Real Estate Brokerage

Book of Standard Clauses



Association des courtiers et agents immobiliers du Québec



Following is a set of standard clauses developed by the Association des courtiers et agents immobiliers du Québec or by the Greater Montreal Real Estate Board in cooperation with the ACAIQ. Please do not hesitate to use these clauses in ACAIQ forms. They are also available on *Synbad* Extranet, in electronic format.

Warning

These standard clauses have been developed to fit the widest possible range of situations. They are accompanied by comments on how they should be used. However, it may happen that a clause is not entirely suited to a given situation. It is up to the real estate broker or agent using the clause to make sure that it reflects the will of the parties or to make any necessary changes and, if needed, to consult a jurist.



Association des courtiers et agents immobiliers du Québec

1 Caution: photos of inside immovable and open houses

The seller also acknowledges having been informed of the similar potential risks involved with holding open houses.

Note: This clause informs the seller of the broker's intended use of the photos showing the interior of the immovable and also advises him of the inherent risk of their publication. The inclusion of such a caution in relation to open houses seems appropriate. However, it is not necessary to specify that the seller consents to open houses, as this method of promoting the sale is deemed to be covered by section 9.3 of the exclusive brokerage contract form.

If this clause is used, it should be included in section 11.1 of the brokerage contract form, or, if there's insufficient space, in the Annex G - General form.

(Source: GMREB/ACAIQ)

2 Penalty

Despite the terms of section 4.2 of the PROMISE TO PURCHASE, in the event that the signing of the act of sale does not take place on ______ (date) because the BUYER voluntarily hinders same or voluntarily prevents it from occurring, the amount of \$_____ held in trust by _____ will be remitted to the SELLER as liquidated damages.

Note: Though useful, this clause is somewhat limited. If the parties cannot agree on the party responsible for the sale's non-completion, the broker cannot act like the Court and decide who is entitled to this amount.

It is also important to explain to the parties the meaning of "liquidated damages", as the seller will need to understand that he will not be entitled to claim any additional amounts from the buyer or start Court proceedings to force the seller to sell the property.



This clause can only be used in very specific cases where there is concern that in the event of default by the buyer, it will be very difficult for the seller to recover any amount whatsoever in damages, for instance if the buyer lives outside Québec.

If this clause is used, it should be included in section 8.1 of the Promise to Purchase form or, if there's insufficient space, in the Annex G - General form.

(Source: GMREB/ACAIQ)

Exclusion of Legal Warranty of Quality

This sale is made without any legal warranty of quality, at the buyer's risk.

Note: The legal warranty can also be excluded for specific components of the immovable, such as the pool, for instance. If the exclusion only applies to a single component, the following words should be added: "as pertains to ______ (describe the excluded component(s))".

If this clause is used, it should be included in the Promise to Purchase or Counter-Proposal form or, if there's insufficient space, in the Annex G - General form.

If the legal warranty of quality exclusion is requested by the seller from the start, this clause should be included in section 11.1 of the brokerage contract.

(Source: GMREB/ACAIQ)

Waiver of Right to Have Immovable Inspected

The BUYER acknowledges having been advised of and having waived his right to have the IMMOVABLE inspected by a building expert.

Note: It is important that written proof be kept of the fact that the buyer was informed of his right to have the building inspected. Of course, such proof will only be required if section B2.4 of Annex B was not used.

If this clause is used, it should be included in the Promise to Purchase or Counter-Proposal form or, if there's insufficient space, in the Annex G - General form.

5 Price Reduction

Following the pre-purchase inspection per-	formed by of the firm
on	, the parties agree that the purchase price
shall be reduced to \$	to account for the work to be performed
for (describe the wor	k). The BUYER acknowledges that the legal
warranty of quality shall not apply to the s	ubject of this price reduction.

Note: This approach is preferable over stipulating the seller's obligation to have specific work completed within a specified time period. This could be difficult to enforce if, for example, the seller partially or inappropriately fulfills this obligation. The issue would then be to determine what to do with the amount held in trust by the executing notary. Using the suggested clause would avoid many disputes of a similar nature.

It should also be stressed that when the buyer tries to get a reduced price, a signed amendment notice should not be sent. Such negotiations must be done verbally or via UNSIGNED amendment notices exchanged by the parties within the time periods set out in section B2.4 of Annex B.

Once an agreement is reached, the suggested clause can be included in the Amendments and Notice of Fulfilment of Conditions form, which the parties will then sign.

(Source: GMREB/ACAIQ)

6 Cancellation of Promise to Purchase Following Immovable's Inspection

Following the pre-	-purchase inspection perfo	rmed by	of
the firm	on	, а сору	of the report of
which is attached	hereto, the buyer hereby o	leclares that the Pron	nise to Purchase
(PP	_), its Annexes and the Co	ounter-Proposal (CP _)
are null and void,	in accordance with the ter	rms of section B2.4 of	f Annex B
(AB).		

Note: This clause should appear in a letter sent by the buyer to the seller rather than on any form, as per the requirements of section B2.4 of Annex B.

7 Release and Discharge

In consideration of the payment of \$ _______ on this day by _______ for ______ (describe the reason of the payment), ______ hereby releases and discharges ______ X , as well as all of its officers, representatives, agents, employees or persons authorized to act on its behalf from any and all claims of any nature that may be associated therewith and waives all rights and remedies with respect thereto.

Note: This wording can be used if an agent or broker is involved in any type of dispute and wishes to resolve this. If X is an individual, it is not necessary to add the phrase "as well as all of its officers, representatives, agents, employees or persons authorized to act on its behalf." However, it should be noted that if an agent resolves a dispute with a client or a third party without the broker's intervention, it is required that the discharge also cover the broker on behalf of which he is authorized to act.

(Source: GMREB/ACAIQ)

8 Off the Market

The parties agree to remove the immovable from the market. Consequently, the broker shall suspend all activities for the purpose of selling the immovable, including all advertising. The contract shall remain in effect until its expiry as pertains to all other rights and obligations set out thereunder.

Note: If this clause is used, it should be included in the Amendments and Notice of Fulfilment of Conditions form.

9 Counter-Proposal to a Second Promise to Purchase

This COUNTER-PROPOSAL is conditional on the cancellation, by _______ o'clock on ________, of an initial promise to purchase that was already accepted by the SELLER. If the said initial promise to purchase is cancelled, the SELLER shall so notify the BUYER in writing before that deadline. All time periods stipulated in the PROMISE TO PURCHASE PP_______ shall run from the receipt of the SELLER's written notification. In the event that the SELLER does not notify the BUYER within the time period and in the manner set out above, this COUNTER-PROPOSAL shall become null and void.

Note: It should be noted that in many cases, clause B2.3 is perfectly acceptable and should be used first. In other cases, however, a seller who wishes to provide for a back-up solution in the event that the first promise to purchase is cancelled may not want to have to undertake steps to have it declared null and void.

(Source: GMREB/ACAIQ)

10 Further Inspection

Following the rece	eipt of the inspection re	port dated	from	
	of the firm	suggesti	ing a more in-depth inspection	
of	(identify the con	ponent or syste	em to be inspected), the parties	
agree to amend t	he time period of	days prov	vided for in clause B2.4 to a tim	ie
period of	days in order to all	ow the BUYER to	o proceed with the suggested	
inspection.				

Note: This clause should be included on the Amendments and Notice of Fulfilment of Conditions form. Of course, such an agreement should intervene before the deadline provided for in section B2.4, since after that time period, the BUYER is deemed to have waived the inspection condition.



11 Reduced Compensation

If a promise to purchase is submitted through the broker's representative identified in 1 during the term of this contract and in fact leads to the sale of the immovable, the broker undertakes to only claim from the seller a compensation of ______ %. Notwithstanding the foregoing, there shall be no reduction in compensation in the event that one or several promises to purchase are submitted through other real estate agents or brokers concurrently with a promise to purchase submitted through the broker's representative identified in 1.

Note: If this clause is used, it should be included in section 11.1 of the brokerage contract form, or, if there's insufficient space, in the Annex G - General.

(Source: GMREB/ACAIQ)

12 Exclusion of Warranty for Fireplaces, Stoves, Combustion Appliances and Chimneys

The stove(s), fireplace(s), combustion appliance(s) and chimney(s) are sold without any warranty with respect to their compliance with applicable regulations and insurance company requirements.

Note: Regulation changes and differences in the requirements of insurance companies are frequent causes of disputes after a sale. However, the proposed exclusion of warranty will not discharge the seller if he fails to disclose a defect of which he was aware. If this clause is used, the buyer should be advised to hire a specialist in order to have all of the necessary verifications done with the appropriate authorities.

13 Review of Documents By Buyer

This promise to purchase is conditional on the BUYER's examination and verification of the following documents: (list them) ______

To this effect, the SELLER shall submit to the BUYER a copy of the above-mentioned documents within ______ days of accepting this promise to purchase.

Should the BUYER not be satisfied upon examining and verifying these documents and therefore wishes to withdraw this promise to purchase, he shall notify the SELLER in writing within seven (7) days of the expiry of the above-mentioned time period.

This promise to purchase shall become null and void upon receipt of this notification by the SELLER. Should the BUYER not notify the SELLER within the time period indicated herein, he shall be deemed to have waived this condition.

Note: The above clause is self-explanatory.

(Source: GMREB/ACAIQ)

14 Buyer's participation in the enterprise's operations

This promise to purchase is conditional to the BUYER being able to participate in the ENTERPRISE's operations for a period of ______ days, to begin on ______ at the latest, according to the following terms: ______



To this effect, the SELLER agrees, during this period, to remain at the BUYER'S disposal and to provide him with all the information and support he needs to participate in ENTERPRISE's operations.

If, at the end of the period stipulated above, the BUYER is not satisfied, he may cancel this promise to purchase by sending a written notice to this effect to the SELLER within seven (7) days after the expiration of the period. This promise to purchase shall become null and void from the moment such notice is received by the SELLER. Should the BUYER fail to notify the SELLER within the deadline specified, he will be deemed to have waived this condition.

(Source: ACAIQ)

15 Expert report requested by the buyer

The seller agrees, at his own expense, to have an expert analysis done on: _________ (specify the object of the expert report, e.g. soil, backfill materials, foundation concrete, etc.) _______ and to give the buyer a copy of the expert report within _______ days following acceptance of this promise to purchase.

If the BUYER is not completely satisfied with the expert report, he shall notify the SELLER in writing within four (4) days of the expiry of the above-mentioned deadline. This Promise to Purchase shall become null and void upon receipt by the SELLER of this notice. Should the BUYER fail to notify the SELLER within the time period and in the manner provided above, he shall be deemed to have waived this condition.

Note: To be used when no written expert analysis performed by the seller exists at the time of the Promise to Purchase.

16 Expert report in the seller's hands

Upon acceptance of this Promise to Purchase, the SELLER shall provide the BUYER with a copy of the expert report. If the BUYER is not completely satisfied with the expert report, he shall notify the SELLER in writing within ______ days of receipt of the report. This Promise to Purchase shall become null and void upon receipt by the SELLER of such notice. Should the BUYER fail to notify the SELLER within the time period and in the manner provided above, he shall be deemed to have waived this condition.

Note: To be used when the seller has a written report in his possession, resulting from an expert analysis he has requested, prior to presentation of a Promise to Purchase.

(Source: ACAIQ)

17 Conforming promise to purchase -Additions to the brokerage contract and the detailed description sheet

Wording to add to clause 11.1 of the brokerage contract:

"It is understood that this contract does not constitute a promise or offer to sell which, upon acceptance, would bind the seller to the buyer, but rather a general invitation to the public to submit promises to purchase."

Wording to add to the detailed description sheet:

"This is not an offer or promise to sell that could bind the seller to the buyer, but an invitation to submit promises to purchase."

Note: In order to maintain the seller's prerogative to refuse any promise to purchase presented (subject to compensating the broker in case of a conforming promise to purchase), the ACAIQ suggests that special wording be added to the brokerage contract and the detailed description sheet.



In 2005, the Quebec Court of Appeal opened the door to a significant change in the relationship between the seller and the promising buyer as we knew it. In the case Royal LePage DesMoulins vs Baril, the Court issued the opinion that when a promise to purchase is presented that conforms perfectly with the terms contained in the brokerage contract, the seller is obliged to sell and, in case of refusal, the buyer has a recourse against the seller in title transfer or damages. This opinion could possibly transform the principle, generally accepted until now, that a brokerage contract, together with a marketing strategy, is merely an invitation for buyers to present promises to purchase, which the seller the remains free to accept or refuse.

See the following article on the ACAIQ.COM website : Consequences of a seller refusing a conforming promise

(Source: ACAIQ)

18 Verification of septic systems

The SELLER cannot guarantee the conformity of the septic system to environmental protection laws and regulations. The BUYER shall have ______ days following acceptance of this promise to purchase to make any verification he shall deem useful regarding the septic system and to notify the SELLER in writing if he wishes to make the promise to purchase null and void as a result of this verification. To this end, the SELLER shall provide to the BUYER, within the specified time period, any document he has in his possession concerning the features and year of construction of the septic system. Should the BUYER fail to notify the SELLER within the specified time period, he shall be deemed to have waived this condition.

Note: It is recommended to add this clause to any promise to purchase relating to an immovable that is not serviced by a sewer system and whose waste water drains into a septic system. This clause should be inserted under clause 8.1 of the Promise to Purchase form and, if space is insufficient, on an Annex G - General form. A reference to this clause must be added under clause 6.1h) of the promise to purchase (declaration regarding the conformity with environmental protection laws and regulations).

$19 \quad {\rm Verification \ of \ zoning}$

The BUYER agrees to undertake in good faith, as soon as possible and at his expense, all necessary steps to obtain from the relevant authorities confirmation that the purpose he plans to give the immovable complies with relevant zoning regulations.

The BUYER agrees to notify the SELLER in writing, within ______ days of acceptance of this promise to purchase, that this condition has been met or is being waived. Receipt of such written notification within the specified time period shall fully satisfy this condition. In the absence of such notification within the specified time period, this promise to purchase shall become null and void.

(Source: ACAIQ)

20 Zoning change or permit

The BUYER agrees to undertake in good faith, as soon as possible and at his expense, all necessary steps to obtain from the relevant authorities a zoning change concerning the IMMOVABLE or a permit to allow:

The SELLER agrees to concur, if required, in any step on the part of the BUYER to obtain the above-mentioned permit or change.

The BUYER agrees to notify the SELLER in writing, within ______ days following acceptance of this promise to purchase, that this condition has been met or is being waived. Receipt of such written notification within the specified time period shall fully satisfy this condition. In the absence of such notification within the specified time period, this promise to purchase shall become null and void.



The SELLER agrees to have the following work done, at his expense, by a contractor who shall be approved by the BUYER and in accordance with the quote approved by each of the parties:

Any warranty provided by the contractor shall be transferable to the BUYER.

If, as of the date scheduled for the signing of the act of sale, the work has not been completed or paid for, the parties instruct the acting notary to withhold from the proceeds of the sale a sum equal to the price indicated on the quote plus 25%. Once the work is completed, the notary shall pay from the sum withheld any sum then due to the contractor, in exchange for an acquittance from the contractor and from any person who may exercise a legal hypothec on the immovable for work performed or materials supplied.

The BUYER shall have any uncompleted work completed by _______ at the latest. The notary shall pay from the sum withheld any sum due as of this date to the contractor, in exchange for an acquittance from the contractor and from any person who may exercise a legal hypothec on the immovable for work performed or materials supplied. Upon submission of invoices, the notary shall also reimburse to the BUYER, from the sum withheld, the cost of the work thus performed.

If, following payment of the contractor and, if applicable, reimbursement to the BUYER, a portion of the sum withheld remains, it shall be remitted to the SELLER.

Note: This clause is meant to be used in special cases where delicate or important work requiring special expertise, such as soil decontamination or repairs to a concrete slab damaged by pyrite, must be performed. It is not meant to be used for routine repair or renovation work that might be suggested during a pre-purchase inspection. When a pre-purchase inspection uncovers work to be done, it is preferable for the parties to agree on a price reduction to take the cost of the work into account. A standard clause is available for a price reduction following a pre-purchase inspection.

22 Deposit agreement

With this promise to purchase, the BUYER remits to	the intermediary referred t	o above, as
earnest money, the sum of	dollars (\$)
by cheque payable to the order of		"in trust"
(hereinafter called the TRUSTEE). If applicable, this	sum shall be applied again	ist the
purchase price at the signing of the act of sale.		

Following acceptance of this promise to purchase, the cheque may be certified and shall be given to the TRUSTEE, who shall deposit it into a trust account until it is disposed of in accordance with this clause. As soon as he has deposited that sum into a trust account, the TRUSTEE shall give the depositor a receipt. The BUYER or the SELLER shall make this promise to purchase null and void by written notification to this effect to the other party before _______.

When the option is exercised by the BUYER, the TRUSTEE shall immediately remit this sum, without interest, to the SELLER. When the option is exercised by the SELLER, the TRUSTEE shall immediately reimburse this sum to the BUYER and the SELLER shall pay to the BUYER, without delay, an additional sum equal to this sum. This promise to purchase shall become null and void from the time of receipt by the BUYER or the SELLER, as applicable, of the entire sum due.

Should this promise to purchase become null and void by virtue of another clause under this promise to purchase, the TRUSTEE shall immediately reimburse to the BUYER the sum mentioned, without interest.

Note: Like the deposit, earnest money is a sum that the buyer pays with the promise to purchase to be applied against the sale price at the signing of the act of sale. However, earnest money is different from the deposit in that it is not simply an advance, but also the penalty that the party (buyer or seller) must pay to exercise the right to cancel the promise to purchase. In case of withdrawal by the buyer, the buyer loses the sum paid; in case of withdrawal by the seller, the buyer is entitled to reimbursement of the sum paid and, in addition, the seller must pay an additional equivalent sum to the buyer; therefore, the buyer gets back double the sum paid as earnest money.

This clause must be used only if the parties agree that the other may unilaterally withdraw from the promise to purchase in exchange for the penalty represented by the earnest money. It should be used in exceptional circumstances only, when warranted by the situation. The payment of a simple deposit remains the preferred procedure in the vast majority of cases.

If this clause is used, it replaces the deposit clause under 4.2 of the Promise to purchase form. It must be entered on an Annex G - General form and clause 4.2 must be crossed out. The seller and the buyer must initial the deleted clause.

23 Proof of availability of funds or equity in case of cash sale

The BUYER agrees to provide to the SELLER, within ______ days following acceptance of this promise to purchase, any document demonstrating that he has the necessary funds to cover the purchase price and, if applicable, that he has obtained, for an immovable of which he is the owner, a promise to purchase in which all conditions have been fulfilled, excluding the signing of the act of sale before notary, as well as a letter from the lending institution indicating the balance of the loan guaranteed by immovable hypothec on this immovable.

Should the BUYER fail to provide these documents within the time period specified above, the SELLER shall make this promise to purchase null and void by sending written notification to the BUYER to this effect within 4 days following the expiration of this period. This promise to purchase shall become null and void from the time of receipt of such notification by the BUYER. If the SELLER fails to send such written notification to the BUYER within the specified time period and in the manner described above, he shall be deemed to have waived this condition.

Note: When a buyer presents a promise to purchase offering to pay cash, it is recommended that the real estate agent properly document his file on the availability of funds required to pay the agreed price. This clause enables you to obtain proof from the BUYER that he has the required funds. If this sum is coming from the sale of an immovable that has not yet been sold, the promise to purchase should instead be made conditional to obtaining a mortgage loan.

In case of a cash purchase, the agent must advise the seller to ask for a sizeable deposit. He should also advise the buyer to pay such a deposit with his promise to purchase. A sizeable deposit will show the seriousness and good faith of the buyer.

Many events that could compromise a real estate transaction can happen between the time a promise to purchase is accepted and the scheduled signing of the act of sale. This is why a real estate agent should always recommend that the parties sign the act of sale as quickly as possible. In case of a cash purchase, the risk of the funds no longer being available is minimized and the seller will be assured of getting the money he may need prior to making other commitments.

24 Security deposit – Lease of a property as a vacation resort only

With this promise, the LESSEE pays the sum of ______ dollars (\$______) as security deposit made by cheque to the order of ______ in trust, hereinafter called the TRUSTEE.

(name of broker receiving the sum)

Upon signing of the lease, the TRUSTEE shall deposit the cheque in a trust account until disposed of in accordance with this clause. The purpose of the deposit is to guarantee the LESSEE's obligation to surrender the PREMISES, including furnishings and other accessories, in the condition in which they were received, except for changes resulting from normal aging, wear and tear or superior force, and final payment of any sum due to the LESSOR under the lease, including any charge assumed by the LESSEE.

The LESSOR shall have 5 days following the expiry of the lease to verify that the obligations under this clause have been fulfilled and, in case of non-fulfilment, to notify the TRUSTEE in writing not to refund the deposit to the LESSEE. After this deadline and in the absence of a notice from the LESSOR, the TRUSTEE shall refund the deposit to the LESSEE. Otherwise, the TRUSTEE shall only dispose of the deposit in accordance with the written instructions of the parties or an order of the court.

Note: This clause is designed to be used for the lease of an immovable (house, cottage, condominium, apartment) as a vacation resort. An immovable cannot be designated as a vacation resort in and of itself. It may constitute a vacation resort for one lessee and not for another, depending on the circumstances. It is the purpose of the premises and the use made of them by the parties that determine whether an immovable is leased as a vacation resort. The fact that the immovable is not the lessee's principal residence may be a factor in determining whether an immovable is being used as a vacation resort. The use of the premises as a vacation resort should always be specified in all contract documents (brokerage contract, promise to purchase, lease).

The condition of the premises should be established in writing by the parties when the lessee takes possession of the premises. This can be done using photographs (art. 1890 CCQ). The condition of the premises shall be established again by the parties at the end of the lease. Barring any repairs for which the lessee would be responsible, the security deposit can then be refunded to him by the trustee.

The clause is not to be used for a dwelling (house, cottage, condominium, apartment) that is not used as a vacation resort. The Civil Code states that the lessor of a dwelling cannot exact a deposit. He may only exact advance payment of the first month's rent (art. 1904 CCQ).



We remind you that the leasing of cottages, houses or apartments to tourists for a period not exceeding 31 days is governed by the Act respecting Tourist Accommodation Establishments, unless the property is leased only on an occasional basis. On this subject, please read the article entitled "Abiding by the Act respecting Tourist Accommodation Establishments" available on the ACAIQ website. For more information on the requirements under the Act respecting Tourist Accommodation Establishments, please visit the Corporation de l'industrie touristique du Québec website (http://www.citq.qc.ca/en).

(Source: ACAIQ)

25 Drinking water test

The BUYER shall be able to have a drinking water test performed by a laboratory certified by the department responsible for the environment in Québec, ______ days following acceptance of this promise to purchase. Should the test reveal that the water is unfit for human consumption, the BUYER shall notify the SELLER in writing and give him a copy of the results within ______ days following the expiration of the above deadline. This promise to purchase shall become null and void from the date of receipt of the notice accompanied by the results. Should the BUYER fail to give notice to the SELLER within the specified time period and in the manner described above, he shall be deemed to have waived this condition.

Caution: The water sample used for testing must be taken by a person designated by the laboratory responsible for the testing or by the buyer, according to the instructions received from the laboratory. It is not recommended that the sample be taken by the real estate agent – either the buyer's or the seller's.

_)

26 Emptying of septic tank

The SELLER agrees to have the septic tank emptied, at his expense, prior to the signing of the act of sale and to give the BUYER written proof to this effect. If the SELLER fails to provide proof that the work has been completed, he shall pay the sum of

dollars (\$

to the BUYER on the date of signing of the act of sale.



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