

RECA Q&A on Compensation Applications Related to Eric Drinkwater

Q1. How did RECA come to the decisions it made on compensation from the Fund?

RECA has extensive experience managing the Fund. Given the complexity of this matter, RECA also sought independent legal advice as part of its review of the legislation and relevant case law. Final decisions are based on the legislative requirements, case law and the evidence provided in each application.

Q2. How were these compensation decisions made?

Compensation decisions are subject to formal governance and oversight, including ensuring people have proper judgments from the Court. In addition, all applications in this matter are reviewed and approved by RECA's Board and are made in accordance with the legislation governing the Fund.

Q3. Why were some claims denied?

Two claims were personal loans, which is outside the scope of a licensee's business and the rules for the Fund. The third claim was denied because the individual had already recovered their investment from the fraud scheme, so there was no financial loss.

Q4. Why is compensation capped?

The compensation cap is established in the legislation governing the Fund and must be applied consistently across all applications. The Fund provides a defined path to compensation where eligibility criteria are met, but it does not cover all losses.

Q5. Could RECA have interpreted the rules more broadly to compensate more people?

RECA is required to apply the legislation as written. Compensation decisions are not discretionary and must be based on the eligibility criteria set out in the legislation. This ensures fairness and consistency across all applications and meets the governance standards RECA must follow.

Q6. Why are some losses treated separately?

The legislation applies compensation limits on a per "compensation event" (or transaction) basis. Where multiple transactions occurred, each was assessed individually based on the facts of the application and requirements of the legislation.

Q7. What happens next for remaining or new applications?

Applications continue to be assessed. Individuals who believe they may be eligible are encouraged to apply so their application can be reviewed in accordance with the legislation.

Q8. What could RECA have done to prevent this?

Eric Drinkwater is responsible for the losses and harm caused by his actions. RECA's role is to regulate licensees and take enforcement action when misconduct occurs. In this case, RECA took action, including permanently banning Eric Drinkwater from trading in real estate in Alberta.

Regulators and law enforcement are able to act once misconduct is identified or reported. RECA followed the investigation and hearing processes required to protect consumers and ensure procedural fairness.

Q9. Does this reflect a broader issue in the industry?

No. The vast majority of licensees conduct their business with professionalism and integrity.

Q10. Why did this process take time?

Anyone who is accused of misconduct is entitled to procedural fairness, so RECA's investigation and enforcement process had to be completed. Once the Hearing Panel published its findings, a review of applications for compensation could begin.

This is a complex matter which involved multiple individuals and transactions. Each application required detailed review to ensure it met legislative requirements and was supported by the necessary evidence. This ensures decisions are accurate and applied consistently.

Q11. Is RECA expecting more claims or higher payouts?

RECA continues to assess applications as they are received. Total compensation will reflect the number of eligible applications and the losses that meet the legislative requirements of the Fund.

Q12. Eric Drinkwater has been charged for fraud by the Calgary Police Service. Does this validate the steps RECA has taken?

Any criminal or civil matters are outside RECA's jurisdiction. RECA moved very quickly when people brought information we could act on. RECA has taken enforcement action, including permanently banning Eric Drinkwater, and remains focused on protecting consumers and maintaining confidence in the real estate system.

Q13. Why haven't Pat Hare and David Lem had their licenses suspended, given their connection to Eric Drinkwater? When will they be held accountable for their role in this scheme?

We understand that people want to see timely action and clear accountability in situations like this. RECA's role is to investigate and act based on evidence, within the framework set out in legislation. That process requires procedural fairness for all parties involved, including a thorough review and testing of the evidence before decisions (such as a licence suspension) can be made.

Acting outside of that process—no matter how well-intentioned—can compromise an investigation and ultimately delay or undermine outcomes, including for those who have been affected by Eric Drinkwater's fraudulent scheme.

Because this matter is currently in the regulatory enforcement process, we are not able to comment further. RECA is continuing its work, and where the evidence supports enforcement action, it will be taken in accordance with the law.