Joint Investment

Six years ago you made an investment with a friend – you bought a house together. It wasn't only an investment, it was also a favour. Your friend didn't have a place to live and didn't have enough money to buy a house. So, you pooled your money and bought a $300,000 house for your friend to live in. You provided $50,000 for the down payment and your friend provided $25,000. Because of the size of the down payment it meant that the mortgage was relatively low – only $1000 a month – which your friend paid. During the six years all property tax payment were split evenly between you as were all major renovations and upgrades. Well, it is now six years later and your friend is getting transferred to Ontario. So, you have sold the house for $500,000 (the market has been good to you). There is still $200,000 outstanding on the mortgage. How will you split the $300,000 equity between you? Justify your decision.