Public construction: Prompt payments and simplified dispute resolution

October 3, 2025

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On July 30, 2025, the *Regulation respecting prompt payments and the prompt settlement of disputes with regard to construction work* (hereinafter the "**Regulation**") was published in the *Gazette officielle du Québec*.

Since September 8, 2025, the Regulation has been coming into force gradually,[1] in response to requests from some involved the construction industry. The Regulation applies to the majority of construction contracts concluded with public bodies covered by the *Act respecting contracting by public bodies* (chapter C-65.1, r. 8.01) (hereinafter the "**ACPB**").

The Regulation aims to fix chronic payment delays in the construction industry by establishing binding standards to speed up the payment process for contractors and subcontractors involved in public contracts covered by the ACPB. It also introduces a rapid dispute resolution process.

The Regulation thus complements *An Act mainly to promote Québec-sourced and responsible procurement by public bodies, to reinforce the integrity regime of enterprises and to increase the powers of the Autorité des marchés publics*.[2]

The following is a summary of some of the Regulation's key provisions.

Cases of application and exclusions

The Regulation applies to all public construction contracts and subcontracts subject to the ACPB, with the following exceptions:[3]

- contracts entered into in an emergency because of a threat to the safety of persons or property
- contracts entered into for the purpose of activities on foreign soil of a delegation general, a delegation or another form of representation of Québec abroad

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a monetary claim to compensate for a loss of profit, productivity or a business opportunity that a contractor considers it has suffered because of a change relating to the scope of the work specified in a public contract or public subcontract, or to the conditions for its performance

Deadlines and schedule imposed by the Regulations

The Regulation establishes a rigid payment request, refusal and payment schedule:

Request for payment[4]	
Sent by the **general contractor** to the public body:	1st day of the month
Sent by the **subcontractor** to the general contractor:	25th day of the month
Refusal to pay[5]	
Sent by the **general contractor** to the subcontractor:	21st day of the month
Sent by the **public body** to the general contractor:	Last day of the month
Payment deadline (if applicable)[6]	
By the **public body** to the general contractor:	Last day of the month
By the **general contractor** to the subcontractor:	5th day of 2nd month
From a **subcontractor** to another:	10th day of 2nd month

If the subcontracting chain has more than two subcontracting levels, the payment deadline is extended by five days for each additional level.

These deadlines are intended make the payment process uniform and predictable. It is possible for parties to amend their requests after they have been sent.[7]

Request for payment

A request for payment must be in writing and contain the following information :

the name and address of the contractor and the contact information of the representative of the contractor
the number of the public contract
a detailed description of the work carried out, the expenses incurred and any other element for which a sum of money is claimed
the periods associated with elements claimed
a breakdown of the total amount claimed[8]

If the public body requires the presentation of supporting documents with a request for payment from a contractor party to a contract, it must include such condition in the contract and specify which documents are required. The same principle applies to subcontracts between contractors and their subcontractors.[9]

Importantly, the public body may allow the contractor to amend the request for payment to correct any deficiency, except for requests rendered invalid by the date on which they were sent. If no question of invalidity has been raised with the contractor before the deadline to indicate a refusal to

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pay, the payment request will be deemed valid.

Refusal to pay

A refusal to pay must be expressed in a written notice containing the following information:

- the part of the total amount claimed that is refused
- a description of the work, expenses or elements of the request for payment to which the refusal applies
- the grounds for the refusal and the contractual or legal provisions on which they are based[11]

The refusal of a request for payment cannot be based solely on the fact that the work carried out is the result of a change to the contract and that, when the request for payment was sent, the value of the change had yet to be agreed on or determined.[12]

Payments and withholdings

In certain circumstances, the public body may withhold any sum claimed by the contractor:

- A sum sufficient to cover any reservations for apparent defects or poor workmanship in the work.[13]
- A sum sufficient to repair any damage caused by the general contractor or a subcontractor to the work.[14]
- A sum previously paid to the general contractor for work performed by one of its subcontractors to ensure that the latter's claims are paid by the general contractor or to enable the public body to pay these claims itself. This right to withhold exists regardless of whether the subcontractor can invoke a legal hypothec on the construction or not.[15]
- A sum sufficient to pay the claims of persons other than the contractor's subcontractors can invoke a construction legal hypothec on the work and who have given notice of their contract to the contractor, for work completed or the materials or services supplied after the notice was given.[16]

- Up to 10% of the sum owed to ensure performance of the contract, provided that this possibility and its terms are stipulated in the contract. A general contractor may, in turn, withhold sums from its subcontractors, provided that a written agreement allows this and that the withholding does not exceed the withholding applied to the contractor by the public body. Each level of subcontracting can avail itself of this right, with the necessary modifications.[17]

- All sums payable to the contractor if it has not provided all closeout documents, including the certificate issued by the CNESST in accordance with the law and final acquittances from subcontractors.[18]

Except in the last two cases, a general contractor may offer the public body sufficient security in lieu of the withholding, such as a bond or a letter of guarantee from a bank.

In turn, the general contractor may deduct from a payment owed to one of its subcontractors an amount representing the sum claimed by that subcontractor for work, where that work has been identified in a notice of refusal issued by another debtor in the contracting chain. To avail itself of this right, the contractor must first have sent the subcontractor a copy of the notice of refusal on which it is relying.[19]

Subcontractors, for their part, must send the notice of deduction to their own subcontractors, if any, within two days of receiving the notice.[20]

In all cases, the Regulation provides for the release of the deductions applied when the conditions for release are met.

Prompt dispute settlement

The Regulation introduces a dispute settlement process by which the parties have recourse to a third-person decider after having attempted to settle the dispute amicably.[21] Initiated by a "request for intervention," the process is intended to be rapid, with decisions to be made within 50 days of the designation of the third-person decider.[22]

More specifically, this mechanism provides for the following stages and deadlines:

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Stages	Time allowed
Request for intervention	90 days after work accepted or completed*
Other contracting party's response	5 days
Designation of the third-person decider	5 days
Outline of claims by applicant	5 days
Detailed response from other contracting party	15 days
Decider's decision	50 days from the designation date (this period may be extended for a maximum of 15 days)
Payment, if any	20 days after decision rendered

* In the case of a contract between a general contractor and a public body, the request for intervention must be notified to the other contracting party no later than 90 days after the date on which the work was accepted without reservation, or, if accepted with reservation, the date on which the public body declares that it is satisfied with the repairs or corrections made to the work. In the case of a subcontract, the request for intervention must be notified no later than 90 days from the date the work the parties agreed on is completed.[23]

The Regulation also provides for the following:

One dispute, one request for intervention – Although a request for intervention can relate to one dispute alone, a party cannot dissociate the constituting elements of the dispute in order to file multiple requests or otherwise act to abuse the right to have recourse to a third-person decider.
Choice of third-person decider – Only persons whose names appear in the register kept by the Minister of Justice under the Regulation may act as third-person deciders. It is up to the party proposing a third-person decider to ensure that the person is available. In the event of disagreement, the parties draw lots.
Procedure – As long as they ensure that the procedure is equitable and complies with the principle of proportionality, the third-person decider can conduct the intervention according to the procedure they determine. Also, unless the third-person decider decides otherwise, the proceedings are conducted orally, whereas testimony is given by way of a written affidavit.
No lawyers – Parties cannot be represented by a lawyer during proceedings, although a lawyer may advise them.
Confidentiality – The entire intervention remains confidential, subject to agreement between the parties or legal obligations.
Third-person decider's fees – As a general rule, the third-person decider's fees are allocated equally between the parties (50-50), although the third-person decider may depart from this allocation if they consider that a party's actions during the intervention were harmful, in particular because of abusive conduct or failure to meet deadlines. The third-person decider's fees are capped according to the value of the dispute.

Conclusion

This new compulsory scheme now imposes, for cases covered, a prompt payment process and speeds up the settlement of disputes arising during the performance of the majority of public construction contracts. It will have major repercussions on the practices of contractors, subcontractors and public bodies alike. The imposition of the strict deadlines by the Regulation could require contractors and subcontractors to improve their internal processes to better process payment requests and properly document potential claims.

Although the Regulation is intended to simplify and accelerate payments, some contractors and subcontractors may find it difficult to meet the imposed deadlines, especially in large-scale projects involving many stakeholders, as delays are likely to be passed on from one level of subcontractor to another.

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Whether this system will be successful will depend on the ability of the parties to quickly adapt to the new requirements and to make effective use of the third-person decider to resolve disputes.

If you have any questions or need advice, we invite you to contact a member of our specialized construction law team at Lavery.

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1. Section 94 of the Regulation.
2. SQ, 2022, c. 18.
3. Sections 32 and 33 of the Regulation.
4. Section 5 of the Regulation.
5. Section 10 of the Regulation.
6. Section 15 of the Regulation.
7. Sections 7 and 8 of the Regulation.
8. Section 5 of the Regulation.
9. Section 6 para. 1 of the Regulation.
10. Section 6 of the Regulation.
11. Section 11 of the Regulation.
12. Section 12 para. 1 of the Regulation.
13. Section 22 of the Regulation.
14. Section 23 of the Regulation.
15. Section 25 of the Regulation.
16. Section 26 of the Regulation.
17. Section 20 of the Regulation.
18. Section 28 of the Regulation.
19. Section 16 of the Regulation.
20. Section 16 of the Regulation.
21. Sections 34 to 76 of the Regulation.
22. Section 63 of the Regulation.
23. Section 34 of the Regulation.

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