforcement action. This might be possible if:

• there appears to be some equity in the property for the judgment creditor, and
• the debtor has no foreseeable ability to pay on the judgment.

Based on the case law, there are a number of possible outcomes. In extreme circumstances, the court might be persuaded to dismiss the action at the show cause stage if a sale would produce extreme hardship for one or more of the judgment debtors.

The court might be persuaded to order a deferral of the sale at the final hearing when the registrar’s report is considered. Section 96 of the Court Order Enforcement Act[1] provides in part: “where a premises situated on the land … of a judgment debtor is the home of the debtor, the court may defer the sale, subject to the performance by the judgment debtor of terms and conditions of payment or otherwise as the court imposes.”

The court might be persuaded to defer the order for sale to allow the debtor to try to sell the property. The advantage of this approach is that the debtor may be able to get a better price for the property than if the property is sold by the court bailiff.

Related topics and materials

See the other sections on enforcing court judgments:

• Examination of Debtors
• Enforcing Judgments Against Chattels
• Stays of Enforcement

See related topics:

• Bailiffs, Court Bailiffs and Sheriffs
• Court Process in Consumer and Debt Matters
• Mortgages and Foreclosure
• Instalment Payment Orders
• Lawyers’ Fees

[1] Consumer and Debt Law © People's Law School is, except for the images, licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International Licence.
Stays of Enforcement

In limited instances, a court may be persuaded to order a stay of enforcement, prohibiting a creditor from taking judgment enforcement steps against a debtor.

Client problems

- One or more creditors is demanding payment or suing the client for debts the client does not dispute.
- Client has little or no income to pay on their debts.
- Client has little future prospect of being able to pay on their debts.

Summary of the law

Once a creditor has a judgment against a debtor, the creditor can usually take judgment enforcement steps, such as garnishment or seizure of assets. There are exceptions to this general rule. For example, courts may order a stay of enforcement (the order is postponed):

- when a party has begun appeal proceedings, or
- when a debtor invokes remedies under the Bankruptcy and Insolvency Act[1], such as an assignment in bankruptcy or consumer proposal.

This section describes the limited instances where, in the absence of an appeal or any viable remedy being open to the debtor, the court may be persuaded to make an order specifically prohibiting the creditor from taking judgment enforcement steps. (Historically, this has been called a “stay of execution”. For the purposes of this publication, we use the term "stay of enforcement").

References

[1] http://canlii.ca/t/84h5
Authority for stay of enforcement orders

There does not appear to be any direct authority in the Small Claims Act[2] to order a stay of enforcement proceeding. It does appear that a Small Claims Court judge could achieve the same end, essentially, by ordering a very nominal payment schedule under Small Claims Rule 11 (for example, a judgment payable at $1 per year).

Under section 48 of the Court Order Enforcement Act[3], a court “may provide that an order is payable by instalments or may suspend execution for the time it considers proper.”

Under Supreme Court Civil Rule[4] 13-2(31), at the time of judgment or any time after, a judge may order a stay of enforcement of the judgment.

Granting of stay of enforcement orders

There is relatively little case law on stays of enforcement that does not involve an appeal. However, at least two BC cases demonstrate the possible use of the remedy. In Bank of Montreal v. Price, the defendant brought third-party proceedings against his son and former daughter-in-law. The court ordered a five-year stay of enforcement against the former daughter-in-law, taking into consideration her inability to pay, her marital circumstances (divorced with custody of a child), and the close family relationship between the parties.

In Caisse Populaire Maillardville v. Frigon, the court refused an application for a stay of enforcement, finding no special circumstances, even though the defendant argued that the eventual disposition of a related court action between the parties in his favour would allow him to sell property and pay the plaintiff’s judgment.

Information gathering

There are two important aspects of fact gathering when considering an application for a stay of enforcement:

• the long-term financial circumstances of the client
• the level of court where the creditor is making the claim

Advocates should obtain a complete financial picture of the client, including income and expenses, and assets and liabilities. It is particularly important to determine whether there are any other creditors and the extent of the debtor’s assets. For this remedy to be viable, it should be evident that the client has little or no ability to pay the creditor’s claim, and that there are no other practical remedies available to the debtor.

Court-level information is important because it governs what procedures to follow when applying for an instalment payment order. If the client has been sued, obtain all the relevant court documents from the client or from the court registry.

If the client has not been sued, determine the amount owing to anticipate in which court an action might be brought.
Solving the problem

Before making an application for a stay of enforcement, consider whether a stay can be negotiated with the creditor. You may be able to explain to the satisfaction of the creditor that the debtor has no ability to pay on the debt, and is unlikely to have any future ability to pay. The creditor may agree to suspend collection efforts in exchange for the debtor agreeing to tell the creditor of any change in circumstances.

This approach may be successful, for example, if a client is on welfare or other income support scheme, and if it is clear to the creditor that enforcement steps are not likely to produce any results.

If the debtor is being sued in Small Claims Court, the judge might be asked to order a stay or to make a nominal payment schedule order. In Supreme Court, the debtor would file a Notice of Application with a detailed supporting affidavit in response to the creditor's application for judgment.

Related topics and materials

See the other sections on enforcing court judgments:

- Examination of Debtors
- Enforcing Judgments Against Chattels
- Enforcing Judgments Against Land

See related topics:

- Assignments in Bankruptcy
- Consumer and Ordinary Proposals
- Garnishment and Set-offs
- Instalment Payment Orders

References

[1] http://canlii.ca/t/7vcz
Part 5. Laws & Cases

Consumer & Debt Laws

These federal and provincial laws are discussed in Consumer and Debt Law.

Federal laws

• Bank Act[1], SC 1991, c 46
• Bankruptcy and Insolvency Act[2], RSC 1985, c B-3
• Bills of Exchange Act[3], RSC 1985, c B-4
• Competition Act[4], RSC 1985, c C-34
• Cost of Borrowing (Banks) Regulations[5], SOR/2001-101 [Bank Act[1]]
• Criminal Code[6], RSC 1985, c C-46
• Indian Act[7], RSC 1985, c I-5
• Interest Act[8], RSC 1985, c I-15
• Tax Rebate Discounting Act[9], RSC 1985, c T-3

Provincial laws

• Business Practices and Consumer Protection Act[10], SBC 2004, c 2
• Court Order Enforcement Act[12], RSBC 1996, c 78
• Court Order Enforcement Exemption Regulation[13], BC Reg 28/1998 [Court Order Enforcement Act[12]]
• Employment and Assistance Act[15], SBC 2002, c. 40
• Family Maintenance Enforcement Act[16], RSBC 1996, c 127
• Family Maintenance Enforcement Act Regulation[17], BC Reg 346/88 [Family Maintenance Enforcement Act[16]]
• Financial Administration Act[18], RSBC 1996, c 138
• Fraudulent Conveyance Act[19], RSBC 1996, c 163
• Fraudulent Preference Act[20], RSBC 1996, c 164
• Infants Act[21], RSBC 1996, c 223
• Law and Equity Act[22], RSBC 1996, c 253
• Legal Profession Act[23], SBC 1998, c 9
• Legal Services Society Act[24], SBC 2002, c 30
• Limitation Act[25], RSBC 1996, c 266
• Limitation Act[26], SBC 2012, c 13
• Mortgage Brokers Act[27], RSBC 1996, c 313
• Motor Dealer Act Regulation[28], BC Reg 447/1978 [Motor Dealer Act[29]]
• Motor Vehicle Act[30], RSBC 1996, c 318
• Partition of Property Act[31], SBC 1996, c 347
• **Personal Information Protection Act**[^33], SBC 2003, c 63
• **Personal Property Security Act**[^34], SBC 1996, c 359
• **Property Law Act**[^35], RSBC 1996, c 377
• **Repairers Lien Act**[^36], RSBC 1996, c 404
• **Sale of Goods Act**[^37], RSBC 1996, c 410
• **Sheriff Act**[^38], RSBC 1996, c 425
• **Small Claims Rules**[^39], BC Reg 261/1993 [Small Claims Act[^40]]
• **Supreme Court Civil Rules**[^41], BC Reg 168/2009 [Court Rules Act[^42]]
• **Travel Industry Regulation**[^43], BC Reg 296/2004 [Business Practices and Consumer Protection Act[^10]]
• **Warehouse Lien Act**[^44], RSBC 1996, c 480

References

[^1]: http://canlii.ca/t/7vqm
[^2]: http://canlii.ca/t/7vcz
[^3]: http://canlii.ca/t/7vd0
[^4]: http://canlii.ca/t/7vdv
[^5]: http://canlii.ca/t/7xm3
[^6]: http://canlii.ca/t/7vf2
[^7]: http://canlii.ca/t/7vhk
[^8]: http://canlii.ca/t/7vh8
[^9]: http://canlii.ca/t/7vm3
[^10]: http://canlii.ca/t/84mr
[^11]: http://canlii.ca/t/52v92
[^12]: http://canlii.ca/t/84h5
[^13]: http://canlii.ca/t/858w
[^14]: http://canlii.ca/t/85bb
[^15]: http://canlii.ca/t/84l7
[^16]: http://canlii.ca/t/840n
[^17]: http://canlii.ca/t/85ht
[^18]: http://canlii.ca/t/8411
[^19]: http://canlii.ca/t/841z
[^20]: http://canlii.ca/t/8420
[^21]: http://canlii.ca/t/8446
[^22]: http://canlii.ca/t/8459
[^23]: http://canlii.ca/t/84jt
[^24]: http://canlii.ca/t/84i5
[^25]: http://canlii.ca/t/845q
[^26]: http://canlii.ca/t/8qx3
[^27]: http://canlii.ca/t/847h
[^28]: http://canlii.ca/t/85q5
[^29]: http://canlii.ca/t/847i
[^30]: http://canlii.ca/t/847n
[^31]: http://canlii.ca/t/848q
[^32]: http://canlii.ca/t/89jw
[^33]: http://canlii.ca/t/84mg
[^34]: http://canlii.ca/t/8495
[^35]: http://canlii.ca/t/849t
[^36]: http://canlii.ca/t/84bv
[^37]: http://canlii.ca/t/84c2
[^38]: http://canlii.ca/t/84cl
[^39]: http://canlii.ca/t/8571
Cases

These cases are discussed in *Consumer and Debt Law*. Links are provided to the text of those cases available on CanLII.

- *Accent Leasing & Sales Ltd. v. Babic and Bryant* [2], 2007 BCSC 148; see also *DaimlerChrysler Services Canada Inc. v. Cameron* [3], 2007 BCCA 144 and *Mercedes Benz Financial v. Wager* [4], 2010 BCSC 1090
- *Metropolitan Toronto (Municipality) v. O’Brien* [8], (1995) 23 OR (3rd) 543 (SC)
- *R. v. Doucette* [11], 1960 CanLII 138 (Ont CA)
- *R. v. Ens* [12], [1980] 1 WWR 639 (Sask Dist Ct)
- *Re Halverson* [14], 2011 BCSC 1160
- *Roman v. Motorcar Loan Company Limited and Burns*, [1930] BCJ No. 46 (March 4, 1930) (CA)
- *Royal Bank v. McLennan* [15], [1918] BCJ No. 65 (November 21, 1917, and January 28, 1918) (SC & CA)
- *Rushak v. Henneken* [16], 1991 CanLII 178 (BCCA)
- *Shane v. Kazakoff* [17], 1990 CanLII 822 (BCSC)
- *Tilden Rent-A-Car v. Clendenning* [18], (1978) 18 OR (2d) 601 (CA)
- *Toban v. Total Credit Recovery* [19], 2001 BCPC 465 (CanLII)
- *Total Credit Recovery v. Roach* [20], 2007 BCSC 530
- *Waters v. Sun Route Tours Inc* [21], 1994 CanLII 1369 (BCSC)
Note that virtually all of these cases can be accessed through Quicklaw\textsuperscript{[22]}, available at no cost in courthouse libraries\textsuperscript{[23]} around the province. Many of the cases are available in printed law reports available in courthouse libraries. In a few instances, cases prior to 1990 are "unreported" and so are not available from any reporting service.

References

[1] http://www.canlii.org
[2] http://canlii.ca/t/1t3x2
[3] http://canlii.ca/t/1qs1w
[5] http://canlii.ca/t/1d1x7
[7] http://canlii.ca/t/1frqh
[8] http://canlii.ca/t/1vt5n
[9] http://canlii.ca/t/gd7z1
[10] http://canlii.ca/t/gwhk1f
[12] http://canlii.ca/t/g8q91
[16] http://canlii.ca/t/1d8t6
[17] http://canlii.ca/t/1dtzt
[18] http://canlii.ca/t/g1bx1
[19] http://canlii.ca/t/1ndh1
[20] http://canlii.ca/t/1r7pw
[21] http://canlii.ca/t/1dm18
[23] https://www.courthouselibrary.ca/
Part 6. Resources

Agencies that Help

In assisting a client with consumer or debt law problems, you may consider referring the client to another individual or agency. Ensure that referrals are in the best interests of the client — you should be satisfied that a referral will likely result in the resolution of the client’s problem, rather than a further referral or a dead end. Avoid simply "unloading" troublesome clients onto other agencies.

It may be useful to meet periodically with, or at least obtain literature on, individuals or agencies to whom you make referrals, so you are clear about when it is appropriate to make referrals. In general, referrals may be appropriate when:

- The problem requires legal knowledge beyond your experience (refer to supervising lawyers, other poverty law lawyers, or lawyers in private practice willing to take the case).
- The problem can best be resolved by a government agency with the authority to impose a remedy, such as the Information Commissioner for BC\(^1\) or Consumer Protection BC\(^2\).
- You are aware that a professional association or trade organization has the authority or a reputation for resolving complaints (for example, the Law Society of BC\(^3\) for lawyers, the Better Business Bureau\(^4\) for local businesses, or the Vehicle Sales Authority of BC\(^5\) for car dealers).

Two valuable resources for finding the names, addresses and phone numbers of the agencies referred to in this publication are the:

- Consumer Help web pages\(^6\) provided by Consumer Protection BC.
- *BC Legal Directory*\(^7\) published by the BC Branch of the Canadian Bar Association.

References

\(^1\) https://www.oipc.bc.ca/
\(^2\) https://www.consumerprotectionbc.ca/
\(^3\) https://www.lawsociety.bc.ca/
\(^4\) https://www.bbb.org/en/ca/bc
\(^5\) https://mvsabc.com/
\(^6\) https://www.consumerprotectionbc.ca/consumer-help/
\(^7\) https://www.cbabc.org/Directory/Home
Other Resources

The following sources provide information on consumer or debt law in British Columbia.

**Consumer Protection BC**

Their website [1] is a good source of information about consumer law issues, including emerging trends.

**Clicklaw**

Clicklaw is a website [2] operated by Courthouse Libraries BC to provide access to legal information for the layperson. It covers many topics, including consumer law and debt law.

**Continuing Legal Education Society of BC**


**Courthouse Libraries BC**

With libraries across the province [6], Courthouse Libraries offers legal professionals and the public access to in-depth legal publications, in print and online. *British Columbia Debtor-Creditor Law and Precedents* [7] (Carswell, looseleaf) by Lyman R. Robinson, QC, is a leading text on all aspects of BC credit and debt law. For help with understanding legal terminology, see the *Dictionary of Canadian Law* [8] (by Daphne Dukelow) and *Black's Law Dictionary* [9] (edited by Bryan A. Garner) for US terminology.

**Law Society of BC**

The Law Society publishes the materials for the Professional Legal Training Course. The course materials are available on the society’s website [10] and in courthouse libraries [11].

**Legal Services Society**

The legal aid provider in BC offers information on debt-related topics. Their MyLawBC website includes a “guided pathway” on missed mortgage payments [12], which can help people identify their options if they’re having difficulty making mortgage payments. The LSS booklet *Can’t Pay Your Mortgage? What You Can Do If You’re Facing Foreclosure* [13] explains what a homeowner can do when lenders try to take their home. LSS' Family Law in BC [14] website includes fact sheets and self-help guides on family support payments.
People’s Law School

Their website[^15] includes extensive coverage of consumer and debt-related legal problems. Aimed at helping the public effectively deal with the legal problems of daily life, the site offers template letters and step-by-step guidance.

UBC Law Students’ Legal Advice Program (LSLAP)

LSLAP has a manual on various legal topics, including consumer protection and debtors’ remedies. The manual can be accessed online[^16].

[^15]: http://www.peopleslawschool.ca
[^16]: https://www.clicklaw.bc.ca/organization/solveproblems/1010

References

[2] https://www.clicklaw.bc.ca/
[3] https://www.cle.bc.ca/
[10] https://www.lawsociety.bc.ca/becoming-a-lawyer-in-bc/admission-program/professional-legal-training-course/mltc-practice-material/
[12] https://www.clicklaw.bc.ca/resource/4284
[13] https://www.clicklaw.bc.ca/resource/1037
[16] https://www.clicklaw.bc.ca/organization/solveproblems/1010

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