



Date Issued: June 24, 2026
Dockets: LR26017
Type: Rental Appeal

INDEXED AS: Parminder Singh v. Vishal Rana and Ashu Ashu
2026 PEIRAC 38 (CanLII)
Order No: LR26-29

BETWEEN:

Parminder Singh (the “Landlord”)

Appellant

AND:

Vishal Rana and Ashu Ashu (the “Tenants”)

Respondents

ORDER

Panel Members:

Pamela J. Williams, K.C., Chair
Kerri Carpenter, Vice Chair

Compared and Certified a True Copy

(Sgd.) Michelle Walsh-Doucette

Commission Clerk

Island Regulatory and Appeals Commission

A. INTRODUCTION

1. This appeal was a paper-based hearing before the Commission and asks the Commission to determine whether the Residential Tenancy Office (the “Rental Office”) erred in finding that the Landlord must pay the Tenants \$1,061.13 by April 13, 2026.

B. BACKGROUND

2. This appeal concerns a rental unit located at 203 Patterson Drive, Charlottetown, PEI (the “Rental Unit”).
3. The Rental Unit is a two-bedroom, two-bathroom single-family dwelling owned by the Landlord since 2020.
4. On September 4, 2025 the parties completed a walk-through of the Rental Unit. The Tenants paid the Landlord \$200.00, as requested by the Landlord and described as “*token*” or “*key money*.” The tenancy was to begin on October 1, 2025. The parties provided conflicting evidence regarding the tenancy having a fixed or periodic term.
5. On September 11, 2025 the Tenants paid the Landlord an \$850.00 security deposit, at the Landlord’s request.
6. On September 14, 2025 the Tenants spoke with the former tenant of the Unit who informed the Tenants of issues with the Rental Unit.
7. On September 15, 2025 the Tenants informed the Landlord that they no longer wanted to move into the Rental Unit.
8. On October 9, 2025 the Tenants filed a *Form 2(A) Tenant Application to Determine Dispute* (the “Tenant Application”) with the Rental Office seeking the return of the security deposit and the return of the \$200.00 paid. The Tenant Application was emailed to the Landlord.
9. On December 5, 2025 the Rental Office emailed the parties notice of a teleconference hearing scheduled for January 27, 2026.
10. On January 15, 2026 the Landlord filed a *Form 2(B) Landlord Application to Determine Dispute* (the “Landlord Application”) with the Rental Office seeking \$5,050.00 compensation for lost rental income, repairs, pest remediation and general damages. On January 16, 2026 the Landlord Application was emailed the Tenants.
11. On January 19, 2026 the Rental Office emailed the parties an updated notice of teleconference hearing rescheduled for February 10, 2026.
12. On February 10, 2026 the Tenants and the Landlord joined the teleconference hearing held before the Rental Office.
13. On March 13, 2026, the Rental Office issued Order LD26-086, which ordered that the Landlord must pay the Tenants \$1,061.13 by April 13, 2026.

14. The Landlord appealed Order LD26-086 on April 1, 2026.
15. On April 10, 2026, the parties were notified that this Appeal would be set down for hearing on April 29, 2026, at 9:00 am.
16. On April 11, 2026, the Landlord made a request via email to reschedule the hearing in accordance with the Commission's Scheduling, Rescheduling, and Adjournment Policy.
17. In response, the Commission rescheduled the hearing to April 30, 2026, at 9:30 am.
18. On April 29, 2026, the Landlord emailed the Commission advising that due to a family medical emergency he would be unable to attend the hearing on April 30, 2026, at 9:30 am and requested that the hearing be postponed.
19. Commission staff advised the Tenant via email of the request for postponement. The Tenant, Vishal Rana, indicated that they are available for the hearing at the scheduled time and advised that they could not delay further due to work schedules.
20. In response, the Commission issued a Direction Regarding Procedure that the hearing would be conducted in writing.
21. The Commission has reviewed the submissions of the parties and the material which was before the Rental Office.
22. The applicable legislation is the *Residential Tenancy Act*, cap. R-13.11 (the "Act").

C. DISPOSITION

23. The Appeal is denied and the Commission confirms Rental Office Order LD26-086.
24. The Commission finds that no tenancy agreement was formed between the parties and that the funds paid by the Tenants to the Landlord, together with accrued interest must be returned to the Tenants.
25. The Landlord's claim for compensation is denied.
26. The Landlord must pay the Tenants \$1,072.00 by the timeline set out below.

D. ISSUES

27. Must the Landlord return the security deposit of \$850.00 plus \$200.00 in token or key money to the Tenants?
28. Has the Landlord established a claim for compensation from the Tenants?

E. SUMMARY OF EVIDENCE

29. The Landlord relied primarily on the materials filed before the Rental Office. The Landlord maintained that a binding verbal tenancy agreement had been reached and that the Tenants were responsible for losses resulting from their decision not to occupy the Rental Unit. The Landlord did not include a Certificate of Evidence in their written submissions.
30. The Tenants also relied upon their materials filed before the Rental Office. The Tenants submitted a Certificate of Evidence regarding supplementary evidence submitted on the appeal. The Tenants ask that the Rental Office's Order be upheld.
31. The evidence establishes that the parties discussed entering into a tenancy for the Rental Unit on September 3, 2025, followed by a walk through on September 4, 2025. The Tenants paid \$200.00 "token money" to the Landlord as requested. The Landlord then requested and received a security deposit of \$850.00 from the Tenants on September 11, 2025.
32. The parties did not communicate again until September 15, 2025, when the Tenants advised the Landlord they would not be moving into the Rental Unit and requested a return of their funds paid. The Tenants did not move into the Rental Unit.

F. ANALYSIS

33. The central issue on appeal is whether a tenancy agreement was formed between the parties. If a tenancy agreement was formed, the Commission must determine whether the Landlord is entitled to retain any portion of the monies paid and whether the Landlord has established a claim for damages arising from the Tenants' withdrawal from the arrangement. If no tenancy agreement was formed, the monies paid must generally be returned absent statutory authority permitting their retention.
34. The Commission accepts that the parties discussed the rental of the Rental Unit beginning in early September 2025. The evidence establishes that the Tenants viewed the Rental Unit, paid \$200.00 described as "token" or "key" money," and subsequently paid a security deposit of \$850.00 at the Landlord's request.
35. The Landlord submits that these payments, together with verbal discussions between the parties, created a binding tenancy agreement. The Commission does not agree.
36. A tenancy agreement requires agreement on the essential terms of the tenancy and a mutual intention to enter into a landlord-tenant relationship. The evidence before the Commission does not establish such agreement. The parties provided conflicting evidence regarding whether the proposed tenancy was intended to be fixed-term or periodic. No written tenancy agreement was executed. The record does not establish that all material terms of the proposed tenancy had been finalized and accepted by both parties.
37. 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.

38. In the present case, the evidence instead supports the conclusion that the parties were engaged in the process of negotiating and arranging a prospective tenancy. The payments made by the Tenants were preliminary steps taken in anticipation of occupying the Rental Unit on October 1, 2025. Before possession was delivered and before the tenancy commenced, the Tenants advised the Landlord that they would not be proceeding.
39. The Commission places weight on the fact that the Tenants never took possession of the Rental Unit. They never received keys for occupancy, never moved belongings into the premises, never paid rent for any rental period, and never resided in the dwelling. These circumstances are inconsistent with the existence of a commenced tenancy relationship.
40. The Commission further notes that section 11 of the *Act* requires landlords to prepare a written tenancy agreement in the prescribed form. While non-compliance with that requirement does not automatically invalidate every tenancy arrangement, the absence of a written agreement in this case reinforces the conclusion that the parties had not finalized the essential terms of the proposed tenancy.
41. The Commission therefore finds that no tenancy agreement was formed between the parties.

Security Deposit

42. Having found that no tenancy agreement was formed, the Commission must determine whether the Landlord was entitled to retain the security deposit of \$850.00.
43. A security deposit is collected as security for the performance of obligations arising under a tenancy agreement. Where no tenancy relationship comes into existence, the basis for retaining the deposit does not arise.
44. In previous Orders of this Commission and as set out in the Rental Office's Order, the Commission found, on similar facts, that a landlord must return a security deposit because the parties did not have a signed tenancy agreement and the tenants never moved into the rental unit.
45. The Commission therefore finds that the Landlord had no legal entitlement to retain the \$850.00 security deposit. The deposit must be returned together with any interest required under the *Act*.

Token Money/Key Money

46. The evidence establishes that the Landlord required payment of \$200.00 as a condition of securing the Rental Unit. The payment was variously described as "token money" or "key money."
47. The *Act* does not authorize a landlord to collect or retain a separate token payment, key money payment, or similar charge in connection with a residential tenancy.

48. The *Act* establishes a comprehensive framework governing the payments that may lawfully be required from tenants. In the absence of express statutory authority permitting the collection or retention of such a fee, a landlord cannot require a prospective tenant to forfeit monies paid solely for the purpose of reserving a rental unit.
49. Accordingly, the Commission finds that the \$200.00 payment plus any applicable interest must also be returned to the Tenants.

Compensation Claim

50. The Landlord seeks compensation totaling \$5,050.00 for alleged lost rental income, repairs, pest remediation expenses, and general damages.
51. The burden of proof rests upon the Landlord. To succeed, the Landlord must establish on a balance of probabilities both that the claimed losses were caused by conduct for which the Tenants are legally responsible and the amount of those losses.
52. The Commission has found that no tenancy agreement was formed. The Landlord cannot recover damages arising from breach of a tenancy agreement that never came into existence.
53. In any event, the Commission finds that the evidence presented by the Landlord is insufficient to establish the claimed losses. The Commission was provided with limited evidence concerning the alleged loss of rental income and insufficient evidence demonstrating that any repair costs, pest remediation expenses, or other damages were caused by the Tenants.
54. The Commission therefore finds that the Landlord has failed to establish entitlement to compensation on a balance of probabilities.
55. The Commission concludes that the Rental Office correctly concluded that no tenancy agreement was formed, that the security deposit and token payment must be returned to the Tenants, and that the Landlord failed to establish any compensable loss.

G. CONCLUSION

56. Having reviewed the record and submissions, the Commission finds no basis to interfere with the conclusions reached in Order LD26-086. The Landlord's appeal is denied and the Rental Office's Order is confirmed with the amount of interest updated to the date of this Order.

IT IS ORDERED THAT

1. The Landlord must pay the Tenants \$1,072.00 by July 7, 2026.

DATED at Charlottetown, Prince Edward Island, 24th day of June, 2026.

BY THE COMMISSION:

[sgd. Pamela J Williams, K.C.]

Pamela J. Williams, K.C.

[sgd. Kerri Carpenter]

Kerri Carpenter

NOTICE

Subsections 89 (9), (10) and (11) of the *Residential Tenancy Act* provides as follows:

89. (9) A landlord or tenant may, within 15 days of the decision of the Commission, appeal to the Court of Appeal in accordance with the *Island Regulatory and Appeals Commission Act* R.S.P.E.I. 1988, Cap. I-11, on a question of law only.

(10) Where the Commission has confirmed, reversed or varied an order of the Director, the landlord or tenant may file the order with the Supreme Court.

(11) Where an order is filed under subsection (10), it may be enforced as if it were an order of the Supreme Court.