

INTRODUCTION

- [1] This decision addresses two applications filed with the Residential Tenancy Office (the “Rental Office”) under the *Residential Tenancy Act* (the “Act”).
- [2] The Tenant seeks a return of the \$600.00 security deposit.
- [3] The Landlord seeks \$1,200.00 for rent owing and to keep the security deposit as part of the claim.

BACKGROUND

- [4] The Unit is a four-bedroom house owned by the Landlord.
- [5] On April 7, 2026, the Tenant paid the Landlord \$600.00, representing one-half of the security deposit for the Unit.
- [6] On April 13, 2026, the Tenant told the Landlord that he no longer wanted to rent the Unit. The Tenant did not sign a tenancy agreement or move into the Unit.
- [7] On May 4, 2026, the Tenant emailed the Rental Office and the Landlord a *Form 2(A) Tenant Application to Determine Dispute* (the “Tenant Application”), seeking a return of the security deposit.
- [8] On May 14, 2026, the Landlord emailed the Rental Office and the Tenant a *Form 2(B) Landlord Application to Determine Dispute* (the “Landlord Application”), seeking rent owing and to keep the security deposit.
- [9] On July 23, 2026, the Rental Office emailed the parties notice of a tele-hearing scheduled for August 20, 2026.
- [10] On August 6, 2026, the Rental Office emailed the parties a 97-page PDF evidence package.
- [11] On August 20, 2026, the Tenant and the Landlord participated in the tele-hearing. The parties confirmed receipt of the evidence package and stated that it contained all evidence submitted by the parties.

DISPOSITION

- [12] There was no tenancy agreement between the parties. Accordingly, the \$600.00 paid by the Tenant must be returned, together with applicable interest. As there was no tenancy agreement, subsection 40(4) does not apply.
- [13] The Landlord must pay the Tenant \$606.78 by the timeline below.
- [14] The Landlord Application is denied.

ISSUE

- A. Does the Tenant owe the Landlord rent and can the Landlord keep the security deposit?

ANALYSIS & FINDINGS

- [15] The Tenant stated that on April 6, 2026, he messaged the Landlord about renting the Unit with three of his friends. On April 7, 2026, the Tenant viewed the Unit and paid the Landlord \$600.00, which was half of the security deposit. The Tenant stated that he did not sign a tenancy agreement and that the parties had not determined whether the tenancy would be a fixed-term or month-to-month.
- [16] The Tenant stated that one of his friends decided not to rent the Unit with him, and his two other friends could not afford the rent without the fourth person. On April 13, 2026, the Tenant told the Landlord that they were no longer going to rent the Unit and requested a return of the security deposit. The Tenant stated the Landlord refused to return the security deposit.
- [17] The Landlord stated that the Tenant and his friends were going to rent the Unit and move in on April 15, 2026. She stated she was not going to charge them rent until May 1, 2026. The Tenant paid her \$600.00, which was half the security deposit, and the rest was due upon move-in.
- [18] The Landlord stated that on April 13, 2026, the Tenant told her that he was no longer going to rent the Unit because one of his friends backed out. She told the Tenant that she would lower the rent for a couple of months until they found a fourth tenant, but he refused. The Landlord stated that she prepared a written fixed-term tenancy agreement as agreed upon by the parties, but it was never signed, and the Tenant never moved into the Unit.
- [19] The Landlord stated that due to the Tenant's late notice, she was unable to re-rent the Unit for May and could not secure a new tenant until June. The Landlord stated that she was seeking rent owing of \$1,200.00 for May 2026 and to keep the \$600.00 security deposit to set off part of the rent owing claim.

A. Does the Tenant owe the Landlord rent and can the Landlord keep the security deposit?

- [20] The evidence establishes that the parties discussed entering into a tenancy for the Unit and on April 7, 2026, the Tenant paid \$600.00 for half of the security deposit. On April 13, 2026, the Tenant told the Landlord that he was not going to rent the Unit and requested a return of the security deposit.
- [21] In Orders LR25-10, LR25-26, and LR26-29, the Island Regulatory and Appeals Commission (the "Commission") determined similar sets of facts.
- [22] In LR25-10, the Commission commented that the obligations of a tenancy do not take effect until the date the tenancy agreement is entered into.
- [23] In LR25-26, the Commission commented that despite the definition of tenancy agreement under clause 1(w) of the Act, subsections 11(1) and (2) are mandatory and require a landlord to prepare a written tenancy agreement that complies with the Act and includes the agreed terms.
- [24] In LR26-29, the Commission stated:

"The Commission recognizes that an oral tenancy agreement may, in some circumstances, be legally enforceable. However, the mere payment of money in anticipation of a future tenancy does not, by itself, establish that a tenancy agreement has been concluded. The surrounding circumstances must demonstrate a clear meeting of the minds on the essential terms of the arrangement."

- [25] I find that the record does not establish that the parties finalized and accepted all material terms of the proposed tenancy, including whether the tenancy would be for a fixed term or periodic or who would be the tenants.

- [26] The tenancy agreement was not signed, the Tenant did not receive keys, take possession of the Unit, or pay rent. The evidence does not establish a clear meeting of the minds on the essential terms of the tenancy. Therefore, I find that the parties did not enter into a tenancy agreement under the Act.
- [27] I find that the Landlord has not established that the Tenant owes the Landlord rent or that the Landlord can keep the security deposit for rent owing for improper notice. This type of claim is normally based on a tenant's breach of the tenancy agreement. In this case, I find that no tenancy agreement existed between the parties. Therefore, the notice requirements under the Act to end a tenancy did not apply to the Tenant.
- [28] Accordingly, I find that the funds paid by the Tenant to the Landlord must be returned to the Tenant, together with interest earned on the security deposit, of \$606.78.
- [29] The Tenant Application is allowed, and the Landlord Application is denied.

IT IS THEREFORE ORDERED THAT

1. The Landlord must pay the Tenant \$606.78 by September 29, 2026.
2. The Landlord Application is denied.

DATED at Charlottetown, Prince Edward Island, this 4th day of September, 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.