

# BC COURT OF APPEAL CONFIRMS DISHONESTY CONSTITUTES CAUSE FOR DISMISSAL – KEY TAKEAWAYS FROM *MECHALCHUK V. GALAXY MOTORS (1990) LTD.*

Posted on January 12, 2024

Categories: [Insights](#), [Publications](#)

In *Mechalchuk v. Galaxy Motors (1990) Ltd.*,<sup>[1]</sup> the British Columbia Court of Appeal confirmed that a senior employee's decision to submit personal meals as business expenses constituted cause for dismissal.

## Background

The Court of Appeal's decision upholds the termination for cause of the President of Operations of Galaxy Motors Ltd. (the "Company"). In his role, the employee was earning an annual income between \$750,000 and \$1,000,000. While on a business trip, he had two meals with his wife totaling approximately \$250. Although these were personal expenses, he wrote the names of employees who were not at the meals on the receipts and submitted the receipts for reimbursement as business expenses. When confronted about this by the Company, as a result of another questionable expense claim, the employee continued to be dishonest about the expenses and was later dismissed for cause.

## The Decision

The employee disputed his termination, claiming that his behaviour did not amount to cause. Cause is a high bar, requiring conduct that strikes at the heart of the employer-employee relationship and causes the employer to lose faith and trust in the employee. In this case, the court took note of several key factors:

- The employee was the most senior non-owner employee of the Company, holding a high level of authority, responsibility and trust, including signing authority;
- The Company's employee handbook indicated that "falsifying records or information" constituted a serious offence that would lead to dismissal;
- The employee was fully aware he was submitting personal receipts as business expenses; and
- The employee continued to be dishonest about the expenses when confronted by the Company.

In short, while the amounts were not substantial, the manner and response to the misconduct went to the very root of his employment relationship. In considering these factors, the court found that his misconduct justified

the Company's loss of faith and trust in him.

Thus, the dishonesty constituted cause for dismissal and the employee's claim for wrongful dismissal was dismissed.

### **Key Takeaways**

This case highlights that while dishonesty will not always constitute cause for dismissal, it may where it goes to the heart of the employer-employee relationship. This decision provides employers with helpful guidance when seeking to establish a case for dismissal with cause, particularly where the employee holds a high level of trust and authority. Further, it serves as a reminder that employers should have clear policies regarding expense reimbursements and keep careful records of information such as expense receipts to ensure financial accountability.

[1] *Mechalchuk v. Galaxy Motors (1990) Ltd.*, [2023 BCCA 482](#).

by [Melanie Harmer](#), [Kristen Shaw](#) and [Bhavana Nagra](#) (Articled Student)

### **A Cautionary Note**

The foregoing provides only an overview and does not constitute legal advice. Readers are cautioned against making any decisions based on this material alone. Rather, specific legal advice should be obtained.

© McMillan LLP 2024