

A Franchise Dispute Steeped in Personal Liability: Sidra Tea Company Ltd. v. Adinkra Hospitality Inc.

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Directors and officers often take comfort in the fact that, absent any major improprieties, they will not be held liable for the conduct of the corporations which they oversee. However, the Alberta Court of Justice's decision in *Sidra Tea Company Ltd. v. Adinkra Hospitality Inc.*¹ serves as an important reminder that there are exceptions to this rule. Specifically, franchise legislation across Canada can impose personal liability on officers, directors and "associates" where certain mandatory requirements are not complied with. In cases such as these, directors and officers may not be protected from liability.

Background

In 2022, the principals of Sidra Tea Company Ltd. (Sidra) sought to invest in a Sharetea franchise in Alberta. Adinkra Hospitality Inc. (Adinkra) was the master franchisee of Sharetea for Alberta and was controlled and operated by a Ms. Abassah-Oppong (Ms. Oppong).

Ms. Oppong provided promotional materials and revenue figures for existing Sharetea locations to Sidra's principals, culminating in a Memorandum of Understanding (MOU) in September of 2022. However, the MOU was not signed by Adinkra and made no mention of Sidra.

Nevertheless, Sidra proceeded to make four payments to Adinkra totaling \$74,242, which included a \$52,500 franchise fee and additional amounts for equipment, inventory, and utensils. Despite these payments, Sidra never received a Franchise Disclosure Document (FDD), nor did it sign a formal franchise agreement.

Sidra never received any of the goods it paid for, and in October of 2023, Sidra's legal counsel sent a letter to Adinkra cancelling all franchise arrangements for Adinkra's failure to provide required disclosure documents. Furthermore, Sidra's counsel requested re-payment of all funds paid by Sidra.

Sidra brought an action against Adinkra and Ms. Oppong personally, alleging that they had failed to comply with Alberta's *Franchise Act*² (the Act) by not providing the required FDD before accepting payments or entering into a franchise agreement. Adinkra denied any liability, alleging that it had complied with the requirements of the Act. Ms. Oppong likewise denied any personal liability, arguing that all matters were conducted by and through Adinkra, a corporate entity.

The Court's Decision

The Court found that Adinkra, as a subfranchisor, failed to meet the mandatory disclosure obligations under the Act. No signed franchise agreement or valid FDD was ever provided to Sidra, and the payments were made without the required 14-day disclosure period. As a consequence of this statutory breach, Sidra was entitled to rescind the agreement and recover its losses.

Most notably, the Court also found that Ms. Oppong was personally liable as an “associate” under the Act, given her direct involvement and control over Adinkra’s operations. Accordingly, the Court awarded Sidra \$74,242.00 in damages against both Adinkra and Ms. Oppong.

Key Takeaway

The Alberta Court of Justice’s decision in this case serves as an important reminder that franchise legislation across Canada – including Ontario’s *Arthur Wishart Act (Franchise Disclosure), 2000*³ – creates the potential for personal liability when statutory duties are ignored. Compliance with and awareness of these duties, especially full and timely disclosure obligations, are imperative for franchisors across the country.

¹ [2025 ABCJ 0023](#).

² RSA 2000, c F-23.

³ SO 2000, c. 3.