

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 first tenant (“LM”) claims against the Landlord for compensation regarding an unlawful rent increase.
- [3] The second tenant (“DP”) claims against the Landlord for bad-faith compensation.
- [4] In this decision LM and DP are collectively referred to as the “Tenants.”

BACKGROUND

- [5] The Unit is a two-bedroom, one-bathroom rental unit located in a duplex building (the “Duplex”) that the Landlord has owned since 2002.
- [6] Around the Summer of 2016 the Landlord and DP entered into a written, one-year-fixed-term tenancy agreement, which later converted to a monthly agreement. DP paid a \$950.00 security deposit at the beginning of the tenancy. At the end of the tenancy, rent in the amount of \$1,166.00 was due on the first day of the month.
- [7] On April 30, 2025 the Landlord served DP with a *Form 4(B) Eviction Notice* with a vacate date of August 31, 2025, for the Landlord’s son (“MD”) occupying the Unit (the “Occupation Notice”).
- [8] On May 21, 2025 DP served the Landlord with a *Form 3 Tenant Notice of Termination* with a vacate date of May 31, 2025.
- [9] On May 31, 2025 DP vacated the Unit.
- [10] On June 6, 2025 the Landlord and LM entered into a written, fixed-term tenancy agreement from July 1, 2025 to June 29, 2026. Rent in the amount of \$1,650.00 was due on the first day of the month. The rent excluded the cost of heat, water and electricity. A security deposit in the amount of \$1,650.00 was paid around June 6, 2025.
- [11] On June 16, 2025 the Landlord returned DP’s security deposit.
- [12] The Landlord and DP had an earlier dispute because the Landlord did not pay DP section 72 compensation for one month’s rent and moving expenses, which was required because the Landlord served the Occupation Notice.
- [13] On December 9, 2025 I issued Order LD25-426 which ordered as follows:

“The Landlord must pay [DP] \$2,258.50 by January 9, 2026.”
- [14] On March 11, 2026 LM filed a *Form 2(A) Tenant Application to Determine Dispute* with the Rental Office against the Landlord seeking compensation for an unlawful rent increase.
- [15] On March 12, 2026 DP filed a *Form 2(A) Tenant Application to Determine Dispute* with the Rental Office against the Landlord seeking bad faith compensation.
- [16] On March 15, 2026 the Landlord e-Transferred DP the amount of \$2,300.00 regarding Order LD25-426.
- [17] On May 20, 2026 the Rental Office sent the parties notice of a tele-hearing scheduled for June 23, 2026 for determination of the Tenants’ applications.

- [18] On June 16, 2026 the Rental Office emailed the parties a 105-page PDF evidence package. The Landlord and LM submitted additional email evidence before the hearing.
- [19] On June 23, 2026 the Tenants and the Landlord participated in a Rental Office tele-hearing. The parties confirmed that they received the evidence package and the additional email evidence. The parties also confirmed that everything submitted to the Rental Office regarding this dispute was included.

DISPOSITION

- [20] I find that the Landlord must pay LM the amount of \$5,324.00 by the timeline below because the Landlord unlawfully increased the Unit's rent.
- [21] The Landlord must pay DP the amount of \$1,737.00 by the timeline below for bad faith compensation.

ISSUES

- A. Did the Landlord unlawfully increase LM's rent?
- B. Must the Landlord pay DP bad faith compensation?

ANALYSIS

A. Did the Landlord unlawfully increase LM's rent?

- [22] For the reasons below, I find that the Landlord unlawfully increased LM's rent.
- [23] LM requested that the Rental Office calculate the amount that the Landlord owes to LM.
- [24] The parties agree that on July 1, 2025 the Landlord increased the Unit's rent from \$1,166.00 to \$1,650.00. LM paid \$1,650.00 per month for eleven months from July 2025 to May 2026. LM did not pay the Landlord rent for June 2026.
- [25] LM calculated the compensation based upon the difference between \$1,650.00 and \$1,166.00, with an adjustment for a 2.3% rent increase effective July 1, 2025. There was a small typographical error in LM's calculation of the allowable increase.
- [26] LM's calculation was also made under the assumption that the Landlord was permitted to increase the Unit's rent at the beginning of the tenancy.
- [27] However, the evidence presented establishes that the Landlord already increased the Unit's rent effective January 1, 2025. DP submitted into evidence a copy of the *Form 8 Tenant Notice of Annual Allowable Rent Increase* dated September 19, 2024 for effect on January 1, 2025.
- [28] DP's documentary evidence also stated:
- "September 23/2024*
- [The Landlord] served us a notice of rent increase 5.3. I confronted him on the large increase . He made a application to IRAC for the increase which must have been denied because the rent only increased 2.3 percent."*
- [29] The Landlord stated that he did not apply for an additional rent increase above the annual allowable percentage for 2025 because of the amount of work involved.

- [30] Under the *Act* the Landlord was not permitted to increase the Unit's rent effective July 1, 2025 because there is a minimum twelve-month period between rent increases under subsection 48(1).
- [31] Further, the Landlord did not complete the process under the *Act* for increasing LM's rent from July 2025 to June 2026.
- [32] Therefore, I calculate LM's claim based upon the difference between the rent charged each month (\$1,650.00) and the rent that DP paid at the end of her tenancy (\$1,166.00) for eleven months, in the amount of \$5,324.00 (\$484.00 multiplied by 11 months).
- [33] The parties raised issue with the provision of bills and payments regarding water and sewer utilities. LM expressed willingness for a deduction for June 2026 rent from the established unlawful rent increase claim. However, I find that the water and sewer bills, June 2026 rent owing and the security deposit overpayment are matters that are better determined through separate applications with the Rental Office.

B. Must the Landlord pay DP bad faith compensation?

- [34] For the reasons below, I find that the Landlord must pay DP bad faith compensation regarding the Occupation Notice.

Evidence

- [35] DP's evidence is summarized as follows.
- [36] DP seeks bad faith compensation for the difference in rent that DP paid for her new rental unit compared to the rent that she paid for the Unit.
- [37] The Unit's rent was \$1,166.00 excluding the cost of heat, water, sewer and electricity.
- [38] Over the last year that DP lived in the Unit, the average monthly cost was \$149.92 for furnace oil, \$43.69 for water and sewer, and \$106.39 for electricity.
- [39] DP stated that the Landlord's son, MD, was supposed to move into the Unit.
- [40] DP noted that the Landlord submitted into evidence MD's Holland College letter of acceptance dated April 14, 2025. According to Holland College's website, MD only had three weeks to confirm his intention to attend the College, being May 5, 2025.
- [41] DP did not give the Landlord her notice to end the tenancy early until May 21, 2025.
- [42] On May 23, 2025 DP text-messaged the Landlord to inform him that she had a place to live. DP contacted the Landlord because he had not responded to her earlier termination notice and she did not want to pay an additional three months' rent for the Unit.
- [43] The Landlord never contacted DP after the Occupation Notice was served to inform DP that she did not have to move or could move back into the Unit.
- [44] Around August 1, 2025 DP found her new rental unit and entered into a tenancy agreement.
- [45] DP's new rent is \$1,659.00 per month, which includes the cost of heat, water, sewer and electricity. DP has paid this rent since September 1, 2025. DP does not seek compensation from June to August of 2025 because she lived at a campground, which she does seasonally.
- [46] DP later learned that MD had not moved into the Unit and instead the Landlord had rented the Unit to LM.

- [47] LM's evidence is summarized as follows.
- [48] On June 3, 2025 LM found an advertisement for the Unit on Kijiji. On June 4, 2025 LM had her first communications with the Landlord regarding renting the Unit. On June 6, 2025 LM and the Landlord entered into a tenancy agreement for the Unit. The Landlord used an old form for the tenancy agreement.
- [49] On February 11, 2026 LM received a letter for the Landlord from Sheriff Services. LM took an image of this letter and text-messed it to the Landlord. The Landlord responded asking LM to leave it in the mailbox and someone would come and get it. The Sheriff Services letter was picked up the same day.
- [50] On March 8, 2026 the other former occupant ("TP") attended the Unit and informed LM of the rent that the Landlord had previously charged DP.
- [51] LM believes that the Landlord is deceitful and deliberately used the wrong tenancy agreement form to avoid disclosing DP's monthly rent. LM stated that the other side of the Duplex is also paying a monthly rent of \$1,650.00.
- [52] The Landlord's evidence is summarized as follows.
- [53] The Landlord stated that DP was a good, stable, long-term tenant and the Landlord did not plan on evicting DP.
- [54] On April 14, 2025 MD received a Holland College letter stating that he was accepted as a student starting September of 2025. The Landlord stated that he is unfamiliar with the other deadlines that MD had to comply with because this process was MD's responsibility. The Landlord does not know if MD paid fees to Holland College.
- [55] The Landlord served DP with the Occupation Notice so MD could live in the Unit.
- [56] On May 23, 2025 the Landlord received a text-message from DP stating that she had found a new place to live.
- [57] When DP gave early notice to end the tenancy the Landlord had discussions with MD about moving into the Unit earlier, in June instead of September. MD was not interested in moving into the Unit early. MD thought more about the move to Prince Edward Island and decided that he did not want to move at all because it was far away from his friend group and community.
- [58] The Landlord has always used the same rental agreement form, which was the one the Landlord used with LM.
- [59] The Landlord thought that the low rent DP paid would make people think that something was wrong with the Unit.
- [60] The Landlord increased the Unit's rent to \$1,650.00 because he thought the higher rent would attract a better tenant and the new rent would approach market rent.
- [61] The Landlord stated that he never read the old or new version of the rental act. The Landlord stated that he does not live on Prince Edward Island and he was not aware that the legislation had changed.
- [62] The Landlord stated that Order LD25-426 went into a spam folder. The Landlord stated that he only found out about the decision when the Landlord received messages from LM and TP.

- [63] The Landlord stated that he did not receive a letter or telephone call from Sheriff Services regarding Order LD25-426.

Determination

- [64] The Landlord ended DP's tenancy agreement under subsection 62(1) of the Act for occupation of the Unit by MD. This subsection 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;

(b) the landlord's spouse;

(c) a child, parent or a dependent of the landlord or the landlord's spouse; or

(d) a person who provides or will provide care services to the landlord, the landlord's spouse, or a child, parent or dependent of the landlord or the landlord's spouse, if the person receiving the care services resides or will reside in the residential property or mobile home park in which the rental unit is located.

- [65] An essential component of this type of eviction is that the Landlord must be acting in in "good faith."
- [66] In Orders LR19-09¹, LR19-16² and LR21-50³ the Island Regulatory and Appeals Commission (the "Commission") interpreted "good faith" under the *Former Act* to mean a "genuine intention."
- [67] In Order LR26-14⁴ the Commission interpreted "good faith" to continue meaning "genuine intention" under the Act, stating in part as follows:

"43. The Commission has consistently held that a notice for a landlord's possession requires a genuine and bona fide intention, at the time the notice is given, to occupy the premises for residential purposes. The Commission finds that this requirement was not met.

44. In this case, the evidence demonstrates that the Landlords listed, or intended to list, the Rental Unit for sale and at various times explored alternative uses of the property, including short term rentals. The Commission finds that this is inconsistent with the statutory requirement under the Act for personal occupancy. As stated above, a notice for a landlord's own use requires a genuine intention to occupy the premises."

- [68] Section 65 of the Act authorizes claims against landlords for bad faith compensation. Subsection 65(1) states:

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.

- [69] When a party makes an application to the Rental Office, the onus is on that party to support their application with convincing evidence.
- [70] DP would normally have the burden of proof, as the party advancing the bad faith compensation claim against the Landlord. The applicable standard is proof on a balance of probabilities.

¹ <https://irac.pe.ca/wp-content/uploads/LR19-09.html>

² <https://irac.pe.ca/wp-content/uploads/LR19-16.html>

³ <https://irac.pe.ca/wp-content/uploads/Order-LR21-50.pdf>

⁴ <https://irac.pe.ca/wp-content/uploads/Order-LR26-14.pdf>

- [71] However, in this case DP is aided by the presumption of bad faith in subsection 65(4) because the Landlord advertised the Unit for rent and entered into a tenancy agreement with LM less than a week after DP moved out of the Unit.
- [72] Subsections 65(4) and (5) state:
- (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.*
- [73] Based upon the evidence presented, I find that the Landlord has not proven that he did not act in bad faith. The Landlord has not established that he had a genuine intention for MD to live in the Unit for at least one year.
- [74] The evidence presented raises another motive for the Landlord serving the Occupation Notice, other than MD occupying the Unit.
- [75] In this case the Landlord sought to increase the Unit's rent by 5.3% in September of 2025, about seven months before the Landlord served DP with the Occupation Notice. However, DP challenged the increase and the Landlord did not complete the process for an increase above the annual allowable percentage.
- [76] The Landlord significantly increased the Unit's rent shortly after DP moved out.
- [77] When the Landlord entered into a tenancy agreement with LM, the Landlord increased the Unit's rent from \$1,166.00 to \$1,650.00, an increase of 41.5%.
- [78] This would have increased the Unit's annual rental income by \$5,808.00.
- [79] The eviction of DP offered the Landlord a financial incentive to attempt to significantly increase the Unit's rent.
- [80] I also find that the Landlord had an ongoing duty to act in good faith after serving the Occupation Notice.
- [81] In Canadian Provincial and Territorial residential rental landlord and tenant statutes, the term "bad faith" is only used in Prince Edward Island and Ontario.
- [82] Section 65 of the *Act* and section 57 of Ontario's *Residential Tenancies Act*, 2006, SO 2006, c 17 ("*ONRTA*") have similar bad faith compensation provisions.
- [83] Section 62 of the *Act* and section 48 of the *ONRTA* also have similar provisions regarding termination notices for landlords or eligible family members occupying rental units.

- [84] I note that the Rental Office is not bound by decisions from the courts of other provinces. However, I find the analysis in the following Ontario Court of Appeal case is relevant and compelling for determining the dispute between the Landlord and DP.
- [85] The Ontario Court of Appeal considered bad faith in the case *Elkins v. Van Wissen*, 2023 ONCA 789 regarding occupation of a rental unit by a purchaser.
- [86] It was determined that under the *ONRTA* the bad faith analysis is not restricted to the point that a termination notice is served (paragraph [43]):
- “On a plain reading of ss. 49(1) and 57(1)(b), the landlord’s conduct is linked to the purchaser’s good faith. Section 49(1) permits the landlord to, on behalf of the purchaser, give the tenant a termination notice so long as the purchaser, in good faith, requires possession of the rental unit for the purpose of residential occupation. Section 57(1)(b) requires the Board to determine, among other things, whether the landlord gave the s. 49 termination notice in bad faith. When ss. 49(1) and 57(1)(b) are read together, it is clear that the object of those provisions is to prevent the sale of a property from being used to unlawfully evict a tenant. Accordingly, the Board must consider all the evidence before it that is relevant to the landlord’s bad faith under s. 57(1)(b). It is an error of law for the Board to restrict its consideration to the evidence at the point in time when the landlord gives the tenant a s. 49 termination notice. This case makes that point.”*
- [87] In this Rental Office dispute, the Landlord never reached out to DP after serving the Occupation Notice to tell her that she did not need to move out of the Unit or she could move back in.
- [88] Instead, the Landlord rented the Unit to LM at a much higher rent.
- [89] The Landlord stated that he did not later contact DP about living in the Unit because of DP’s May 23, 2025 text-message that she had found a place to live.
- [90] However, this text-message provided the Landlord with limited information. The text-message gives no details regarding how long DP had the place for, whether DP could back out of any agreement, or whether DP could quickly end any agreement for the new place.
- [91] I find that the Landlord still had a good faith duty to communicate with DP regarding staying or moving back into the Unit. In light of the Landlord’s evidence that DP was a good, stable, long-term tenant, I would have expected that the Landlord would have been eager to contact DP to attempt to have DP continue living in the Unit.
- [92] Lastly, the Landlord did not have MD participate in the hearing and the Landlord had limited information regarding the steps that MD took to further the Holland College acceptance process, such as the payment of fees.
- [93] For these reasons, I find that the Landlord has not proven that he did not act in bad faith.
- [94] DP seeks the difference between the Unit’s rent and the new unit’s rent, which is a claim authorized under clause 65(6)(a) of the *Act*, for a one-year period after vacating the Unit. In this case, the one-year period ends on May 31, 2026.
- [95] DP does not claim against the Landlord for the period of June to August of 2025 because DP lived in a campground during this period.
- [96] I find that DP paid \$1,659.00 per month for her new rental unit from September 2025 to May 2026, which included the cost of heat, water, sewer and electricity.

- [97] The Unit's rent was \$1,166.00 plus costs in the average monthly amounts of \$149.92 for furnace oil, \$43.69 for water and sewer, and \$106.39 for electricity. The total monthly amount averaged \$1,466.00.
- [98] I find that the Landlord must compensate DP the rental difference of \$193.00 (\$1,659.00 minus \$1,466.00) for the nine months from September 2025 to May 2026, in the amount of \$1,737.00, by the timeline below.
- [99] I note that the Landlord has already paid DP one-month's rent and moving expenses compensation under section 72.

CONCLUSION

- [100] The Landlord must pay LM and DP the compensation ordered below.

IT IS THEREFORE ORDERED THAT

1. The Landlord must pay LM the amount of \$5,324.00 by September 25, 2026 because the Landlord unlawfully increased the Unit's rent.
2. The Landlord must pay DP the amount of \$1,737.00 by September 25, 2026 for bad faith compensation.

DATED at Charlottetown, Prince Edward Island, this 25th day of August, 2026.

(sgd.) Andrew Cudmore

Andrew Cudmore
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.