



FRANCHISES ACT QUESTIONS & ANSWERS

1. What is a Franchise?

- A franchise is a business in which one party (the franchisor) grants to the other party (the franchisee), the right to market goods or services under the franchisor's business system or trade name, in return for fees and royalties. The franchisor provides the franchisee with the operating system, brand name and support, and the franchisee operates the business following the procedures provided by the franchisor to ensure brand consistency.
- The relationship is based on a Franchise Agreement or contract that governs the business relationship.

2. Why do we need a Franchises Act?

- Government recognized that franchisees make a significant capital investment yet they are often at a disadvantage when relying on the information provided by the company offering the franchise due to a lack of knowledge and experience.

3. What does the new *Franchises Act* do?

- The *Franchises Act* governs franchised businesses in B.C. and provides important legal protections for B.C.-based franchisees that they did not previously have. This includes:
 - Requiring that contracts include pre-sale disclosure requirements;
 - Providing legal rights and protections to help parties to resolve disputes;
 - Requiring disputes be heard in B.C.;
 - Providing franchisees with the ability to sue for damages in court in cases where the franchise agreement is not honoured or the franchisee does not receive the required disclosure information;
 - Allowing franchisees to cancel the franchise agreement and request their money back if the disclosure document was not provided to them as required; and
 - Ensuring that lawsuits can only be commenced in B.C.

4. Does the Act provide all the protection that I need?

- No. Franchise legislation helps to rectify the imbalance but is not a replacement for legal advice or for doing the due diligence necessary when starting or buying a franchised business.
- A franchisee should always seek legal advice to review the documents and ensure they understand the full agreement before signing it. It may also be useful to speak with other franchisees that are operating in the same franchise. Talk with a lot of other franchisees and [ask a lot of questions](#).

5. Will the Act help me identify the best franchise for me?

- No, that is up to the individual. However, many steps can be taken to help ensure you are making a well-informed decision. As is the case with any business purchase, there are risks to buying into a franchise. And like any other business, starting up takes a lot of planning and continued hard work. Part of this planning involves seeking legal advice to help ensure you are making the right choice for you.