

**INTRODUCTION**

- [1] The Tenants seek the return of their security deposit, plus interest, and compensation of double their security deposit, totalling \$939.01.

**DISPOSITION**

- [2] I find that the Landlord will return the security deposit, plus interest, and compensation of double the security deposit, totalling \$939.01.

**BACKGROUND**

- [3] The Unit is an apartment in a multi-unit building (the "Residential Property").
- [4] On June 1, 2011, the Tenants and a previous landlord entered into a written, fixed-term tenancy agreement for the Unit, from June 1, 2011, to May 31, 2012. The tenancy agreement then continued on a month-to-month basis. The parties dispute whether a \$435.00 security deposit was paid to the previous landlord.
- [5] On December 1, 2023, the Landlord took ownership of the Residential Property, and the tenancy agreement continued. Rent was \$1,007.00 monthly.
- [6] The Tenants moved out of the Unit on December 31, 2024, and the tenancy ended by mutual agreement.
- [7] On February 27, 2025, the Tenants filed a *Form 2(A) Tenant Application to Determine Dispute* (the "Application") with the Residential Tenancy Office (the "Rental Office"), seeking the return of double their security deposit.
- [8] On April 11, 2025, the Rental Office provided the parties with notice of a teleconference hearing scheduled for May 6, 2025.
- [9] On April 24, 2025, the Rental Office emailed a 25-page PDF to the Landlord (the "Evidence Package").
- [10] On April 25, 2025, the Rental Office provided the Tenants with a printed copy of the Evidence Package.
- [11] On May 6, 2025, the Tenants and the Representative participated in a teleconference hearing. The parties stated they received a copy of the Evidence Package and that all evidence submitted was included.

**ISSUES**

- A. Must the Landlord return the security deposit, plus interest, to the Tenants?
- B. Must the Landlord compensate the Tenants double the security deposit?

**ANALYSIS****A. Must the Landlord return the security deposit, plus interest, to the Tenants?**

- [12] The Tenants stated that they were seeking the return of the security deposit. When they moved into the Unit, they paid \$435.00 to the previous landlord's property manager. The Tenants stated that the submitted tenancy agreement shows that a \$435.00 security deposit was required and that they would not have been allowed to move into the Unit if they had not paid it.

- [13] The Tenants stated that they paid the previous property manager in cash and paid four \$100.00 bills, a \$20.00 bill, a \$10.00 bill, and a \$5.00 bill. They stated that they had asked the property manager several times for a receipt, but they were never provided one.
- [14] The Representative stated that when the Landlord purchased the Residential Property from the previous landlord, a record of all the tenant's security deposits was provided to the Landlord. The Representative stated that the records show that the Tenants had not paid a security deposit. She stated that she had inquired further into the matter, but she could find no record that a security deposit had been paid.
- [15] The Representative stated that the tenancy agreement notes that a security deposit "*has been/is to be paid*" and does not state that the security deposit was in fact paid.
- [16] I find that the Tenants have provided sufficient evidence, on a balance of probabilities, that they paid a \$435.00 security deposit to the previous landlord. The Tenants testified that they had paid the security deposit in cash and recalled the denominations of the money they had paid.
- [17] Although the tenancy agreement states that a \$435.00 security deposit "*has been/will be paid*," I note that it is common practice for landlords to require the payment of a security deposit before giving a tenant access to a rental unit. I find that there is insufficient evidence to establish that the previous landlord would not have followed this common practice.
- [18] Section 104 of the *Residential Tenancy Act* (the "Act") states that a landlord's obligations under this Act with respect to a security deposit pass to a person who acquires the landlord's interest in the rental unit. As a result, the Landlord is responsible for the security deposit paid to the former landlord.

**B. Must the Landlord compensate the Tenants double the security deposit?**

- [19] Subsection 11(5) of the Act states:

*Where a landlord is replaced by a new landlord, the new landlord shall as soon as practicable provide the tenant with a written notice*  
*(a) containing the information set out in clauses (2)(b) and (e); and*  
*(b) stating the amount of the security deposit held under section 14 and the interest credited under subsection 14(9) to the date when the new landlord replaced the previous landlord.*

- [20] I find that there is insufficient evidence to establish that the Landlord complied with clause 11(5)(b) when the Landlord replaced the previous landlord. If the Landlord had advised the Tenants of the zero-dollar security deposit amount under clause 11(5)(b), this matter could have been addressed by the parties soon after the Landlord purchased the Residential Property in 2023.
- [21] If the parties disagreed whether a security deposit was paid or not, the Landlord could have requested a determination from the Rental Office, and this could have assisted the Landlord in being aware of their obligations at the end of the tenancy respecting the security deposit.
- [22] Section 40 of the Act addresses the retention and return of a security deposit. After the tenancy ended, the Landlord had 15 days to either return the security deposit to the Tenants or apply with the Rental Office to keep the security deposit. In this case, the Landlord did not return the security deposit or apply with the Rental Office.
- [23] No earlier Rental Office decisions authorize the Landlord to keep the security deposit. At the end of the tenancy, the parties did not enter into a written agreement permitting the Landlord to keep the security deposit.

- [24] I find that the Landlord did not comply with the Section 40 requirements for keeping the security deposit. Therefore, by operation of law, the Landlord must compensate the Tenants double their security deposit under subsection 40(4) of the Act.

**CONCLUSION**

- [25] I find that the Tenant Application is allowed.
- [26] I find that the Landlord will return the security deposit of \$435.00, plus interest of \$69.01, and compensation of double the security deposit of \$435.00, totalling \$939.01, by the timeline below.

**IT IS THEREFORE ORDERED THAT**

1. The Landlord will pay the Tenants \$939.01 by June 30, 2025.

**DATED** at Charlottetown, Prince Edward Island, this 30th day of May, 2025.

(sgd.) Mitch King

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Mitch King

Residential Tenancy Officer

**NOTICE**

**Right to Appeal**

This Order can be appealed to the Island Regulatory and Appeals Commission (the "Commission") by serving a Notice of Appeal with the Commission and every party to this Order within **20 days of this Order**. If a document is sent electronically after 5:00 p.m., it is considered received the next day that is not a holiday. If a document is sent by mail, it is considered served on the third day after mailing.

**Filing with the Court**

If no appeal has been made within the noted timelines, this Order can be filed with the Supreme Court of Prince Edward Island and enforced as if it were an order of the Court.