OTTAWA FLOOD RESTORATION

# Contracts & Payments

Flood repair contracts in Ontario: direct agreements, 10-day cancellation, estimates and the 10 per cent holdback

5 Expert Answers from Flood Repair IQ

ottawafloodrestoration.ca/construction-brain

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Q1

## Do I hold back 10 per cent on a flood repair in Stittsville?

The Construction Act requires a holdback equal to 10 per cent of the price of services or materials as they are actually supplied. That requirement applies to construction work in Ontario, including flood repairs in Stittsville.

The holdback is not optional. Under section 22(1) of the Construction Act, the owner holds back 10 per cent of the value of services or materials as each invoice comes in, not just at the end of the job. The purpose and mechanics beyond that basic rule, including when and how the holdback can be released, are questions for a lawyer familiar with the Act.

A few things are worth having in writing before work begins. The Consumer Protection Act, 2002 says that a direct agreement made in your home for more than $50 shall be in writing, and that you may cancel at any time from the date of entering into the agreement until 10 days after you have received the written copy. The same Act says that if the contract includes an estimate, the supplier cannot charge more than 10 per cent above that estimate. Those two rules sit alongside the Construction Act holdback, not instead of it.

On the contractor side, you can ask for a WSIB clearance certificate at the time of hiring. The WSIB says that people who own or run a business in construction, with or without employees, must have coverage, with some exceptions.

One thing to check with your insurer before work starts: ask in writing how the holdback interacts with the way your policy handles contractor payments, because your policy wording governs what the insurer will process and when.

A construction lawyer is the right person to walk you through how the Construction Act holdback works in practice for your specific contract.

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Q2

## What should a flood repair contract in Ottawa say before work starts?

If the contract is made in your home, it is a direct agreement under the Consumer Protection Act, 2002. Under section 42(1), that agreement must be in writing, and under section 43(1), you have the right to cancel at any time from the date of entering into the agreement until 10 days after you have received the written copy.

Before the contract is signed, confirm that it sets out the full scope of work in enough detail that you can tell what is included and what is not. The Consumer Protection Act, section 10(1), says a supplier cannot charge more than 10 per cent above an estimate included in the agreement.

A few things worth having in writing before work begins:

- The scope: which materials come out, what gets dried, what gets rebuilt, and what is explicitly excluded.
- The price or estimate, with the 10 per cent rule in mind.
- Who pulls any required building permits, and who is responsible if a permit is needed and not obtained. The City of Ottawa notes that failing to obtain a required permit can affect insurance coverage in the case of a loss.
- Payment terms, including the holdback. The Construction Act, section 22(1), requires a holdback equal to 10 per cent of the price of services or materials as they are actually supplied. Ask a lawyer about anything beyond that.
- Whether the contractor carries WSIB coverage. Ask for a clearance certificate.

On the question of who chooses the contractor and how payment flows through your insurer, we found no standard rule. Ask your insurer, in writing, how contractor choice and payment work under your policy before you sign anything with a contractor.
Photograph every damaged area and every item you intend to discard before anything is removed, and keep those images with your copy of the signed contract.

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Q3

## A door-to-door seller offered a new furnace after our Kanata flood. Is that allowed?

Furnaces and water heaters are restricted door-to-door products under Ontario's Consumer Protection Act, 2002. A business can contract for either of them at your home only if you contacted it first and invited it to come.

If you did not reach out to this seller before they knocked, the contract they offered is not one they are permitted to make at your door. Even if you signed something, the Consumer Protection Act gives you the right to cancel a direct agreement, made in the home, at any time from the date of entering into the agreement until 10 days after you have received a written copy of it. For a furnace or water heater specifically, the restriction on door-to-door sales sits on top of that general cancellation right.

A few things worth knowing before you decide anything:

- If you did invite the company, get the contract in writing. The Consumer Protection Act, 2002 says a direct agreement shall be in writing; O. Reg. 17/05 sets the threshold at payments over $50.
- The Consumer Protection Act also says a supplier cannot charge more than 10 per cent above any estimate included in the agreement.

- Your insurer's position on the furnace matters. Ask your adjuster, in writing, whether a flood-damaged furnace is covered under your policy and how contractor choice and payment work. The City of Ottawa says that after a flood, a certified gas technician must turn your gas service back on, and your gas utility says to have a licensed technician inspect any water-damaged equipment.

If you are unsure whether the seller's approach was lawful, Ontario's consumer protection rules are administered provincially. You can direct questions about the Act to the province. If you have already signed a contract you want to cancel, the Act's cancellation rules are the place to start, and a lawyer can tell you exactly where you stand.
The most useful next step is to check whether you contacted this company before they came to your door, then call your insurance adjuster to ask about furnace coverage before committing to any replacement contract.

Q4

## Can I cancel a flood repair contract I signed at my door in Gloucester?

Under Ontario's Consumer Protection Act, 2002, a contract signed at your home is a direct agreement, and if it is over $50 you have the right to cancel it at any time from the date you signed until 10 days after you received a written copy of the contract.

Section 43(1) of the Act says you may, without any reason, cancel a direct agreement at any time from the date of entering into it until 10 days after you receive the written copy. Note the date you receive that copy.

A few things are worth knowing about the contract itself. Under the Consumer Protection Act, if the agreement includes an estimate, the contractor cannot charge you more than 10 per cent above that estimate. Separately, under the Construction Act, a holdback equal to 10 per cent of the price of services or materials as they are actually supplied is required; anything beyond that is a question for a lawyer. If the work involves a furnace or water heater, those are restricted products under Ontario's door-to-door rules: a contractor can only enter a contract for them at your home if you contacted the contractor first and invited them.

If work has already started, the picture is more complicated. The Act still gives you the cancellation right within the window, but what happens to work already done or materials already ordered is a question for a lawyer familiar with the Consumer Protection Act.

Get the written contract if you do not already have it, note the date you receive it, and if you decide to cancel, send written notice before the 10 days are up.

Ask your insurer, in writing, whether the policy requires you to use a specific contractor or a specific approval process before signing a repair agreement, and what documentation they need from you to process any payment related to this repair.

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Q5

## Can a flood repair cost more than the estimate in Ontario?

Yes, and Ontario law sets a limit: under the Consumer Protection Act, 2002, a supplier shall not charge more than 10 per cent above an estimate.

Section 10(1) of the Act states that "if a consumer agreement includes an estimate, the supplier shall not charge the consumer an amount that exceeds the estimate by more than 10 per cent." Before work starts, ask the

contractor in writing how changes to the scope are approved.

Two City rules can change the scope: replacing damaged insulation with a different type needs a building permit, and the City says properties built before 1990 may have asbestos, so check with a professional before any repair or demolition work.

For contracts made in your home, the Consumer Protection Act, 2002 also requires the agreement to be in writing, and lets you cancel until 10 days after you receive the written copy. O. Reg. 17/05, s.34 sets the threshold at agreements over $50.

A few things to have in writing before work begins:

- the full scope of work and the estimate, signed by both parties
- how change orders are approved and documented
- the payment schedule, including any holdback

The Construction Act, s.22(1), requires a holdback equal to 10 per cent of the price of the services or materials as they are actually supplied; for anything further, ask a lawyer.
Read the estimate line by line before you sign, and ask the contractor to explain any item that is described as provisional or subject to change.

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**Disclaimer:** This guide is provided for informational purposes only by Ottawa Flood Restoration. It does not constitute professional advice. Always consult qualified contractors and your local building authority (the City of Ottawa) before repairs start. Removing drywall so insulation can dry needs no building permit; replacing insulation with a different type or replacing framing does. Information is current as of November 22, 2026 and may change. Visit **ottawafloodrestoration.ca** for the latest answers.