

PROMPT PAYMENT & ADJUDICATION 101

What are Prompt Payment and Adjudication?

They are rules and processes designed to speed up payment, resolve disputes quickly, and keep projects moving. They are part of the Ontario *Construction Act*, and came into effect on Oct. 1, 2019 for most contracts.

Prompt Payment requires owners, contractors, and subcontractors to pay project invoices within specific timelines. If there is a dispute, strict rules and timelines must be followed for non-payment of all or part of the invoice.

Adjudication is a dispute resolution process that allows parties to resolve their disputes quickly, privately, and out of court. The process is handled by Ontario Dispute Adjudication for Construction Contracts (ODACC).

Do the rules apply to my contract or subcontract?

The scope of contracts covered by Prompt Payment and Adjudication tracks closely to a common-sense definition of a construction contract. The rules generally apply to:

- Contracts that are written, oral, or a combination of both
- Projects that are billed monthly or by milestones
- Projects of any size, from a bathroom reno to a provincial infrastructure project
- Work performed pursuant to a prime contract, subcontract, sub-subcontract, or supplier
- Companies of any size
- Traditional contractors and design professionals alike.

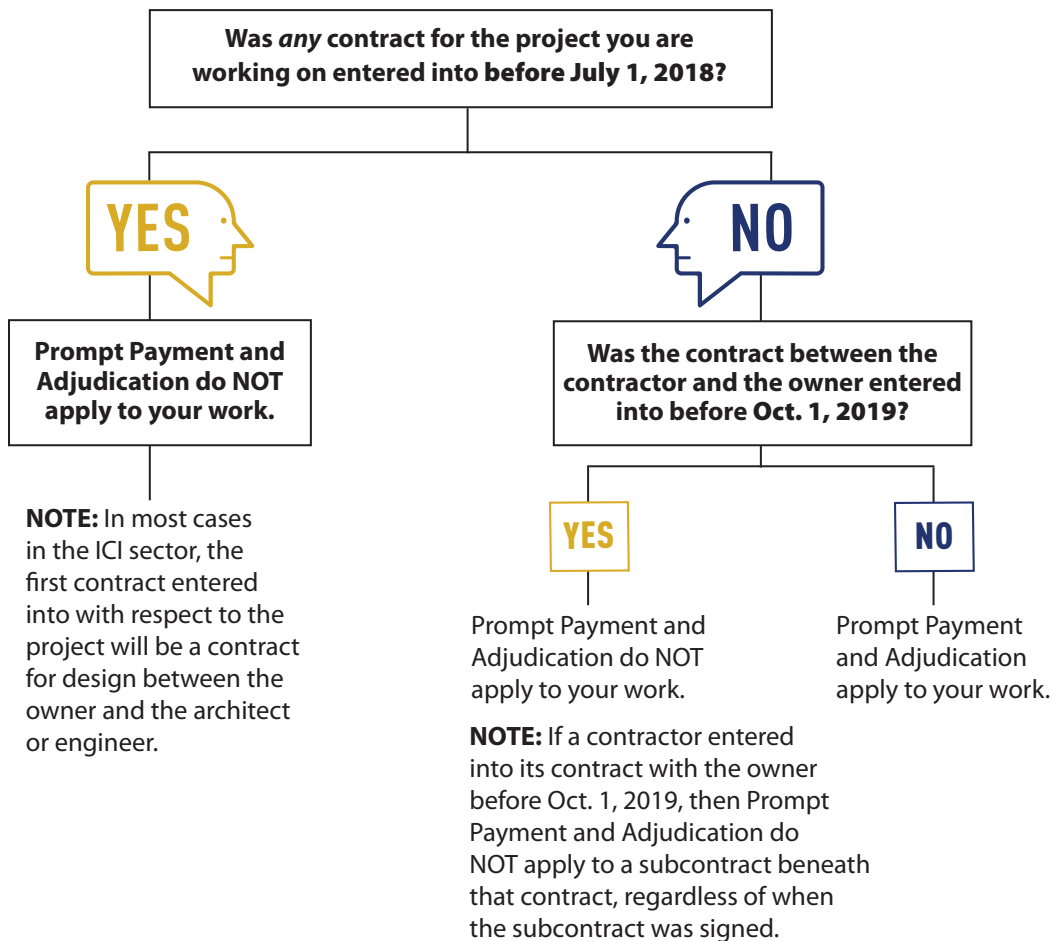
Did you know?

The *Construction Act* prohibits parties from contracting out of Prompt Payment and Adjudication obligations.



Is my contract grandfathered under the old rules?

Some contracts/subcontracts are grandfathered under the old rules so that Prompt Payment and Adjudication do not apply. This flow chart will help you determine which rules apply.



There are some further nuances dealing with procurement dates and leasehold improvements, but the flowchart above covers most contracts.

Ready to Learn More?

See our related fact sheets:

- Prompt Payment for Owners
- Prompt Payment for Contractors
- Prompt Payment for Subcontractors
- Prompt Payment for Holdbacks
- How does the Basic Holdback Work?
- What is a Proper Invoice?
- Adjudication Basics

Other resources:

- Ontario Dispute Adjudication for Construction Contracts (odacc.ca)
- COCA Webinar on Prompt Payment and Adjudication (coca.on.ca/advocacy/prompt-payment)
- Ontario Construction Act (ontario.ca/laws/statute/90c30)



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Disclaimer: This fact sheet is intended to provide information to the industry at large and should not be considered legal advice. Contact a lawyer to find out how Prompt Payment and Adjudication may apply in your particular circumstances.