

What happens when you're buying a house and damage occurs after you made your offer?

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Should you find the home is not in the same condition as when you made your offer, tell your salesperson, who can deal directly with the seller's representative, and also talk to a lawyer who is insured to practice real estate law. In Ontario, a standard Agreement of Purchase and Sale includes a clause that makes the seller liable for damages that occur between signing and closing; it's commonly referred to as a risk allocation clause. You would be well advised to get an estimate for the repair costs and the time it will take to fix everything, and ask your salesperson to coordinate with the seller's representative. Your lawyer will want information about the seller's insurance policy and to review the APS.

You might be wondering if you can back out of purchasing the home. That depends upon the extent of the damage. If the damage is substantial (let's say there's a fire, and it burns to the ground), the buyer has a choice to make. They may elect to cancel the transaction and get their deposit returned, or they could choose to go forward with the deal and receive money from the seller's insurance policy, though these options would have to be considered and discussed by all the parties and the insurer. If the damage isn't all that substantial (bearing in mind the distinction between substantial and not-so substantial isn't always clear-cut), the seller or their insurance provider are still on the hook for repairs, and it may not be reasonable for the buyer to back out of the transaction. Your real estate lawyer will be able to advise you on how to proceed.

Remember: the seller's insurance policy on the home terminates the day you take possession, so if you discover any problems after you move in, you'll have to discuss next steps with your lawyer.

There's an old saying that an ounce of prevention is worth a pound of cure. Whenever you buy a home, I strongly recommend bringing your real estate salesperson with you for a personal inspection of the property shortly before it changes ownership, and never treating it as a casual walk-through. A pre-closing visit is the buyer's last opportunity to ensure the home is in the same condition as when they made their offer, and the seller has fulfilled any conditions mentioned in the APS.

Pre-closing visits are negotiable, so if you feel that additional visits might be necessary, you could ask your salesperson to insert a clause into your offer. If you have a question for Joe about the home buying or selling process, please email information@reco.on.ca.

Was this article helpful? Joseph Richer is Registrar of the Real Estate Council of Ontario (RECO). He is in charge of the administration and enforcement of all rules that govern real estate professionals in Ontario. You can find more tips at reco.on.ca, follow on Twitter @RECOhelps or on YouTube at <http://www.youtube.com/RECOhelps>.