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Recent Court of Québec Ruling on Application of Consumer Protection Legislation in Leasing Agreements entered into by Self-Employed Individuals

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In a decision rendered on July 21, 2025, by the Court of Québec in *Jim Pattison Industries Ltd. c. Lazarre*¹, the court addressed key issues under the Québec Consumer Protection Act (CPA) and the Civil Code of Québec (CCQ) that are particularly relevant to businesses involved in leasing or financing arrangements with natural persons operating in a professional or business capacity. This ruling, arising from the post-COVID return of leased electric vehicles by taxi drivers, underscores the nuances in determining "consumer" status and the validity of *crédit-bail* (leasing) contracts. We highlight the decision's implications below.

Case Overview

Jim Pattison Industries Ltd., a vehicle financing company, leased BYD electric taxis to ten taxi drivers through arrangements promoted by E-Taxi Inc. and its sole shareholder, Mr. Nhan Dung Cuong. The drivers were promised "turnkey" vehicles equipped for taxi operations, including accessories and certain benefits such as adapted transport routes yielding \$400 in daily revenue. Amid the COVID-19 pandemic, the drivers returned the vehicles and ceased payments, prompting Jim Pattison to sue for damages totaling over \$500,000 across the cases.

The drivers countered by arguing the leases violated the CPA, rendering them null, and that their consent was vitiated by misrepresentations. They also pursued E-Taxi and Mr. Cuong in warranty, seeking \$15,000 each in damages for stress and related harms.

The court consolidated the ten files for a joint hearing. It nullified seven leases under the CPA, determining those drivers to be "consumers," but upheld partial claims against three drivers classified as "merchants." The actions in warranty were mostly dismissed, with one partial success.

¹ *Jim Pattison Industries Ltd. v. Lazarre* (2025 QCCQ 3657).

Consumer vs. Merchant Under the CPA

The CPA defines a "consumer" as a natural person, excluding a merchant acquiring goods or services for business purposes². The court reaffirmed established jurisprudence (e.g., *Bérubé c. Tracto inc.*³) that self-employed individuals practicing a trade, art, or profession, such as taxi drivers using a vehicle personally, are consumers by default, even if the acquisition has a commercial purpose. This protection extends to "artisans" whose work is primarily manual or intellectual, provided it is not speculative or investment oriented.

1. Consumers (Seven Drivers): These drivers used the BYDs themselves to earn personal income. The court applied a fact-specific test, considering factors like the absence of employees, limited scale of operations, and lack of speculation for profit. As consumers, the leases violated CPA requirements⁴ on disclosure, statements of account, and mandatory clauses for credit contracts. The court annulled these contracts under s. 272 CPA, rejecting Jim Pattison's claims, but declined restitution of payments given the vehicles' use.
2. Merchants (Three Drivers): These individuals leased the BYDs to third-party drivers for profit, akin to an investment. Their operations involved habitual economic activity for gain, tipping them into merchant status. The CPA did not apply, exposing them to partial damage awards (reduced for Jim Pattison's failure to mitigate by seeking better resale prices).

This distinction reinforces a judicial tendency to protect self-employed "artisans" under the CPA, even in profit-seeking contexts, unless the activity resembles a broader business enterprise.

The CCQ's "Enterprise" Requirement for *Crédit-Bail*

The decision confirmed the leases as *crédit-bail* under Article 1842 of the CCQ⁵, valid only for "enterprise" purposes (art. 1525 CCQ), such purposes being defined as an organized economic activity (commercial or not) involving property production, administration, alienation, or services. All drivers satisfied this threshold, as taxi operations qualify as enterprises regardless of consumer status under the CPA.

However, the court gave limited attention to the interplay between CPA consumer protections and the CCQ enterprise criterion for *credit-bails*. Doctrine and jurisprudence establish that the "enterprise" bar is lower than the CPA's merchant threshold; thus, a natural person can operate an enterprise (thus permitting a *credit-bail*) while remaining a consumer (triggering CPA safeguards and potential nullity for non-compliance).

Practical Implications for Your Business

This ruling highlights risks for lessors and financiers dealing with natural persons in professional settings:

1. Compliance Check: If transacting with *individuals* (e.g., farmers leasing equipment or drivers financing vehicles), assume CPA applicability by default. Ensure contracts include mandatory rights and disclosures and do not include prohibited clauses.

² *Consumer Protection Act*, RLRQ c P-40.1, s. 1(e).

³ *Bérubé c. Tracto inc.*, 1997 CanLII 10225 (QC CA)

⁴ *Supra*, note 2, ss. 32, 94, 150.

⁵ *Civil Code of Québec*, CQLR c CCQ-1991, art. 1842.

2. Risk Mitigation: Distinguish personal-use "artisans" (consumers) from speculative operators (merchants). Document the purpose to avoid nullity and other claims.
3. Enterprise Validation: Confirm CCQ enterprise criterion to uphold *credit-bail* validity, even for consumers.

We recommend reviewing your standard agreements for CPA alignment. Our team is available to audit templates or advise on specific deals.

Should you have questions or require tailored guidance, please contact us.

** The use of the masculine gender has been adopted to facilitate reading and has no discriminatory intent.*

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