

DETAILED CONTENTS

<i>Preface</i>	xv
<i>Table of cases</i>	xix
<i>Table of statutes</i>	xxvii
<i>Statutory instruments</i>	xxix

1	Law and equity and an introduction to the trust	1
----------	--	----------

1.1	English law and two types of ownership 1	1.3.1	The equitable maxims 9
1.1.1	Equitable and legal title: <i>Westdeutsche Landesbank Girozentrale v Islington LBC</i> 1	1.3.2	Equity interests and action <i>in personam</i> 10
1.1.2	Ownership and land: conceptual peculiarities and difficulties over terminology 4	1.3.3	Nature of legal and equitable ownership 11
1.2	Early history of equity 4	1.3.4	Other equitable interests 11
1.2.1	Why a dual systems of ownership: common law and equity? 4	1.3.5	Equitable remedies 12
1.2.2	Feudalism and the Norman Conquest 5	1.3.6	Equitable rights and third parties 13
1.2.3	The chancellor, discretion and the 'Use' 8	1.4	The Judicature Acts 1873–1875 22
1.3	An outline of modern equitable principles 9	1.5	The 1925 property legislation 24
		1.5.1	Legal estates and notice of equitable estates and interests 25
		1.5.2	The Land Registration Act 1925: making sense of the Law of Property Act 1925 25
		1.5.3	The Land Registration Act 2002 26

2	Nature and classification of trusts	29
----------	--	-----------

2.1	Reasons for creating trusts 29	2.3.3	Trusts and loans 41
2.1.1	Family settlements 29	2.4	Express, implied, resulting and constructive trusts 51
2.1.2	Shares 30	2.5	Trusts and powers 52
2.1.3	Charities, trade unions and unincorporated associations 30	2.5.1	Fixed and discretionary trusts 52
2.1.4	Trusts arising from marriage or cohabitation 31	2.5.2	Nature of powers 52
2.1.5	Reason for distinguishing similar concepts 31	2.5.3	The extent of the discretion and the nature of enforcement 54
2.2	Nature of a trust 32	2.5.4	Distinguishing between trusts and powers 55
2.3	Trusts distinguished from similar common law concepts 33	2.6	Protective trusts 56
2.3.1	Bailment 33	2.7	Succession 57
2.3.2	Contract 34		

3	Constitution of trusts and covenants to settle	59
----------	---	-----------

3.1	Constitution of trusts 59	3.2	Contracts to settle 72
3.1.1	Effect of constitution of trust 59	3.2.1	Common law and equitable remedies 72
3.1.2	Vesting of property in trustees 60	3.2.2	Factual situations 73
3.1.3	Equity will not perfect an imperfect gift 60	3.2.3	Would-be beneficiary party to the contract 75
3.1.4	Declaration of self as trustee 63	3.2.4	Would-be trustee party to the contract 76
3.1.5	Constitution of trusts and perfection of gifts by equity: recent developments 67		
3.1.6	Sub-trusts 71		

3.3	Contracts (Rights of Third Parties Act) 1999: enforcement of a covenant by beneficiaries	81
3.4	Trusts of promises	83
3.4.1	When do trusts of promises arise?	84
3.4.2	Limits to <i>Fletcher v Fletcher</i>	85
3.5	Property actually transferred	86
3.6	'Exceptions' to principle that equity will not assist volunteers	88
3.6.1	<i>Donatio mortis causa</i>	89
3.6.2	The rule in <i>Strong v Bird</i>	91

4	The three certainties and the significance of the 'beneficiary principle'	94
----------	--	-----------

4.1	Certainty	94
4.1.1	Reasons for certainty requirements	94
4.1.2	The three certainties	95
4.1.3	Effect of absence of certainty	95
4.2	Certainty of intention	95
4.2.1	Words or intention?	95
4.2.2	History of precatory words	96
4.2.3	Law relating to precatory words	97
4.3	Certainty of subject matter	97
4.4	Certainty of objects	100
4.4.1	Rationale of the rules: enforcement	100
4.4.2	Rationale of the rules: administering the trust	101
4.4.3	Operation of the rules	101
4.4.4	Powers	101
4.4.5	Discretionary trusts	103
4.4.6	Fixed trusts	110
4.5	The beneficiary principle and private purpose trusts	112
4.5.1	Private purpose trusts	112
4.5.2	The beneficiary principle	113

5	Formalities and other requirements for validity	119
----------	--	------------

5.1	Introduction to the formalities requirements	119
5.1.1	Reasons for the rules	119
5.1.2	The tax angle	119
5.2	Land	120
5.3	Declarations of trust: personalty	120
5.4	Dispositions of equitable interests	121
5.4.1	<i>Grey v IRC</i>	122
5.4.2	Variations on <i>Grey</i>	122
5.4.3	The <i>Vandervell</i> litigation	123
5.4.4	<i>Vandervell v IRC</i>	123
5.4.5	<i>Re Vandervell's Trusts (No. 2)</i>	125
5.4.6	<i>Oughtred v IRC</i>	126
5.5	Equitable doctrine of part performance	128
5.5.1	Part performance and the Law of Property (Miscellaneous Provisions) Act 1989	128
5.5.2	Alternatives to part performance	130
5.6	Capacity	131
5.6.1	Minors	131
5.6.2	Persons suffering from mental abnormality	132
5.7	Public policy: capricious trusts	133
5.7.1	Public policy; void conditions	133
5.7.2	Capricious or useless trusts	134
5.7.3	Insolvency Act 1986	134

6	Perpetuities	135
----------	---------------------	------------

6.1	Introduction: permanent and irrevocable; reach of the trust	135
6.2	Current law and policy focus on law reform	137
6.2.1	Confusion, dissatisfaction and the Law Commission's work	137
6.3	Rule against perpetuity and the structure of the law	138
6.4	Emergence of 'restrictions on restrictions': development of the common law	139
6.4.1	Continuing development in the rule against perpetuity	140
6.4.2	The modern law: how does it apply and how does it 'work'?	140
6.4.3	Common law: problematic development and calls for reform	141
6.4.4	Statutory perpetuity requirements and the common law position: an outline	142
6.4.5	Relationship between common law and statutory provisions: more detail	143
6.5	Proposals for reform and the position of the common law	143
6.6	Conclusions of the Law Commission's enquiries	144
6.6.1	A rule which should remain within the law's reach?	145

6.6.2	Retention not abolition: scope of reform 145	application of the rule against excessive accumulations 148
6.6.3	New law: a rule with direction, purpose and rationale 146	
6.7	Rule against excessive accumulations 147	6.8 Rule against inalienability: rule against perpetual trusts 148
6.7.1	Reform proposals: a much restricted	6.8.1 A final point of reference 148
		6.8.2 Law Commission's exclusion of the rule against inalienability 149

7 Introduction to resulting and constructive trusts 150

7.1	Resulting trusts 150	resulting trust in voluntary conveyances 158
7.1.1	Introduction 150	
7.1.2	Classification of resulting trusts 151	7.4 Constructive trusts 161
7.1.3	Resulting trusts and the <i>Westdeutsche</i> reclassification 151	7.4.1 Introduction 161
7.2	Category (B) resulting trusts 152	7.4.2 Situations where constructive trusts have been found to exist 162
7.2.1	Incomplete disposal of the equitable interest 152	7.4.3 Is the constructive trust too flexible and too adaptable? 164
7.2.2	Necessary condition ends 155	7.4.4 A place in English law for the remedial constructive trust? 165
7.3	Category (A) resulting trusts: from voluntary conveyance 158	7.4.5 Trusts, conscience and 'overlapping' of resulting and constructive trusts 165
7.3.1	Authority for the operation of a	

8 Resulting trusts, gifts to non-charitable unincorporated associations and pension funds 166

8.1	The question of ownership 166	8.4 Conclusion: the general position of unincorporated associations, and support for the contractual basis for the calculation of shares 179
8.2	Winding up unincorporated associations 170	8.5 Perpetuities since 1964: general principles 180
8.2.1	When is a fund wound up? 171	
8.2.2	Basis on which funds are held 171	
8.3	Resulting trusts and pension funds 174	

9 Beneficial interests in the family home: a case study 182

9.1	Two different types of case 184	9.4.2 Exact scope of second category 201
9.2	<i>Rosset</i> second category 186	9.4.3 Communication requirements: first category 205
9.2.1	Presumption of resulting trust 186	9.5 Quantification 208
9.2.2	Presumption of advancement 186	9.5.1 <i>Rosset</i> second category 208
9.2.3	Contributions definitely outside the second category 188	9.5.2 <i>Midland Bank v Cooke</i> : a postscript 209
9.3	<i>Rosset</i> first category 191	9.5.3 <i>Rosset</i> first category 210
9.3.1	Calculating beneficial entitlements: trust or estoppel? 191	9.6 Shared homes, beneficial interests and reform proposals 211
9.3.2	Constructive trust requirements 192	9.7 Some postscript considerations 212
9.3.3	Estoppel requirements 197	9.7.1 Particular problems with life interests 212
9.4	Further consideration of <i>Lloyds Bank v Rosset</i> 199	9.7.2 Effect of legal joint tenancy 213
9.4.1	Category 1 <i>Rosset</i> cases: Trust or estoppel? (<i>Yaxley v Gotts</i> and <i>Gillett v Holt</i>) 200	9.7.3 Legislation affecting spouses 214

10 Secret and half-secret trusts (and constructive and resulting trusts) 215

10.1	What are secret and half-secret trusts? 215	10.1.1 Formality requirements of the Wills Act 1837, section 9 (as amended) 215
------	---	---

x Detailed contents

10.1.2	Reasons for testators wishing to avoid formality requirements 216	10.5	Limitations on enforcement of half-secret trusts 227
10.1.3	Methods of avoiding formality provisions of Wills Act 216	10.5.1	<i>Re Keen</i> 227
10.2	Enforcement of fully secret trusts 216	10.5.2	Justifications for <i>Re Keen</i> 229
10.2.1	Fraud theory 217	10.5.3	Codicils 230
10.2.2	Why no resulting trust? 218	10.6	Secret and half-secret trusts take effect independently of the will 231
10.2.3	Developments since <i>McCormick v Grogan</i> 220	10.7	Miscellaneous issues 233
10.3	Limitations on enforcement of secret trusts 223	10.7.1	<i>Re Stead</i> 233
10.3.1	<i>Wallgrave v Tebbs</i> 224	10.7.2	Absence of intended trustee, or renunciation by him of the legacy 234
10.3.2	<i>Re Boyes</i> 224	10.7.3	Residuary legatees 234
10.4	Half-secret trusts 226	10.8	Express or constructive trusts: does it matter? 235
10.4.1	Fraud theory 226		

11	Equitable fraud and the constructive trust	237
-----------	---	------------

11.1	Defining fraud: the starting point 238	11.4	Mutual wills and the imposition of constructive trusts 245
11.2	Equity will not allow a statute to be used as a cloak for fraud 239	11.5	Returning property to the transferor 248
11.3	Obtaining legal title expressly subject to rights of another 241	11.6	A wider conduct-based doctrine? 249

12	An introduction to charity	252
-----------	-----------------------------------	------------

12.1	Charities and the trust 252	12.3.1	Charities and their operations today 259
12.1.1	Charitable corporations 253	12.3.2	Elizabethan times to the eighteenth century 259
12.1.2	Unincorporated associations 253	12.3.3	Eighteenth and nineteenth centuries 260
12.1.3	Other, unusual forms 254	12.3.4	Late nineteenth and twentieth centuries 261
12.2	Legal regulation of charities: consequences of charitable status 254	12.3.5	Validity of non-charitable purposes 262
12.2.1	Tax advantages 255	12.4	The operation of charities: a 'live' issue 262
12.2.2	Validity 255	12.4.1	Charities Bill 2004: introduction and background 263
12.2.3	Registration of charities 256		
12.2.4	<i>Cy près</i> 258		
12.2.5	Political dimension 258		
12.3	The law of charity: conflicting policies adopted by the courts 259		

13	The legal definition of charity	264
-----------	--	------------

13.1	Introduction 264	13.4	'Advancement of religion' 274
13.1.1	Sources of law; identifying the legal definition of charity 264	13.4.1	Religion, but what religion? 274
13.1.2	Requirement of public benefit 266	13.4.2	<i>Advancement</i> of religion 275
13.1.3	Charitable status and overseas benefits 267	13.4.3	Religion, society and reform of the law? 276
13.1.4	Purposes must be exclusively charitable 267	13.5	'Other purposes beneficial to the community' 277
13.1.5	Profit-seeking 268	13.5.1	Purposes specifically included in the preamble 277
13.1.6	Charitable purposes 268	13.5.2	Animal charities 279
13.2	Purposes for the relief of poverty 269	13.5.3	Purposes beneficial to the community; <i>Pemsel</i> and continuing evolution 280
13.2.1	What is poverty? 269	13.5.4	Recreational purposes 281
13.3	'Advancement of education' 271		
13.3.1	What constitutes education? 271		

- 13.6 Problems with 'other purposes' and the Recreational Charities Act 1958 282
- 13.7 Charities Bill 2004 and the legal definition of charity 283
 - 13.7.1 The Bill's starting point: the meaning of charity 284
- 13.8 Legal definition after classifying purposes: public benefit requirement 285
 - 13.8.1 Public benefit and educational charities 285
 - 13.8.2 Public benefit under the fourth head 288
 - 13.8.3 Public benefit and the relief of poverty 290
 - 13.8.4 Public benefit and the advancement of religion 290
- 13.9 Public benefit: future direction under the Charities Bill 2004 293
- 13.10 Purposes which create problems under any head 294
 - 13.10.1 Political purposes 294
 - 13.10.2 Problems with charitable status and the Charities Bill 2004 300
- 13.11 Charitable status and 'self-help' 300
 - 13.11.1 Disaster appeals 301

14 Cy prës 302

- 14.1 General principles 302
- 14.2 Initial failure 303
 - 14.2.1 Gift to a charity which has never existed at all 303
 - 14.2.2 Gifts with conditions attached 305
- 14.3 Subsequent failure 305
- 14.4 Altering charitable objects 307
 - 14.4.1 At common law 307
 - 14.4.2 Charities Act 1993, section 13 309
 - 14.4.3 Limit to Commissioners' scheme-making powers 311
- 14.5 Charities Act 1993, section 14 311
 - 14.5.1 Position in the case of non-charitable trusts 312
 - 14.5.2 Position where purposes charitable 312
 - 14.5.3 Operation of section 14 312
- 14.6 Small poverty charities 314

15 The office of trustee: commencement and termination 316

- 15.1 The office of trustee: continuity and change 317
- 15.2 Standard required of trustees 318
 - 15.2.1 Creation of the trust 318
 - 15.2.2 Duty of care and day-to-day running of the trust 318
 - 15.2.3 Duty of care and termination of trusts: distribution among beneficiaries 320
- 15.3 Personal nature of trusteeship, delegation and law reforms 320
 - 15.3.1 Trustee Act 1925: the statutory right to delegate, and pressure for reform 321
 - 15.3.2 Delegation and the current statutory framework 322
- 15.4 Fiduciary nature of trusteeship 324
 - 15.4.1 Payment of trustees 325
 - 15.4.2 Trustees and making profit from the trust 329
 - 15.4.3 Trustees' profit illustrated by conflict of interest cases 332
 - 15.4.4 Conflict of interest and duty: conclusions and clarification? 336
 - 15.4.5 Trusteeship, integrity and entrepreneurialism: new thoughts on *Boardman v Phipps* 337
- 15.5 Trusteeship and its commencement: the appointment of trustees 339
 - 15.5.1 No trustee available 340
- 15.6 Formalities for vesting of trust property in new trustees 345
 - 15.6.1 The formalities themselves 345
 - 15.6.2 Consequences of improper vesting 345
- 15.7 Termination of trusteeship 346
 - 15.7.1 Retirement 346

16 Powers, discretions and duties of trustees 349

- 16.1 General description and overview 349
 - 16.1.1 Powers and duties 349
 - 16.1.2 What are the powers and duties? 349
 - 16.1.3 Constructive trustees 350
- 16.2 Sale of trust property 351
 - 16.2.1 Land governed by the Settled Land Act 1925 351
 - 16.2.2 Trusts for the sale of land 351
 - 16.2.3 Other trusts of land 351
 - 16.2.4 Personal property 351
 - 16.2.5 Power to give receipts 352

16.3	Power to insure	352	16.8.2	The protection of assets by investment	355
16.4	Power to employ nominees or custodians	352	16.8.3	Trustees and investment, and the Trustee Act 2000: the introduction of a more modern regime	356
16.5	Power to compound liabilities	353	16.8.4	The 'general power of investment' and its exception	358
16.6	Power to acquire land	353	16.9	The duties of trustees towards beneficiaries	359
16.7	Powers of maintenance and advancement	353	16.9.1	General principles of control by the beneficiaries	359
16.7.1	Power of maintenance	353	16.9.2	Disclosure of reasons for decisions	359
16.7.2	The power of advancement	354	16.9.3	Trust accounts	360
16.7.3	Advancement must be for the benefit of the advancee	354	16.9.4	Apportionment	361
16.8	Duty to protect the trust assets: the duty of investment	355	16.9.5	<i>Howe v Earl of Dartmouth</i>	361
16.8.1	Initial duties	355	16.9.6	Duty to distribute	362

17	Breach of trust	363
-----------	------------------------	------------

17.1	A question of liability: what is breach of trust?	363	17.3	Trustee exemption clauses	372
17.1.1	Basis of liability	363	17.3.1	Context for current discussion	373
17.1.2	Personal nature of trustee's liability	364	17.3.2	Exemption clauses commonplace within modern trusts	375
17.1.3	Liability as between trustees	365	17.3.3	The key problem of exemption clauses in modern trusts	376
17.1.4	Trustees and criminal liability	367	17.3.4	Managing inevitability: empirical study of the economic dimensions to greater regulation of exemption clauses	377
17.1.5	Bankruptcy of a defaulting trustee	367	17.3.5	After the Consultation: a provisional assessment of desirable and likely outcomes	379
17.2	Qualifications and defences to liability	367	17.4	Personal remedies against trustees	381
17.2.1	Consent or participation by beneficiaries	367	17.4.1	Measure of liability	381
17.2.2	Release or acquiescence by beneficiaries	368	17.4.2	Investments	382
17.2.3	Impounding beneficiary's interest	369	17.4.3	Interest	383
17.2.4	Trustee liability and lapse of time	370			
17.2.5	Trustee Act 1925, s. 61	372			

18	Variation of trusts	384
-----------	----------------------------	------------

18.1	Inherent equitable jurisdiction	384	18.2.3	General powers in the 1925 legislation	387
18.1.1	Express powers to vary	384	18.3	Variation of Trusts Act 1958	389
18.1.2	<i>Saunders v Vautier</i>	384	18.3.1	Use of the 1958 Act	389
18.1.3	Limited inherent jurisdiction of courts to vary trusts	385	18.3.2	Persons on whose behalf the court may give its approval	390
18.2	Statutory powers to vary trusts apart from the Variation of Trusts Act 1958	387	18.3.3	What is benefit?	391
18.2.1	Matrimonial Causes Act 1973	387	18.3.4	Variation or resettlement?	397
18.2.2	Mental Health Act 1983	387	18.3.5	Juristic basis of variation	397

19	Remedies	399
-----------	-----------------	------------

19.1	Structure of this chapter	399	19.2.2	Types of injunction	400
19.1.1	Tracing, constructive trusteeship and 'conceptual purity'	399	19.2.3	Specific performance and contracts	406
19.2	Personal remedies	400	19.2.4	Damages in lieu of injunctions and specific performance	410
19.2.1	The range of equitable remedies	400			

19.3	Remedies and third parties: tracing, receipt of trust property and breach of trust	411	19.5.2	Knowing receipt	434
19.4	Tracing	412	19.5.3	Knowing assistance	436
19.4.1	Tracing at common law	412	19.5.4	The personal action in Diplock	440
19.4.2	Proprietary tracing in equity	418	19.6	Tracing, recipient and accessory liability: legal developments and the current state of play	441
19.5	Personal equitable remedies	432	19.6.1	The high watermark case of <i>Westdeutsche</i>	441
19.5.1	Knowing receipt and knowing assistance compared	433			