

INTRODUCTION

- [1] This decision determines two applications filed with the Residential Tenancy Office (the "Rental Office") under the *Residential Tenancy Act* (the "Act").
- [2] The Tenants seek the return of the security deposit balance, plus additional compensation for being evicted for the Landlords' possession of the Unit and for a bad-faith eviction, for a total claim of \$14,659.50.
- [3] The Landlords seek to keep the security deposit balance of \$230.00 for cleaning.

DISPOSITION

- [4] The Landlords must pay the Tenants \$10,380.29 by the timeline below
- [5] The Landlords' compensation claim is denied.

BACKGROUND

- [6] The Unit is a single-family house owned by the Landlords.
- [7] On August 26, 2024, the parties entered into a written fixed-term tenancy agreement for the Unit effective from October 1, 2024, to September 30, 2025. Rent of \$3,500.00 was due on the first day of the month. A security deposit of \$3,500.00 was paid by September 27, 2024.
- [8] On April 2, 2025, the Landlords served the Tenants with a *Form 4(B) Eviction Notice* for the Landlords' possession, effective September 30, 2025 (the "Notice").
- [9] The parties agree that the tenancy ended by mutual agreement, but dispute its end date.
- [10] On September 20, 2025, the Landlords returned \$3,349.73 of the security deposit to the Tenants.
- [11] On September 24, 2025, the Tenants filed a *Form 2(A) Tenant Application to Determine Dispute* with the Rental Office seeking the return of the security deposit balance plus additional compensation (the "Tenant Application"). The Landlords were served by email on September 26, 2025.
- [12] On November 4, 2025, the Rental Office sent the parties notice of a teleconference hearing scheduled for December 18, 2025.
- [13] On December 10, 2025, the Rental Office sent the parties notice of a rescheduled teleconference hearing for January 22, 2026.
- [14] On December 24, 2025, the Landlords filed a *Form 2(B) Landlord Application to Determine Dispute* with the Rental Office seeking to keep the security deposit balance (the "Landlord Application"). The Tenants were served by email on December 24, 2025.
- [15] On December 31, 2025, the Rental Office sent the parties an updated notice of a teleconference hearing for January 22, 2026, along with a copy of the Landlord Application.
- [16] On January 15, 2026, the Rental Office shared with the parties a 269-page PDF and two videos (the "Evidence Package") via Titan File.
- [17] On January 22, 2026, the Landlords and the Tenants participated in a teleconference hearing. The parties confirmed receipt of the Evidence Package and videos. The parties confirmed that all evidence submitted to the Rental Office was included.

- [18] After the hearing, the parties provided additional submissions, which were shared with the other parties and added to the record.

ISSUES

- A. Must the Landlords compensate the Tenants for the Landlords' possession of the Unit and for a bad-faith eviction?
- B. Can the Landlords keep the security deposit balance for cleaning?
- C. Must the Landlords compensate the Tenants double the security deposit balance?

EVIDENCE

Tenants' evidence and submissions

- [19] The Tenants stated that they were seeking \$6,432.34 in compensation (\$3,500.00 for one month's rent and \$2,932.37 for moving expenses) for being evicted from the Unit to allow the Landlords' personal occupation. They stated they were also seeking \$7,907.16 in compensation due to a bad-faith eviction. They stated they were also seeking a return of the \$230.00 security deposit balance.
- [20] The Tenants stated that on April 3, 2025, the Landlords served them with the Notice, stating that the Landlords wanted possession of the Unit for their own possession. The Landlords also provided the Tenants with a letter stating that the Landlords were going to sell the Unit (the "Letter").
- [21] The Tenants stated that the Letter indicated that the Unit was being sold due to uncertainty in the current economy, a recent remortgage, changes in insurance rates, and the impact of tariff rates on the Landlords' business. The Letter stated that the Landlords would not be renewing the tenancy agreement at the end of the term and that they wanted to provide the Tenants with as much notice as possible to allow them to make any necessary arrangements.
- [22] The Letter stated that the Unit would be listed with a realtor, and the realtor would not require access for photographs or showings. The Tenants stated that, despite the Letter stating that the Landlords' realtor would not be showing the Unit, the realtor repeatedly requested that the Tenants leave the Unit for showings and to film promotional materials.
- [23] The Tenants stated that on August 10, 2025, they served the Landlords with a written notice that they would be moving out of the Unit on September 7, 2025. The Tenants requested a move-out inspection for September 7, 2025, but the Landlords were not available until September 10, 2025, and the move-out inspection was completed on that date. The Tenants stated that they believe the tenancy ended on September 7, 2025, due to their written notice.
- [24] The Tenants stated that on September 23, 2025, they found the Unit was listed for sale on MLS and on September 24, 2025, it was listed for sale on Kijiji. The Tenants also submitted a realtor's promotional video for the Unit dated July 31, 2025. The Tenants stated that the online listings indicated that the Landlords were not planning to live in the Unit. They stated that the Landlords also already have a primary residence and do not need to live in the Unit.
- [25] The Tenants stated that on September 23, 2025, they found that the Unit was listed as a short-term rental on Vrbo. On October 17, 2025, they found the Unit was listed as a short-term rental on Expedia. On November 27, 2025, they found the Unit was listed as a short-term rental on Hotels.com.
- [26] The Tenants stated that the Landlords returned \$3,349.73 of the security deposit, but they are seeking a return of the \$230.00 balance. They stated that the Unit was reasonably clean and undamaged when they moved out, and they submitted photographs as evidence.

- [27] The Tenants stated they were able to find another residence to rent, but it was furnished, so they were required to store their furniture. On February 1, 2026, after the hearing, the Tenants provided additional evidence showing that they had paid \$3,477.48 in storage expenses for the period from September 5, 2025, to February 19, 2026.
- [28] The Tenants stated that they are unsure how long they will remain renting their current residence, due to their work schedules. They stated that if they remain living in it for a full year, the remaining storage expenses from February 20, 2026, to September 3, 2026, will total \$4,612.51, and their total storage expenses for one year will total \$8,089.99.

Landlords' evidence and submissions

- [29] The Landlords stated that they listed the Unit for sale in April 2025, assuming that it would sell without any problems, but it did not. The Landlords stated they served the Tenants the Notice to give them at least six months' notice in case someone bought the Unit and wanted to move in.
- [30] The Landlords stated that they listed the Unit with a realtor for six months, and the contract ended around September 30 or October 1, 2025. The Landlords did not relist the Unit after the contract expired and are unsure what to do with the Unit now. The Landlords stated that they were prepared to take possession of the Unit if it did not sell, but that their circumstances changed after the Tenants moved out, as both Landlords had health challenges.
- [31] The Landlords stated that they have a primary residence located near the Unit. Presently, the Landlords are living in an apartment because renovations are underway at their primary residence. They stated that they did not move into the Unit after renovations began, that the Unit is presently empty, and that no one is living in it.
- [32] The Landlords stated that they listed the Unit on Vrbo, hoping that someone would rent it for three weeks over the Christmas holidays. The Landlords stated they were planning a trip and had listed on Vrbo before. They stated their plans had changed and cancelled the listing.
- [33] The Landlords stated that if the Unit is currently showing as available for rent or sale on websites, it may be because some listings do not expire online. They stated that the Unit is not presently for rent or for sale. They stated that they are financially burdened because they are not allowed to rent the Unit after evicting the Tenants.
- [34] The Landlords stated that additional cleaning was required in the Unit after the Tenants moved out. They stated that two cleaners were required for 2 hours, totalling \$230.00. They stated that the patio door was sticky, the shower door had soap residue, the door tracks were dirty, the front door was dusty, and the light fixtures and dishwasher were unclean.
- [35] The Landlords stated they believe the tenancy ended on September 10, 2025, because that was the date of the move-out inspection and when the Tenants returned the keys.
- [36] The Landlords stated that they had given the Tenants adequate notice to locate another property. They stated that many units that meet the Tenants' needs are advertised online. The Landlords stated that the Tenants made inadequate efforts to look for another unit before filing a claim.

ANALYSIS**A. Must the Landlords compensate the Tenants for the Landlords' possession of the Unit and for a bad-faith eviction?****Section 72 compensation**

[37] The Tenants stated they are seeking \$6,432.34 in compensation for being evicted from the Unit for the Landlords' possession.

[38] Clause 62(1)(a) of the Act states:

A landlord who is an individual may end a tenancy by giving a notice of termination if the landlord in good faith requires possession of the rental unit for the purpose of residential occupation for a period of at least one year by
(a) the landlord.

[39] Section 72 of the Act and subsection 6(1) of the *Residential Tenancy Regulations* (the "Regulations") state:

(72) A landlord shall compensate a tenant who receives a notice of termination of a tenancy under section 62 or 63 in an amount equal to one month's rent plus reasonable moving expenses in accordance with the regulations or offer the tenant another rental unit acceptable to the tenant.

6(1) For the purposes of subsections 70(1) and (2) and sections 71 and 72 of the Act, reasonable moving expenses are the lesser of the actual expenses of the move or one month's rent.

[40] I find that the evidence establishes that the Tenants were served the Notice on April 3, 2025, effective September 30, 2025, under clause 62(1)(a) of the Act for the Landlords' possession of the Unit. The Tenants then moved out of the Unit in September 2025 as a result of the Notice.

[41] The Island Regulatory and Appeals Commission (the "Commission") noted in Order LR25-50 that the issuance of an eviction notice under clause 62(1)(a) invokes the "mandatory" section 72 compensation requirements.

[42] The evidence establishes that the monthly rent for the Unit was \$3,500.00. Furthermore, I find that the Tenants have provided sufficient documentary evidence to establish that they incurred reasonable moving expenses, totalling \$2,932.34, which is less than one month's rent, as a result of moving out of the Unit due to the Notice.

[43] Therefore, I find that the Landlords must compensate the Tenants in the amount of \$6,432.34 by the timeline below.

Bad-faith eviction

[44] The Tenants stated that they are seeking \$8,089.99 in compensation for one year of storage expenses due to a bad-faith eviction, under section 65 of the Act, which states in part:

(1) A former tenant may make an application to the Director under section 75 to determine whether a landlord gave a notice of termination under sections 62, 63 or 64 in bad faith.

(4) For the purposes of an application under subsection (1), it is presumed, unless the contrary is proven on a balance of probabilities, that a landlord gave a notice of termination under section 62 in bad faith if, at any time during the period described in

subsection (5), the landlord

- (a) advertises the rental unit for rent;*
- (b) enters into a tenancy agreement in respect of the rental unit with someone other than the former tenant; or*
- (c) advertises the rental unit, or the residential property that contains the rental unit, for sale.*

(5) The period referred to in subsection (4) is the period that

- (a) begins on the day the landlord gives the notice of termination under section 62; and*
- (b) ends one year after the former tenant vacates the rental unit.*

- [45] In Order LR19-09, under the previous *Rental of Residential Property Act* (the “Former Act”), the Commission determined an appeal regarding a landlord seeking to end a tenancy agreement for occupation of a rental unit by the landlord. In this decision, the Commission adopted part of the reasoning in an Ontario decision, *Fava v. Harrison*, because of the similarity between the Former Act and Ontario’s residential tenancy legislation. The following was stated in the *Fava* decision:

“We accept, as reflected in Salter, supra, that the motives of the landlord in seeking possession of the property are largely irrelevant and that the only issue is whether the landlord has a genuine intent to reside in the property. However, that does not mean that the Board cannot consider the conduct and the motives of the landlord in order to draw inferences as to whether the landlord desires, in good faith, to occupy the property.”

- [46] This interpretation of “good faith” was accepted by the Commission in Orders LR19-09, LR19-16 and LR21-50 under the Former Act. The Commission has also stated that a “good faith analysis” is required when an eviction notice is given to a tenant under section 62 (see LR25-58).

- [47] The evidence establishes that on April 3, 2025, the Landlords served the Notice for the Landlords’ possession of the Unit, effective September 30, 2025, under clause 62(1)(a) of the Act. However, the evidence also establishes that the Landlords advertised the Unit for sale for approximately six months, beginning in April 2025 and ending around September 30 or October 1, 2025. I find that this is supported by the Landlords’ testimony and the Tenants’ documentary and video evidence.

- [48] Furthermore, the evidence establishes that, between September and November 2025, the Landlords advertised the Unit for rent for December 2025. I find that this is supported by the Landlords’ testimony and the Tenants’ documentary and video evidence.

- [49] Therefore, I find that after the day the Landlords served the Notice under section 62 and before the end of one year after the Tenants vacated the Unit, the Landlords had both advertised the Unit for rent and for sale.

- [50] The issue for me to determine is whether the Landlords had a genuine intent to occupy the Unit for at least one year to establish “good faith.” I find that, in this case, there was no genuine intent on the Landlords’ part to occupy the Unit for at least one year after the tenancy ended. As a result, I find that the Landlords are presumed to have served the Notice in bad faith under subsections 65(4) and (5) of the Act.

- [51] In Order LR24-53, the Commission determined a similar matter in which a landlord terminated a tenancy for the landlord’s own use and later re-rented the rental unit. The Commission stated:

“In this case, the Tenants vacated the Rental Unit on January 31, 2024, and the Landlords advertised the Rental Unit for rent and entered into a tenancy agreement with a new tenant in February 2024. The presumption of bad faith, therefore, applies.”

[52] Subsection 65(6) of the Act states:

Where the Director determines that a landlord gave notice of termination in bad faith, the Director may issue one or more of the following orders:

- (a) an order that the landlord pay a specified sum to the former tenant for
 - (i) all or any portion of any increased rent that the former tenant has incurred or will incur for a one-year period after vacating the rental unit, and*
 - (ii) reasonable out-of-pocket moving, storage and other similar expenses that the former tenant has incurred or will incur;**
- (b) an order for an abatement of rent;*
- (c) an order that the landlord pay to the Director an administrative monetary penalty in an amount not exceeding \$10,000; or*
- (d) any other order that the Director considers appropriate.*

[53] The Tenants provided documentary evidence establishing that they have incurred \$3,477.48 in storage expenses for their personal property from September 5, 2025, up until February 19, 2026. The Tenants provided documentary evidence showing that, if required to store their personal property for one year, their storage expenses will total \$8,089.99.

[54] Therefore, I find that the Tenants have provided sufficient evidence to establish that they have incurred \$3,477.48 in reasonable storage expenses for the period of September 5, 2025, to February 19, 2026, due to a bad-faith eviction.

[55] However, I note that the Tenants stated that they are unsure what their future work or living arrangements will be. As such, despite the Tenants stating that they may incur additional storage expenses after February 19, 2026, I am not satisfied that the Tenants have provided sufficient evidence, such as a copy of a fixed-term tenancy agreement or a work contract, to establish that they “will incur” storage expenses for their personal property after February 19, 2026.

B. Can the Landlords keep the security deposit balance for cleaning?

[56] Clause 39(2)(a) of the Act states:

When a tenant vacates a rental unit, the tenant shall

- (a) leave the rental unit reasonably clean and undamaged, except for reasonable wear and tear.*

[57] I find that the Landlords have provided insufficient evidence to establish that the Tenants left the Unit below the standard of “reasonably clean” upon moving out. I note that the Tenants were not required to leave the Unit move-in ready for the next occupants. I find, based on the evidence submitted, specifically the parties’ photographs, that the Unit was not left below the reasonably clean standard when the Tenants vacated.

C. Must the Landlords compensate the Tenants double the security deposit balance?

Mailed Application

[58] The Landlords stated that on September 17, 2025, they mailed and emailed the Tenants a *Form 2(B) Landlord Application to Determine Dispute* (the “Mailed Application”), seeking to keep the security deposit balance. They stated they also mailed a copy to the Rental Office, but did not email a copy.

- [59] The Tenants stated they had received a copy of the Mailed Application by email, but not by mail. The Landlords stated they received the Tenants' mailed copy back as undeliverable. The Landlords stated that the copy they mailed to the Rental Office had not been returned to them.
- [60] However, I find there is insufficient evidence that the Landlords mailed and served a copy of the Mailed Application to the Rental Office under subsection 100(4) of the Act. Therefore, I find that the Mailed Application was not filed with the Rental Office under section 75 of the Act. As such, I will only make a determination regarding the Landlord Application.

Tenancy end date

- [61] The Tenants provided the Landlords with written notice stating they were vacating on September 7, 2025, and the evidence establishes that the Tenants paid rent up to that date. There is sufficient documentary evidence establishing that the Tenants' movers were at the Unit on September 5, 2025. Furthermore, the Tenants' move-out photographs, dated September 7, 2025, show that the Unit was reasonably clean and empty of the Tenants' personal belongings on that date.
- [62] The Landlords did not dispute that the Tenants had vacated the Unit on September 7, 2025, or stated that the Tenants owed rent after that date. Therefore, despite the Landlords stating that the Tenants still had keys to the Unit until September 10, 2025, I find the Tenants have sufficiently established that they had moved out and surrendered possession of the Unit by September 7, 2025, and that the tenancy ended on that date (see Commission Order LR26-05).
- [63] I find that, with respect to the security deposit balance, in accordance with section 40 of the Act, the Landlords must return the balance to the Tenants as determined below.
- [64] Section 40 of the Act addresses the retention and return of a security deposit:
- (1) *Except as provided in subsection (2) or (3), within 15 days after the date the tenancy ends or is assigned, the landlord shall either*
 - (a) *issue payment, as provided in subsection (5), of any security deposit to the tenant with interest calculated in accordance with the regulations; or*
 - (b) *make an application to the Director under section 75 claiming against the security deposit.*
 - (2) *A landlord may retain from a security deposit an amount that*
 - (a) *the Director has previously ordered the tenant to pay to the landlord; and*
 - (b) *remains unpaid at the end of the tenancy.*
 - (3) *A landlord may retain an amount from a security deposit if*
 - (a) *at the end of a tenancy, the tenant agrees in writing that the landlord may retain the amount to pay a liability or obligation of the tenant; or*
after the end of the tenancy, the Director orders that the landlord may retain the amount.
 - (4) *Where a landlord does not comply with this section, the landlord*
 - (a) *shall not make a claim against the security deposit; and*
 - (b) *shall pay the tenant double the amount of the security deposit.*
- [65] The evidence establishes that the Landlords returned \$3,349.73 of the security deposit by September 20, 2025. As the security deposit was paid by September 27, 2024, I find that, on September 20, 2025, the security deposit, plus interest, was \$3,583.70.

- [66] Therefore, I find that the Landlords kept \$233.97 (\$3,583.70 - \$3,349.73) of the security deposit. The Landlords then had until September 22, 2025 (15 days after the end of the tenancy) to either return the security deposit balance or apply to the Rental Office to claim against it.
- [67] As noted above, the Mailed Application was not filed with the Rental Office. I find that the evidence establishes that the Landlord Application was not filed with the Rental Office until December 24, 2025, which is past the 15-day deadline required by section 40.
- [68] There are no earlier Rental Office decisions authorizing the Landlords to keep the security deposit balance. There is insufficient evidence that the parties entered into a written agreement permitting the Landlords to keep the security deposit balance.
- [69] I find that the Landlords did not comply with the Section 40 requirements for keeping a security deposit. Therefore, the Landlords must compensate the Tenants double the security deposit balance, including interest on that balance, under subsection 40(4) of the Act. My calculations are as follows:

Item	Amount
Security deposit balance on Sept. 20/25	\$233.97
Interest (Sept. 21/25 – Feb. 20/26)	\$2.53
Double security deposit balance	\$233.97
Total	\$470.47

CONCLUSION

- [70] The Landlords must compensate the Tenants one month's rent of \$3,500.00 and reasonable moving expenses of \$2,932.34, totalling \$6,432.34.
- [71] The Landlords must compensate the Tenants \$3,477.48 due to a bad-faith eviction.
- [72] The Landlords must compensate the Tenants double the security deposit balance, including interest on that balance, totalling \$470.47.
- [73] The Landlords' compensation claim is denied.

IT IS THEREFORE ORDERED THAT

1. The Landlords must pay the Tenants \$10,380.29 by April 20, 2026.

DATED at Charlottetown, Prince Edward Island, this 20th day of February, 2026.

(sgd.) Mitch King

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.