Cassels

A Deal is a Deal: Ontario Court Enforces Settlement Agreement Despite Employee’s Change of Heart

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In *Johnstone v. Loblaw*, 2025 ONSC 4755, the Ontario Superior Court heard an application for summary judgment by Loblaws Companies Limited (Loblaws) against their former employee, Mr. Johnstone. Loblaws asked the court to enforce a settlement that it said had been reached via emails between counsel, despite the fact that the parties were ultimately unable to agree on a form of settlement agreement.

Background

Mr. Johnstone worked at Loblaws for just over seven years when his employment was terminated without cause in 2022. Prior to his termination, Mr. Johnstone had recently relocated from Winnipeg to Ottawa and was in the process of closing an agreement to purchase a new home in Ottawa.

Following his termination, settlement discussions between Mr. Johnstone and Loblaws began. These negotiations focused on the notice period, legal fees, a reference letter and letter for mortgage qualification purposes. After several exchanges, Mr. Johnstone’s counsel confirmed via email acceptance of the settlement, “subject to mutual agreement on the supporting documentation.”[1]

Loblaws promptly drafted and shared minutes of settlement reflecting the parties’ discussions on salary continuance, legal fees, letters confirming employment and the provision of a release. The minutes also included standard clauses about liability, non-disparagement and confidentiality.[2] Mr. Johnstone’s counsel replied and attempted to introduce new terms related to the successful completion of the house purchase, additional short-term living expenses and a commitment to protect his bonus entitlement.[3]

Loblaws refused to include these new terms, which were never raised in negotiations and did not relate to supporting documentation, and maintained that a binding settlement was reached. Mr. Johnstone never signed the minutes of settlement, but Loblaws made the payments outlined in the minutes.

Mr. Johnstone sued Loblaws, claiming wrongful dismissal and seeking damages for his failed house purchase. In response, Loblaws brought a motion for summary judgment seeking enforcement of the settlement agreement, and the dismissal of Mr. Johnstone’s claims.

A Binding Settlement Agreement Was Reached

The Court agreed with Loblaws, concluding that a settlement agreement was reached between the parties, even though the minutes of settlement were never signed. Documentation does not have to be completed to have a binding settlement, so long as the parties have agreed to all the essential terms.[4]

Based on the written correspondence, the Court determined that the parties did not merely agree to a settlement framework. Rather, the parties intended to enter into a binding legal agreement and all the essential terms were captured in the drafted minutes of settlement.[5]

The Court characterized Mr. Johnstone's desire to change the essential terms of the agreement as an attempt to obtain a better deal than what he agreed to. However, buyer's remorse or a change of heart do not allow a party to back out of a settlement agreement.[6]

Key Takeaways

The *Johnstone* decision reminds employers to maintain detailed records of all settlement negotiations and any related correspondence. The Court clarified that even with incomplete settlement documentation, a settlement agreement can still be binding.

This case also highlights the importance of clearly communicating one's position on the proposed terms throughout settlement discussions.

If you have questions regarding the enforceability of a settlement agreement or settlement agreements generally, please contact any member of the Cassels Employment & Labour Group.

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[1] *Johnstone v. Loblaw*, 2025 ONSC 4755 at para 34 [*Johnstone*].

[2] *Johnstone* at para 35.

[3] *Johnstone* at para 36.

[4] *Johnstone* at para 43.

[5] *Johnstone* at paras 45-46.

[6] *Johnstone* at para 52.

This publication is a general summary of the law. It does not replace legal advice tailored to your specific circumstances.