

MLL 325 LAND LAW

- HD COMPREHENSIVE NOTES -

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1 INTERESTS IN LAND

“LAND”

- Land law deals with the acquisition, nature, transfer and priorities of rights and interests in land
- **Common law meaning** of land: some part of the earth
- Including physical **components**: soil, minerals, vegetation and fixtures
- Land is indestructible (?)
- *Cuius est solum* rule: ownership of land extends up to heaven and down to centre of the earth (fanciful phrase subject to limitations)
- Three-dimensional space: Surface, above the surface and below the surface. Butt: Open-ended inverted pyramid
- “Land” may be defined for purpose of a statute:

S 4(1) Transfer of Land Act 1958 (Vic): Land “includes any estate or interest in land: but does not include:

- (a) an interest in land arising under the Mineral Resources (Sustainable Development) Act, 1990 and
- (b) a carbon sequestration right or soil carbon right granted in relation to Crown land under a Carbon Sequestration Agreement

- Two types of land: **General law land** and **Torrens title land**

GENERAL LAW LAND V TORRENS TITLE LAND

General law land

- Different systems of land registration applicable to:
 - Torrens title land
 - General law land
- General law land is land alienated or granted by the Crown from 1837 to the commencement of Torrens legislation in 1862 (Vic)
- Legal title could only have been transferred by a deed of conveyance
- Parcels of general law are diminishing due to conversions
- General law land is governed by Property Law Act 1958 (Vic)

Relevance: General law land (and PLA) remain relevant —

- Many of those titles have been converted over the intervening years but those that remain in the system are still valid proof of ownership
- A program to convert Victoria’s remaining General Law titles to the Torrens system continues
- When application for conversions is made to bring general law land within the operation of the Torrens system, priorities between the conflicting interests are judged according to the rules of the old system
- Even with converted land the provision of the Property Law Act may still affect priorities

Torrens title land

- Torrens title land includes:
 - Land alienated or granted by the Crown after commencement of Torrens legislation in a particular state (SA 1858; Vic 1862); and
 - Old title land converted to Torrens title land
- Transfer of Land Act 1958 (Vic) applies to Torrens title land
- **Title** to Torrens title land is evidenced by a Certificate of Title
- Interest is known as a **registered interest**
- **System** of title by registration:
 - validates a defective title; and
 - guarantees protection of title
- Distinction between registered & unregistered interest
- Lack of uniformity in Torrens legislation of the different states

General law (old title) and Torrens title land: What is the difference?

- General Law (Old Title) Land represents all land grants issued between 1838 and 1862 which have not been brought under the Torrens system.
- General Law is the original form of land ownership. When land was sold or otherwise allocated by the government, a Crown Grant would state that the land described had been given to the person named in the Grant. Each time the property was sold a new deed would be added to the Grant. These would grow into a chain of deeds. To prove ownership, a vendor would have to produce the complete and unbroken chain of titles. These days any general law land that is transferred must be converted to modern Torrens title
- In Victoria the Torrens system first introduced in 1862 pursuant to the Real Property Act (Vic) which is now set out in the Transfer of Land Act 1958 (Vic). Land issued *after* 1862 was Torrens land OR land converted to Torrens under the 'conversion process' is Torrens land

INTERESTS IN LAND

- A contract for the sale/ disposition of land/ any interest in land is unenforceable unless it is **in writing** and **signed** by the party or representative
- **Applies to legal and equitable interests**
- Not invalid but merely unenforceable
- Not enforceable in court, unless written agreement is produced
- Equitable interest can be created orally but to enforce interest it must be in writing

General law interests

- In Victoria today, most land is now Torrens title.
- Remaining old title land **must**, where transferred, be brought under the TLA so that eventually all land will be covered.

- General law land is evidenced by a 'chain of title'. Torrens title land is evidenced by a CT.
- Chain of title dates back to the original grant.

"Searching a Chain of Title"

- To verify general law title, **s44** PLA sets out only need to search back for the 'good root' of title. This amounts to documentary title apparent in the previous 30 years.
- Purchaser is not affected by any title existing beyond this 30 year period: PLA **s44(6)**
- Must be aware of titles existing within the 30 year period because will be affected by this.
- No guarantee of title with general law interests

Torrens Title interests

- The *Transfer of Land Act* provides for the Register to be in a variety of forms and on any medium, including parchment (old CT's) and a computer
- The computer title information forms part of the Register and can be updated by registering new dealings on the computer database without having to update any paper title.
- The folio is the original document in the titles office. The certificate of title is the duplicate of the folio (known as the duplicate certificate of title).
- For a computer title, the Certificate of Title is a computer printout

Computer titles may be created in two ways:

- (1) directly from newly registered plans of subdivision for lots, roads and reserves on those plans. In this situation there is no paper folio for the land, only the computer folio information
 - (2) through the registration of a dealing affecting a paper folio (title) for which there is computer "search" data available. The registration transforms the data to computer folio data, which can be subsequently updated instead of the paper title
- Computer titles do not contain the breadth of detail as the old paper titles.
 - They only contain current information (ie not old registered proprietors etc) and they do not contain any detailed diagrams of easements etc
 - Verified: Electronic Conveyancing (Adoption of National Law) Act 2012 (NSW) Appendix – Victorian Act – ss7(documents may be lodged electronically and s12(digital signatures)

1) REGISTERED AND UNREGISTERED INTEREST

- Both general and Torrens title land **may be unregistered**.
- General law interests cannot be registered under Torrens until they are converted.
- Torrens title interests may be unregistered because holders choose not to register as the system is not compulsory
- Unregistered interests do not gain the protection of indefeasibility that registered holders of Torrens title land acquire

History: System of deeds registration — categorise deeds according to lodgement

- **Title** was comprised of a series of deeds forming a chain of title representing the history of the land grant
- Vendor must prove title by searching each document in chain to ensure that link to original Crown grant is unbroken (Aus: 1788)
- Theory of relative dependent title: each owner of an estate could acquire only such title as his predecessor held
- Search of chain of title
 - Difficulties and costs
 - Statutory limitations of statutory search:
 - Need only to search title back for 30 years, provided good title can be found during that period: **s 44(1)** of the PLA
 - Purchaser not deemed to be affected by notice of interest prior to the 30 year period: **s 44(6)** of the PLA
- Although registration not compulsory registrations did take place
- Distinction between legal and equitable interests
- **Priority** is given to a registered interest over unregistered interest and interest registered at a later date, provided it was acquired:
 - bona fide
 - for valuable consideration
 - without actual or constructive knowledge: **s 6** PLA
- Registration does not validate a defective title and provides no guarantee of title
- Deeds, conveyances or other instrument may no longer be registered in the office of the Registrar-General: **s 6(2)** PLA
- All dealings relating to old title land must now be registered under the Torrens system necessitating a conversion from old title to Torrens title

2) LEGAL AND EQUITABLE INTERESTS

a) LEGAL INTERESTS IN LAND

- A **legal interest** in land is one which constitutes a recognisable common law estate/interest and which is created in accordance with the requisite formality requirements.
- All legal interests over land **must be in the form of a deed** otherwise not legal: **s52(1)** PLA
- Exceptions to this are set out in **s52(2)** (variety of orders) **AND s54(2)** PLA sets out that leases not required to be in writing such as oral leases for 3 years and under.
- Applies to all 'conveyances' of land — **s18** PLA defines conveyances broadly to include: 'mortgage, charge, lease, assent, declaration etc'
- Conveyance not restricted to formal deed or transfer

Formalities for legal interests

- Formalities for creation and conveyance of legal interests are set out in statutes of different states
- In Victoria, a legal interest in land is created or conveyed by state grant (**s 51(1) PLA**) or execution of a **deed (s 52(1))** or registration of an instrument
- If formalities are not met, an equitable interest may exist
- Creation of parol leases (taking effect for a term not exceeding three years) need not to be executed by deed to be valid: **s 54(2) PLA**

S 51 PLA: "All lands and all interests therein shall lie in grant and shall be incapable of being conveyed by livery or livery and seisin, or by feoffment, or by bargain and sale....."

- Land/interest in land shall lie in grant
- Incapable of conveyance by livery, or livery and seisin or by feoffment or by bargain and sale
- Possession is passed by conveyance of an interest

S 52(1): "All conveyances of land or of any interest therein are void for the purpose of conveying or creating a legal estate unless made by deed"

- Land/interest in land must be conveyed by deed
- Legal interest = recognisable common law estate
- If a deed is executed a legal interest is created enforceable in the common law
- If no deed is executed:
 - no legal interest is created
 - an equitable interest may be created

S52(2) exceptions to conveyance by deed:

- Surrenders by operation of law (s 52(2)(c))
- Leases or tenancies not required by law to be made in writing (s 52(2)(d))
- Vesting orders by a court (s 52(2)(f))
- Conveyances taking place by operation of law (s 52(2)(g))

S 54(2)

- "Nothing in the foregoing provisions of this Division shall affect the creation by parol of leases taking effect in possession for a term not exceeding three years (whether or not the lessee is given power to extend the term) at the best rent which can be reasonably obtained without taking a fine."
- Formalities do not apply to oral leases for three years or less

A deed: s 52, s 73 PLA

- **Deed:** most solemn act a person can perform with respect to a particular property: *Manton*

- Other definitions —
 - At common law re *Manton v Parabolic* = Ritual/instrument to signify solemnity.
 - Early times: 'Livery of seisin': vendor removed his battle glove from which he had defended the land and 'vested' the purchaser with it. Vendor then dug up a sod and handed it to purchaser along with the knife.
 - A Memorandum of events subsequently prepared. This Memorandum came to be known as deed – replaced ancient rituals.
- **Usually applied to:** conveyances, transfers, mortgages, charges and leases of land.
- Common law requires a deed to be: **signed, sealed and delivered**.
 - 'A deed must be intended by the party who does it to be the most solemn indication to the community that he really means what he is doing. The solemn indication is given by sealing a deed which witnesses to what has been done': *Manton v Parabolic Pty Ltd*
- It must be **executed by the grantor in presence** of the prescribed number of witnesses, known as instrumentary witnesses.
- Originally, a **seal** had to be affixed to it. Most jurisdictions outdated seals, and now the grantor and witnesses signatures are primary.
- Deed for purposes of PLA: document signed by both parties with intention of operating as a deed and witnessed — No wax of wafer seal; **Printed indication** where the seal should be affixed

Statutory requirements —

- Person who executes a deed **must sign or place mark** on deed; sealing alone insufficient: **s73** of PLA;
- if deed expressed to be sealed shall have the same effect as if it has been: **s 73**.
- Attested by witness not a party to deed; **s 73** and
- Sealed: instrument which is expressed to be sealed shall operate as if sealed: **s73A**
- TLA **s40(2)** Every instrument – when registered – shall have the same effect as if it were a deed under seal. Electronic Conveyancing (Adoption of National Law Act) 2012 (NSW) Appendix **s 9(1)** gives electronically lodged registry instruments the same effect as paper documents

Execution of a deed

- Corporation executes a deed by affixing the common seal of corporation
- 'Conveyance' includes: Mortgage, charge, lease, assent, vesting declaration, disclaimer, release, extinguishment or assurance of property/interest by any instrument (except will)
- **Delivery** of title deed – changed from actual delivery to constructive delivery
- Once delivered, the delivering party cannot withdraw or resile from it
- Delivery can be unconditional or conditional ('escrow'; not effective until condition is fulfilled)
- Formality of execution of a deed required for:
 - *Inter vivos* transfer of an estate in general law land
 - Grant of a lesser interest such as:

- Lease (subject to **s 54(2)** exception)
- Mortgage
- Easement
- Registration of instrument in Torrens system has the same effect as deed: **s 40(2) TLA** (repealed in 2014)

b) EQUITABLE INTERESTS IN LAND

- An **equitable interest** is a "right to compel the legal owner to hold and use the rights which the law gives him in accordance with the obligations which equity has imposed upon him".
- Legal Interest at Settlement **BUT** equitable interest enforceable when contract entered.
- Settlement period necessary to organise finance; investigate title
- Contract will generate equitable interest (constructive trust/equitable lien) if specifically enforceable
- Specific performance available if damages inadequate and parties ready and willing and the contract is valid
- Orthodox type of equitable interest: constructive trust: vendor qualified trustee and purchaser holds beneficial title. Vendors trusteeship qualified by vendors lien: *Lysaght v Edwards*
- Tanwar dicta revises this: suggests no constructive trust but purchaser holds equitable lien over deposit bc description of purchaser as constructive trustee conceals the contractual relationship and this analysis is 'bedevilled by circularity.'

Equitable interests in land: Statute of Frauds

- Contracts in land must be in writing/signed: **s126** Instruments Act / **s53** (to enforce any contract for sale of land or any interest in land)
- Exception to formality requirement: Oral contract which are specifically enforceable may be valid if satisfies doctrine of part performance: **s55(d)** PLA: 'Nothing in the last two preceding sections shall- ...(d) affect the operation of the law relating to part performance.'
- These provisions derived from Statute of Frauds which will render a non-compliant contract or interest in land unenforceable (note that unenforceable does not mean that the interest is extinguished).

Formalities for equitable interest

- As an interest in land, equitable interest must satisfy statutory requirements for (a) **creation** and (b) **enforceability**
- Provisions regarding **creation** of an equitable interest in land is **s 53** Property Law Act
- **Creation** or **disposition** of an equitable interest has to occur in **writing**
- Writing and signing are liberally interpreted
- Formalities are required to prevent **fraud** in creation and transfer of interests in land
- Need not to be created by deed
- **Contract of sale** – deposit and agreement that vendor will execute a conveyance of legal estate and purchaser pays rest of purchase price

- **Term** (express/implied) of contract for sale that vendor proves good title to land
- Constructive **trust** or **lien** may arise to protect interest of purchaser
- At completion of sale (settlement): balance of purchase price, executed transfer, documents of title and keys are handed over

S 53 PLA

- (1) ...
 - (a) An interest in land can only be created or disposed by writing signed by the person creating or conveying the same, or by will, or operation of law
 - (b) a declaration of trust respecting any land or any interest therein must be manifested and proved by some writing signed by some person who is able to declare such trust or by his will;
 - (c) a disposition of an equitable interest or trust subsisting at the time of the disposition must be in writing and signed by the person disposing of the same or by will
- (2) This section shall not affect the creation or operation of resulting, implied or constructive trusts.

Types of trusts re s 53

For purposes of **s 53** the different trusts must be kept in mind. The following trusts are recognised:

- 1) Express trust — Grantor expressly intends to create a trust and transfer legal title to a third party (trustee) for benefit of a defined party (beneficiary)
- 2) Resulting trust — An intention to create a trust is inferred from the circumstances and an act of performance supports the intention
- 3) Constructive trust — It is imposed at the discretion of the court where it is concluded that justice and fairness require it

S 53(1) PLA

- **Section 53(1)** applies to the creation of all trusts and other **express equitable interest** but not to resulting trust or constructive trusts
- An express trust by **transfer** must be created in writing
- An express trust created by **declaration** rather than transfer needs only to be evidenced in writing, not created in writing
- A trust can be created **orally** and subsequently enforced by evidence in writing or the terms of the trust which have been signed by the settlor
- **S53(1)(a)** does not overlap with oral trusts coming within the application of **subs (b)**.
- If a trust over land is orally declared, subs (b) has independent operation.
- **Section 53(1)(c)** applies to transactions with pre-existing equitable interest
 - Disposition = transfer/assignment or direction
 - Disposition has to be in writing and signed by transferor or his agent

S 126 of Instruments Act 1958 (Vic)

- No action shall be brought upon any contract for the sale or other disposition of land or of any interest in land, unless an agreement upon which such action is brought, or some memorandum or note thereof, is in writing and signed by the party to be charged or by some person thereunto by him lawfully authorised.

- This provision relates to the **enforceability** of all contracts or dispositions relating to land
- Written agreement creating interest, note or memorandum of agreement

THE DOCTRINE OF PART PERFORMANCE

- Part Performance : The Australian position is the strict test as set out in *Maddison v Alderson*: must prove acts unequivocally referable to agreement was endorsed in *Millet v Regent*
- The doctrine of part performance requires that the plaintiff must be able to show that he or she has made a substantial commitment to the contract so that it would be unconscionable to allow the defence. Note that it must be the acts of the *plaintiff*. The doctrine is based on the idea of unconscionability generated by the plaintiff's reliance on the existence of a contract. Acts of the defendant which show that there is a contract therefore do not count.
- What acts of part performance will suffice: generally the taking of money alone is insufficient. However, it is not necessary for the entire contract to be performed and generally, taking possession of land will raise a part performance action.

Equitable interests arising from part performance

- Despite absence of writing/insufficient writing a contract may still be enforceable if there are sufficient acts of part performance by plaintiff
- Equitable interest may arise if a court is prepared to issue a decree for specific performance in circumstances where it would be inequitable not to do so
- Qualification of Statute of Frauds of 1677
- Preconditions for a decree for specific performance:
 - Valid contract
 - General requirements for contract of sale of land have been met
 - Absence of adequate remedy at law in damages
 - Party seeking enforcement must prove that he has performed or is ready and willing to perform the substance of his contract obligations
 - Contract must be unconditional
 - No bar to award of equitable remedy of specific performance. Relief is refused in case of undue influence, delay or acquiescence
 - Vendor must prove good title or the purchaser has accepted such title as vendor has
- Doctrine of part performance allows for **enforcement** of an oral contract of sale of an interest in land when the contract has been sufficiently acted upon
- **Basis**: If a contracting party is induced to alter position on faith of contract it would be fraud on such party to set up the defence of invalidity of contract

Approaches to part performance

Two perspectives as to what constitutes to part performance:

- 1) Stringent approach requiring:
 - acts relied upon must be **unequivocally**; and

- in their own referable to some agreement alleged **nature**: *Madison v Alderson* (HL) (non-payment of salary for years in return for grant of life estate; held insufficient evidence)

2) Liberal approach:

- an act constitute part performance if on the balance of probabilities they indicate that a contract of some kind existed: *Steadman v Steadman* (HL)

Australian position

- Test in *Madison* represents the Australian position
- *Steadman*, however, not rejected in *Regent v Millet* (was not necessary to consider Steadman because acts met stricter test).

Regent v Millet

- Agreement to transfer property to daughter and partner if they paid deposit and loan off. They took possession and made payments, sought an additional loan for renovations. Father refused to transfer title.
- Acts relied upon:
 - taking of possession;
 - repairs and renovations; and
 - making of mortgage payments
- Court found that doctrine of part performance applied
- The court applied stringent requirement test
- Court found that granting and taking of possession constitutes part performance
- Found it unnecessary to consider other acts

Types of acts constituting part performance:

- Payment of purchase price;
- Depositing of title deeds; and
- Giving and taking of possession
- Combination of these acts (and not act per se) constitutes part performance

Part performance is established by showing:

- that the acts of performance unequivocally relate to the agreement alleged; and
- that the act relied upon must:
 - have been done on the faith of the agreement; and
 - resulted in a change of position with respect to the subject matter of the contract such that the person would be unfairly prejudiced if the other party were to take advantage of the absence of any written evidence: *Madison v Alderson* (1883) (UK)
- **S 126** of the Instruments Act does not recognised part performance as an exception to the formality requirements
- **S 55(d)** of the PLA acknowledges part performance as an exception to formality requirements as set out in s 53 of the PLA.