

Closing Ledore on non-compliance with the PPCLA

May 01, 2024

A reminder that failing to comply with the Prompt Payment regime may put contractual remedies at risk

The recent decision of *Ledore Investments v. Dixin Construction*, 2024 ONSC 598 (*Ledore*) provides an important reminder to construction industry participants: comply with the terms of Prompt Payment legislation or risk losing your contractual rights to dispute payment or assert set off.

In *Ledore*, a sub-contractor sought to recover amounts for unpaid invoices it had issued to the general contractor. In defence of the alleged nonpayment, the general contractor asserted a contractual right of set-off. At the adjudication, it was determined that the **invoices submitted by the general contractor to the owner were not in the “proper invoice” format and did not comply with the provisions of the Ontario prompt payment legislation** (although they were in fact paid by the owner). As a result, the adjudicator determined that the prompt payment provisions of the Ontario Construction Act were not triggered, and the general contractor was under no obligation to pay the outstanding invoices. **The general contractor’s lack of compliance with the “proper invoice” requirement of the prompt payment legislation was fatal to the sub-contractor’s claim.**

Despite deciding that the invoices were not owing to the subcontractor in that instance, the adjudicator in *Ledore* also emphasized that when the prompt payment legislation is triggered, it is necessary to comply with the notice requirements in order to exercise contractual rights of set-off or to dispute payment. In *Ledore*, the general contractor had failed to deliver any notices of non-payment to the sub-contractor for the disputed invoices. As a result, the adjudicator noted that if the general contractor had issued **“proper invoices”, such that the prompt payment obligations were triggered, there would be no opportunity for the general contractor to rely on set-off because it had not complied with its prompt payment obligations to dispute invoices by giving notice in the prescribed manner and timeline.**

Ledore applied for judicial review of the adjudicator’s decision and it was subsequently remitted back to the adjudicator for reconsideration, on a procedural fairness basis. However, despite the reconsideration and the basis for the decision, Ledore provides an important reminder for all construction industry participants - notice requirements under

a prompt payment regime are mandatory and can impact rights and defences going forward.

The prompt payment provisions in Ontario's Construction Act are similar to those in Alberta's Prompt Payment and Construction Lien Act (the PPCLA). As such, the logic in Ledore is consistent with the clear language of the prompt payment provisions in the PPCLA and is an important reminder that if a party fails to deliver the required notices of dispute or notices of non-payment, it must pay the amount outlined in the invoice in accordance with the applicable timelines set out in the legislation. In other words, serving a notice of dispute or non-payment is a statutory pre-requisite to accessing contractual remedies and defences, like set-off, in the context of the prompt payment regime.

As Alberta approaches the two-year anniversary of its prompt payment legislation, Ledore **reflects the PPCLA's primary purpose - that owners, contractors, and subcontractors all engage in a dispute or pay model. Failing to comply with the notice deadlines in the Prompt Payment regime comes with serious risk, regardless of the defences contained in the contract. However, taking proactive steps such as involving counsel early, and amending contracts and project control processes to reflect and comply with PPCLA notice requirements, may make all the difference in preserving contractual rights and remedies in the event a dispute does arise.**

For more information on Ledore, or about prompt payment and adjudication generally, please reach out to one of the key contacts listed below.

By

[Marin Leci, Patricia L. Morrison](#)

Expertise

[Construction](#)

BLG | Canada's Law Firm

As the largest, truly full-service Canadian law firm, Borden Ladner Gervais LLP (BLG) delivers practical legal advice for domestic and international clients across more practices and industries than any Canadian firm. With over 725 lawyers, intellectual property agents and other professionals, BLG serves the legal needs of businesses and institutions across Canada and beyond – from M&A and capital markets, to disputes, financing, and trademark & patent registration.

blg.com

BLG Offices

Calgary

Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa

World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver

1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

The information contained herein is of a general nature and is not intended to constitute legal advice, a complete statement of the law, or an opinion on any subject. No one should act upon it or refrain from acting without a thorough examination of the law after the facts of a specific situation are considered. You are urged to consult your legal adviser in cases of specific questions or concerns. BLG does not warrant or guarantee the accuracy, currency or completeness of this publication. No part of this publication may be reproduced without prior written permission of Borden Ladner Gervais LLP. If this publication was sent to you by BLG and you do not wish to receive further publications from BLG, you may ask to remove your contact information from our mailing lists by emailing unsubscribe@blg.com or manage your subscription preferences at blg.com/MyPreferences. If you feel you have received this message in error please contact communications@blg.com. BLG's privacy policy for publications may be found at blg.com/en/privacy.

© 2024 Borden Ladner Gervais LLP. Borden Ladner Gervais LLP is an Ontario Limited Liability Partnership.