

TABLE OF CONTENTS

Preface	v
Table of Cases	xxv
Table of Legislation.....	lvii

PART I EQUITY

CHAPTER 1 WHAT IS EQUITY?

1.1 Why Do We Study Equity In Hong Kong?	3
1.2 What is Equity?	4
1.3 The Establishment of the Common Law and the Need for an Equitable Jurisdiction	8
1.4 The Chancellor	12
1.5 The Fight for Fees: Common Law or Equity?	14
1.5.1 The Chancellors and the canon and Roman law	15
1.5.2 Delay and corruption in Chancery	16
1.5.3 Court of Chancery or court of conscience.....	17
1.5.4 Equity prevails.....	19
1.5.5 Lord Nottingham and the defence of equity.....	20
1.6 Chancery's <i>Bleak House</i>	22
1.7 Reform and the Judicature Acts 1873–1875	24
1.8 Is Equity Part of the Common Law? The Fusion Fallacy	25
1.9 Equity in Hong Kong	28
1.10 Summary	29

CHAPTER 2 MAXIMS AND DOCTRINES

2.1 Introduction: Confusion, Discretion and Conscience	31
2.2 Conscience and Equity's Darling	32
2.3 The Maxims as Guidance.....	35
2.4 The Maxims of Equity.....	36
2.4.1 General principles when equity may be available.....	37
2.4.1.1 Equity follows the law	37
2.4.1.2 Equity will not permit a statute to be used as an instrument of fraud.....	38
2.4.1.3 Equity will not suffer a wrong to be without a remedy	38
2.4.1.4 Equity will not assist a volunteer	39
2.4.2 Equity and priorities.....	39
2.4.2.1 Where the equities are equal the law prevails.....	39

2.4.2.2 Where the equities are equal the first in time prevails	39
2.4.3 Equity and formalities	40
2.4.3.1 Equity looks to the substance rather than the form (sometimes equity looks to the intent rather than the form)	40
2.4.3.2 Equity imputes an intention to fulfil an obligation	40
2.4.3.3 Equity regards as done that which ought to be done	40
2.4.3.4 Equity will not permit a trust to fail for want of a trustee	41
2.4.3.5 Equity will not perfect an imperfect gift	41
2.4.3.6 Equity will not construe a valid trust out of an imperfect gift	42
2.4.3.7 Equity will not strive officiously to defeat a gift	42
2.4.4 Guiding principles in awarding remedies	42
2.4.4.1 He who comes to equity must come with clean hands	42
2.4.4.2 He who seeks equity must do equity	44
2.4.4.3 Equality is equity	45
2.4.4.4 Delay defeats equity (also equity assists the diligent and not the tardy)	45
2.4.4.5 Equity, like nature, does nothing in vain	46
2.4.4.6 Equity acts in personam	46
2.5 Doctrines of Equity	47
2.5.1 The doctrine of conversion	47
2.5.2 The doctrine of election	47
2.5.3 The doctrine of satisfaction	48
2.5.4 The doctrine of performance and part performance	48
2.6 Undue Influence	49
2.6.1 Actual or presumed undue influence	53
2.6.1.1 Actual undue influence	53
2.6.1.2 Presumed undue influence	54
2.6.2 Direct or indirect undue influence	59
2.6.3 Notice of undue influence	61
2.7 Estoppel	68
2.8 Summary	69

CHAPTER 3 DEFENCES AND REMEDIES

3.1 Defences Available In Equity	71
3.2 Equitable Remedies	72
3.3 Power and Flexibility of Equitable Remedies	73
3.4 Declaration	75
3.5 Account	77
3.6 Equitable Compensation and Damages	77
3.7 Injunction	78
3.7.1 Obtaining an injunction	79
3.7.2 Interim and interlocutory injunctions	81
3.7.3 <i>Anton Piller</i> or search orders	83
3.7.4 <i>Mareva</i> injunctions or freezing orders	84

3.7.5 Perpetual and final injunctions	85
3.8 Specific Performance	87
3.9 Rescission	92
3.10 Rectification	93
3.11 Lien	93
3.12 Resulting and Constructive Trusts	94
3.13 Summary	94

PART II LAW OF TRUSTS

CHAPTER 4 WHAT ARE TRUSTS?

4.1 The Problem with Trusts	98
4.2 The Origins of the Law of Trusts	99
4.2.1 The legendary origins of the use	100
4.2.2 Speculation on influences on the development of the use	102
4.2.2.1 <i>Fideicommissum</i>	102
4.2.2.2 <i>Pia causa</i>	103
4.2.2.3 <i>Salmanus</i>	103
4.2.2.4 <i>Waqf</i>	104
4.2.2.5 Franciscan monks	105
4.2.3 The development of the use	105
4.2.4 The Statute of Uses	110
4.2.5 The use upon a use and the trust	112
4.3 Classification of trusts	113
4.3.1 Express or implied?	114
4.3.1.1 Express trusts	114
4.3.1.2 Implied trusts and trusts which arise by operation of law	116
4.3.2 Private or public?	117
4.3.3 Fixed or discretionary?	118
4.3.3.1 Fixed trust	118
4.3.3.2 Discretionary trust	118
4.3.4 Bare or special trust?	120
4.4 Characteristics of a trust	120
4.5 Distinguishing Trusts from other Concepts	123
4.5.1 Trusts v contract	123
4.5.2 Trusts v bailment	124
4.5.3 Trusts v agency	125
4.5.4 Trusts v personal representatives	125
4.5.5 Trusts v powers of appointment	126
4.6 Chinese Customary Trusts	127

4.7 International Recognition of Trusts.....	129
4.8 Trusts in Civil Jurisdictions.....	130
4.9 The Value of Trusts.....	131
4.10 Summary	133

CHAPTER 5 CREATING AN EXPRESS TRUST

5.1 How is an Express Trust Created?.....	135
5.2 Declaration of Trust and Formalities.....	136
5.2.1 Formalities for the declaration of an <i>inter vivos</i> trust of land	139
5.2.2 Equity, formalities and fraud	140
5.2.3 Formalities for the disposal of an equitable interest in land.....	144
5.2.4 Dispositions and formalities for personal property in English tax cases	146
5.2.5 Formalities for the creation of a valid testamentary trust.....	151
5.3 Capacity of Settlers, Trustees and Beneficiaries.....	151
5.4 The Three Certainties Required to Create a Valid Private Trust	152
5.5 The Beneficiary Principle.....	155
5.6 Vitiating Factors: Legality and Public Policy.....	155
5.6.1 Trusts for illegal purposes and the doctrine of sham	156
5.6.2 Illegality and public policy in other jurisdictions: forced heirship	158
5.6.3 Trusts which are against public policy	158
5.7 The Rules against Inalienability, Perpetuities and Excessive Accumulation	160
5.7.1 The rule against inalienability — The rule against excessive duration.....	162
5.7.2 The rule against perpetuities	165
5.7.3 The rule against excessive accumulations of income	167
5.8 Constitution of the trust.....	168
5.9 Summary	169

CHAPTER 6 THE THREE CERTAINTIES

6.1 Certainty of intention: gift, trust or power?.....	171
6.1.1 Gift or trust?	173
6.1.2 Certainty of words: how do we decide there is certainty of trust?.....	174
6.1.3 Lack of clear certainty of intention	179
6.1.4 Trust or power?.....	180
6.1.4.1 General, special or hybrid powers	180
6.1.4.2 Bare and fiduciary powers	181
6.1.4.3 Trust powers.....	182
6.1.4.4 Differentiating between a trust and a power	183
6.2 Certainty of Subject Matter	185
6.2.1 Segregation: chattels and intangibles	186
6.2.2 Attempts to create a trust over part of a gift.....	191
6.2.3 Beneficial interest.....	192

6.2.4 Summary of certainty of subject matter	194
6.3 Certainty of Object	194
6.3.1 Certainty of objects for powers and trusts.....	195
6.3.2 Limits of the is/is not test	199
6.3.2.1 Conceptual uncertainty	199
6.3.2.2 Evidential uncertainty	201
6.3.2.3 Administrative unworkability	202
6.3.2.4 <i>Capriciousness</i>	203
6.4 Gifts Subject to a Condition Precedent	204
6.5 Summary	205

CHAPTER 7 THE BENEFICIARY PRINCIPLE

7.1 Introduction	207
7.2 Exceptions to the Beneficiary Principle	208
7.3 Non-charitable Purpose Trusts or Trusts of Imperfect Obligation	209
7.4 The Accepted Purposes — The Anomalous Categories	210
7.4.1 Trusts for the erection and/or maintenance of tombs and monuments.....	211
7.4.2 Trusts for the saying of masses in private	211
7.4.3 Trusts for the maintenance and upkeep of specific animals	213
7.5 Non-charitable Purpose Trusts and Perpetuities.....	214
7.6 Capricious Purposes	217
7.7 The “New” Non-charitable Purpose Trusts	219
7.8 Unincorporated Associations	219
7.8.1 The <i>Re Denley’s Trust Deed</i> exception.....	221
7.8.2 The contractual approach	222
7.8.3 Problems with the contractual approach	224
7.8.4 Gifts to unincorporated associations with purposes attached.....	225
7.9 What happens when the Association Ends?	225
7.10 Summary	227

CHAPTER 8 CHARITABLE TRUSTS

8.1 The Problems with Charities and Proposed Reform in Hong Kong	230
8.2 Proposed Reform of the Law of Charities in Hong Kong	230
8.3 Charitable Organisations	231
8.4 The Benefits of Charitable Trusts	232
8.4.1 Certainty of objects	232
8.4.2 Pure purpose trusts — enforcement and the Secretary for Justice	233
8.4.3 Enforcement — does Hong Kong need a Charity Commission?.....	234
8.4.4 Administrative benefits for internal management of trusts	236
8.4.5 Duties and liabilities of trustees of charitable trusts.....	236

8.4.6	The rule against perpetuities	238
8.4.7	The rule against inalienability	238
8.4.8	The rule against excessive accumulation	238
8.4.9	<i>Cy-près</i> and schemes of distribution	238
8.4.10	Fiscal advantages.....	239
8.5	Creating a Charitable Trust	240
8.6	What is Charity?.....	242
8.7	The Legal Definition of Charity	243
8.7.1	The relief of poverty.....	245
8.7.2	The advancement of education.....	246
8.7.3	The advancement of religion.....	248
8.7.4	Other purposes beneficial to the community	251
8.7.5	Proposed reform of the heads of charity in Hong Kong.....	253
8.8	The Public Benefit Requirement	255
8.8.1	The relief of poverty.....	256
8.8.2	The advancement of education.....	257
8.8.3	The advancement of religion.....	258
8.8.4	Other purposes beneficial to the community	259
8.8.5	Reform of the public benefit requirement in Hong Kong	260
8.8.6	Public benefit and political purposes.....	260
8.9	The Trust must be Wholly and Exclusively Charitable.....	262
8.9.1	The use of the words "and" and "or"	263
8.9.2	Gifts to those in public office	264
8.9.3	Charging for charitable services.....	264
8.10	<i>Cy-près</i> —Saving Charity	266
8.10.1	Requirements for <i>cy-près</i>	267
8.10.2	Subsequent failure	268
8.10.3	Initial failure	269
8.10.4	Charitable donations.....	270
8.10.5	Reform of <i>cy-près</i> in Hong Kong	271
8.11	Summary	272

CHAPTER 9 CONSTITUTION OF TRUSTS AND PERFECTION OF GIFTS

9.1	How May We Allow Others to Enjoy Our Property?.....	275
9.2	Why is it Important to Know When a Gift is Perfected and a Trust is Constituted?	276
9.3	Formalities in the Transferring of Property	278
9.4	The Simple Principle of Equity for Perfection of Gifts and Constitution of Trusts.....	280
9.5	Declaration of Settlor as Trustee	281
9.6	The Rules for Transferring Property to Constitute a Trust and Perfect a Gift	283
9.7	Exceptions to the Rules of Transfer	289
9.7.1	Coincidental or fortuitous receipt of trust property.....	290

9.7.2	The rule in <i>Strong v Bird</i>	291
9.7.3	<i>Donatio mortis causa</i>	294
9.8	Covenants to Settle.....	301
9.8.1	Enforcing covenants to settle at common law.....	302
9.8.2	Enforcing covenants to settle in equity	303
9.9	Summary	305

PART III RIGHTING WRONGS WITH IMPLIED TRUSTS

CHAPTER 10 RESULTING, IMPLIED OR CONSTRUCTIVE TRUSTS

10.1	What is an Implied Trust?	309
10.2	Categories of Implied Trusts	311
10.3	Implied Statutory Trusts	312
10.4	Presumed Resulting Trust.....	312
10.5	Automatic Resulting Trust	313
10.6	Constructive Trust	314
10.7	Common Intention Constructive Trust.....	314
10.8	The Remedial Resulting or Constructive Trust	315
10.9	Summary	318

CHAPTER 11 PRESUMED RESULTING TRUSTS

11.1	Resulting Trusts	321
11.2	Presumed Resulting Trusts	322
11.2.1	Transfer resulting trust	323
11.2.2	Purchase price resulting trust	324
11.2.3	The retreat from the presumption of resulting trust in England	326
11.3	Rebutting the Presumption of Resulting Trust	328
11.4	The Presumption of Advancement	335
11.5	The Presumption of Advancement in Hong Kong	337
11.5.1	Father to child.....	337
11.5.2	Man to those to whom he is <i>in loco parentis</i>	338
11.5.3	Husband to wife	338
11.6	The Development of Advancement in Hong Kong	339
11.6.1	Mother to her child.....	339
11.6.2	A man to his concubine or his <i>de facto</i> or secondary wife.....	343
11.6.3	Restrictions in Hong Kong	345
11.6.4	Engaged man to his fiancée	345

11.7 Rebutting the Presumption of Advancement.....	346
11.8 The Evidential Battle.....	347
11.9 Illegality and the Presumptions.....	351
11.9.1 The reliance principle.....	352
11.9.2 The party has repented or not gone through with the illegality (<i>locus poenitentiae</i>).....	357
11.9.3 There is no “true” illegality or the legislative prohibition is for “other mischief”.....	357
11.9.4 The range of factors test.....	359
11.10 Criticism of the Presumptions	363
11.11 Summary	368

CHAPTER 12 AUTOMATIC RESULTING TRUSTS

12.1 Automatic Resulting Trusts.....	371
12.2 Failure of a Trust or Gift	371
12.3 Failure to Dispose of the Beneficial Interest	372
12.4 Surplus Funds.....	373
12.5 The <i>Quistclose</i> Trust.....	374
12.5.1 Winding up or liquidation of a company.....	375
12.5.2 What is a <i>Quistclose</i> trust?	377
12.5.3 When is there a <i>Quistclose</i> trust?	381
12.5.4 Must the loan monies be segregated?	383
12.5.5 Development of the <i>Quistclose</i> trust	387
12.5.6 The recognition of <i>Quistclose</i> trusts and <i>Romalpa</i> clauses.....	389
12.6 Summary	393

CHAPTER 13 CONSTRUCTIVE TRUSTS

13.1 Introduction	395
13.2 Constructive Trusts and Constructive Trustees	395
13.3 Personal or Proprietary Actions — Unauthorised Profits.....	397
13.4 The Accepted Categories of Constructive Trust.....	398
13.4.1 Trustee in breach of trust or fiduciary in breach of their fiduciary duty.....	398
13.4.2 When strangers to the trust have damaged the trust.....	405
13.4.3 To prevent fraud	405
13.4.4 When there has been unlawful killing.....	406
13.4.5 To help parties under a specifically enforceable contract.....	407
13.4.6 To enforce “special” testamentary trusts.....	407
13.4.7 To give effect to common intentions — the common intention constructive trust	408
13.5 Summary	409

CHAPTER 14 EQUITY AND THE FAMILY HOME

14.1 Introduction	411
14.2 The Battle of the Presumptions — <i>Marr v Collie</i>	413
14.3 Equity and Women’s Property Rights	415
14.4 The Problem with Cohabiting	416
14.4.1 Inheritance (Provision for Family and Dependants) Ordinance (Cap.481).....	417
14.4.2 Unmarried couples and law reform	417
14.5 Questions to Help Decide Ownership of the Family Home	419
14.6 Are the Couple Married and in Divorce Proceedings?	419
14.6.1 Ante-nuptial (pre-nuptial) and post-nuptial (separation) agreements	421
14.6.1.1 Post-nuptial or separation agreements	421
14.6.1.2 Ante-nuptial or pre-nuptial agreements	422
14.6.2 Property held by companies or trusts as property of the marriage	423
14.6.2.1 The approach of the Court to identification of financial resources	426
14.6.2.2 Family financial support and the concept of “judicious encouragement”	429
14.6.3 Are the Couple Unmarried or Does the Dispute Involve a Third Party?	429
14.6.4 Is there a valid and enforceable express trust of the land?	430
14.7 Are Both Parties the Legal Owners of the Property in Dispute?	432
14.9.1 Has the property been conveyed into the couples’ joint names as joint tenants?	433
14.9.2 Has the property been conveyed into the couples’ joint names as tenants in common?	435
14.9.3 Has there been no express identification as to how the beneficial interests in the property are to be held?	438
14.9.4 Variation of beneficial interests after purchase	442
14.10 Is One Party the Legal Owner of the Property in Dispute?	445
14.11 Can the Party Establish an Interest by Way of Common Intention Constructive Trust?	446
14.11.1 Requirements for a common intention constructive trust	448
14.11.2 Common intention: the bargain	448
14.11.2.1 The express bargain common intention constructive trust	448
14.11.2.2 The implied bargain common intention constructive trust	452
14.11.2.3 Mortgage payments	455
14.11.2.4 The problem with post-acquisition contributions	457
14.11.2.5 Limits on the bargain	458
14.11.2.6 Varying beneficial interests	458
14.11.3 Detrimental reliance for constructive trusts	459
14.11.4 Unconscionability for constructive trusts	460
14.11.5 How much? Quantification of interests under a constructive trust	461
14.12 Can the Party Establish an Interest by Way of Proprietary Estoppel?	463
14.12.1 Requirements for proprietary estoppel	464
14.12.2 The belief	466
14.12.3 Detrimental reliance for proprietary estoppel	467

14.12.4 Unconscionability for proprietary estoppel.....	469
14.12.5 How much? The remedies available for proprietary estoppel.....	470
14.13 Can the Party Establish an Interest by Way of the Presumption of Resulting Trust?	471
14.14 Is Neither Party the Legal Owner of the Property in Dispute?	471
14.15 Constructive Trust, Proprietary Estoppel or Resulting Trust?.....	476
14.16 Problems with Informal Interests in Land for Third Parties	478
14.17 Summary	479
14.17.1 Interests in the family home	480

CHAPTER 15 SUCCESSION, WILLS AND MUTUAL WILLS

15.1 The Law of Succession	483
15.1.1 Terms	484
15.1.2 Personal representatives; executors and administrators.....	485
15.2 Death and Intestate Succession.....	486
15.3 Wills	486
15.3.1 The history of wills	487
15.3.2 The history of wills in Hong Kong and Chinese wills	488
15.3.3 Testamentary freedom.....	489
15.3.4 The nature of the will	490
15.3.5 Validity of the will and probate	490
15.3.6 Revoking or varying the will.....	492
15.3.7 Interpretation of wills	493
15.4 The Inheritance (Provision for Family and Dependants) Ordinance	496
15.5 Mutual Wills	497
15.5.1 Requirements for mutual wills	498
15.5.2 The agreement.....	499
15.5.3 When do mutual wills take effect?	500
15.5.4 What does the survivor receive?	500
15.5.5 May mutual wills be revoked?	501
15.5.6 What property is subject to the obligation of the mutual wills?.....	503
15.5.7 Why are mutual wills enforced?.....	504
15.6 Summary	506

CHAPTER 16 SECRET TRUSTS

16.1 Secret Trusts	509
16.1.1 History of secret trusts.....	510
16.1.2 What are secret trusts?.....	512
16.1.3 The problems with secret trusts.....	513
16.2 Requirements for a Secret Trust	513
16.3 Fully Secret Trusts.....	514
16.3.1 Certainty of intention	515
16.3.2 Communication of the trust obligation to the secret trustee.....	516

16.3.3 Acceptance of the obligation by the secret trustee	518
16.3.4 Changes to the terms of the fully secret trust	519
16.3.5 Revocation of acceptance of the trust obligation	520
16.3.6 Failure of the fully secret trust	520
16.4 Half-Secret Trusts	520
16.5 Why are secret trusts enforced?	522
16.5.1 The fraud theory	522
16.5.2 The <i>dehors</i> the will theory	524
16.6 Why are there Different Requirements for the Communication of Half-Secret Trusts?	525
16.6.1 Incorporation by reference	525
16.6.2 Legal advice and the naive testator	526
16.6.3 The mistaken interpretation theory	526
16.7 Summary	527

PART IV ENFORCING THE TRUST

CHAPTER 17 TRUSTEES AND FIDUCIARIES: THE FIDUCIARY DUTIES

17.1 Introduction	531
17.2 Traditional Fiduciary Relationships	532
17.3 How Else Might the Fiduciary Relationship Arise?	533
17.4 The Fiduciary Duties	535
17.5 The No-Conflict Rule	536
17.6 The No-Profit Rule	538
17.7 Trustee Remuneration	544
17.8 The Restriction on Buying the Principal's Property	547
17.8.1 The rule against self-dealing	547
17.8.2 The fair-dealing rule	549
17.9 Restrictions on the use of Confidential Information	549
17.10 When will there be a Breach of the Fiduciary Duties?	550
17.11 Remedies for Breach of Fiduciary Duties	550
17.11.1 The remedy of account	553
17.11.2 The remedy of equitable compensation	556
17.12 The Trustee as Fiduciary	558
17.12.1 Exclusion of the trustee's fiduciary obligations	559
17.12.2 The trustee's "irreducible core of obligations" and anti-Bartlett provisions	560
17.13 Summary	568

CHAPTER 18 TRUSTEES: ADMINISTRATION, DUTIES AND POWERS

18.1 Introduction	569
18.2 Who or What is a Trustee?	569
18.2.1 Registered trust companies	570
18.2.2 Judicial trustee	572
18.2.3 Official trustee	573
18.3 Modernising Hong Kong's Law of Trusts	573
18.4 Appointment, Removal and Replacement of Trustees	574
18.4.1 Becoming a trustee	575
18.4.2 Appointing, removing and replacing trustees of an existing trust	576
18.4.2.1 Trust instrument	576
18.4.2.2 Statutory powers	576
18.4.2.3 Statutory powers for the court	577
18.4.2.4 Common law	577
18.4.3 Principles applied by the court when appointing and removing trustees	578
18.4.4 The end of trusteeship	578
18.5 The Management Duties and Powers of Trustees	580
18.6 The Duty to Acquaint with and Carry out the Trust	581
18.7 The Duty to Invest	582
18.7.1 The power to invest	583
18.7.2 What should a trustee consider when making investment decisions?	584
18.8 The Duty to Act Personally and the Power to Delegate	586
18.8.1 Power to delegate by power of attorney	587
18.8.2 Power to appoint agents	587
18.8.3 Power to appoint nominees and custodians	588
18.8.4 The duty to review the actions of agents, nominees and custodians	588
18.9 The Duty to Act Fairly and the Duty to Distribute	590
18.10 The Duty to Account	591
18.11 The Power to Maintain and Advance	593
18.12 The Settlor's Reservation of Powers: shams and the "true effect of the trust"	595
18.12.1 The common law doctrine of "sham"	596
18.12.2 Common law "sham" or equity's "true effect of the trusts"?	597
18.12.2.1 Beneficial ownership	598
18.12.2.2 Illusory trusts or the "true effect of the trusts"	599
18.12.2.3 Sham trusts	601
18.13 The Settlor's Powers and the Duty and Liability of The Trustee	602
18.14 Summary	603

CHAPTER 19 TRUSTEES: LIABILITY FOR BREACH OF TRUST

19.1 Introduction	605
19.2 Breach of Trust	605
19.3 Acting Outside the Trustee's Powers	605
19.4 The Duty of Care	606
19.4.1 Common law duty of care	607
19.4.2 Statutory duty of care	610
19.5 Trustee's Liability for Breach of Trust	611
19.6 Remedies for Breach of Trust	612
19.6.1 The remedy of account	613
19.6.2 Damages in equity	613
19.7 Avoiding Liability for Breach of Trust	614
19.8 Limitation, Exemption or Exclusion of Liability Clauses	617
19.9 Other Methods of Avoiding Liability: The Rule in <i>Re Hastings-Bass</i>	619
19.10 Summary	620

CHAPTER 20 BENEFICIARIES AND VARIATION OF TRUSTS

20.1 Beneficiaries	621
20.2 Rights and powers of a beneficiary	622
20.3 The Nature of the beneficiary's interest in the trust property	624
20.4 Beneficiary's interests in fixed and discretionary trusts	625
20.5 The right to terminate the trust: the rule in <i>Saunders v Vautier</i>	626
20.6 Variations of Trusts	630
20.7 Beneficiaries right to vary	631
20.8 Variation under the Court's Inherent Jurisdiction	633
20.8.1 The inherent jurisdiction in <i>Re Downshire's Settled Estates</i>	633
20.8.2 The response of the House of Lords in <i>Chapman v Chapman</i>	636
20.8.3 The inherent jurisdiction after <i>Chapman v Chapman</i>	637
20.8.3.1 Conversion jurisdiction	637
20.8.3.2 Maintenance jurisdiction	637
20.8.3.3 Emergency or Salvage jurisdiction	637
20.8.3.4 Compromise jurisdiction	638
20.8.4 The problems with <i>Chapman v Chapman</i>	638
20.9 Statutory Powers to Vary Trusts: ss.56 and 54 of the Trustee Ordinance	639

20.10 Statutory Variation: the Variation of Trusts Ordinance	640
20.10.1 Procedure.....	640
20.10.2 The categories of beneficiaries.....	641
20.10.3 Variation not resettlement.....	642
20.10.4 What may constitute benefit?	644
20.10.5 Restrictions on variation under the Ordinance.....	646
20.11 Other Powers of Variation.....	647
20.12 Summary	648

PART V THE FUTURE FOR THE LAW OF TRUSTS?

CHAPTER 21 TRACING

21.1 What is Tracing?.....	653
21.2 Personal or Proprietary Remedies?	653
21.3 Issues with Tracing.....	655
21.4 Following at Common Law.....	660
21.5 Tracing at Common Law.....	662
21.6 Following and Tracing Trust Property at Common Law.....	665
21.7 Following in Equity.....	665
21.8 Tracing in Equity.....	665
21.9 General Principles for Tracing in Equity — the Fiduciary Duty	667
21.10 The Five Principles for Tracing through Mixed Funds.....	669
21.10.1 The beneficiaries' first charge over mixed fund	670
21.10.2 The trustee is presumed to use their own money first: <i>Re Hallett's Estate</i>	670
21.10.3 The rule in <i>Re Oatway</i>	671
21.10.4 Beneficiaries may take the increase of value in any asset purchased with misappropriated funds or elect to take an equitable charge if the asset is worth less than the lost funds.....	672
21.10.5 Innocent volunteers are presumed to lose or gain <i>pari passu</i>	674
21.11 The Four Limits to Tracing in Equity.....	675
21.11.1 The lowest intermediate balance rule: <i>James Roscoe (Bolton) Ltd v Winder</i>	676
21.11.2 Property ceases to be in traceable form or is dissipated.....	677
21.11.3 The property is received by equity's darling	678
21.11.4 It is inequitable to trace	679
21.11.5 The change of position defence does not apply	680
21.12 Developments in Tracing: Backwards Tracing?.....	680
21.13 Summary	685

CHAPTER 22 LIABILITY OF STRANGERS TO THE TRUST

22.1 Who are Strangers to the Trust?	687
22.2 Trustees <i>de Son Tort</i> — Intermeddlers in the Trust.....	689
22.3 Unconscionable Receipt	690
22.3.1 Knowledge to make receipt unconscionable.....	692
22.3.2 Knowledge of agents?	697
22.3.3 Proposed alternative approaches for unconscionable or knowing receipt	698
22.3.4 Summary for unconscionable receipt.....	698
22.4 Dishonest Assistance — Accessory Liability	699
22.4.1 Knowledge or dishonesty for accessory liability?.....	700
22.4.2 An objective or subjective test for dishonesty?.....	702
22.4.3 Is suspicion enough?	708
22.4.4 Summary for dishonest assistance.....	710
22.5 Are Strangers to the Trust Trustees?	710
22.6 Summary	715

CHAPTER 23 EQUITY AND UNJUST ENRICHMENT

23.1 Introduction	717
23.2 What is Unjust Enrichment?	718
23.3 The Change of Position Defence	719
23.4 The History of the Development of Unjust Enrichment in English Common Law	720
23.5 Remedies for Unjust Enrichment	726
23.6 Relationship of Unjust Enrichment with Equity	728
23.7 The Future for Unjust Enrichment and the Law of Restitution in Hong Kong.....	729
23.8 Summary	729

PART VI THE FUTURE FOR THE LAW OF TRUSTS?

CHAPTER 24 SELLING TRUST: OFFSHORING INVESTMENT AND SPECIAL TRUST JURISDICTIONS

24.1 Introduction	733
24.2 The Business and Benefit of Trusts	734
24.3 What is required for the Creation of a Valid and Enforceable Express Trust?.....	736
24.4 OffShore Trusts and Special Trust Regimes.....	737

24.5	What is Different about Offshore Jurisdictions and Special Trusts?	740
24.6	The Magnificent Seven Attractions for “Special Trust” Jurisdictions	740
24.6.1	Security	741
24.6.1.1	Confidence in the jurisdiction	741
24.6.1.2	Confidentiality	741
24.6.2	Little or no taxation	742
24.6.3	It’s still mine	742
24.6.3.1	Non-revocability	743
24.6.3.2	Reservation of powers by settlors	743
24.6.3.3	The Rule in <i>Saunders v Vautier</i>	743
24.6.4	It’s not mine	743
24.6.4.1	Asset protection	744
24.6.4.2	Forced heirship protection	744
24.6.5	Perpetuities	744
24.6.6	The beneficiary principle — pure purpose trusts	745
24.6.7	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	745
24.7	Cayman Islands — STAR Trusts	745
24.7.1	Cayman Islands common law of trusts	746
24.7.1.1	Security	746
24.7.1.2	Little or no taxation	747
24.7.1.3	It’s still mine	747
24.7.1.4	It’s not mine	747
24.7.1.5	Perpetuities	748
24.7.1.6	The beneficiary principle — pure purpose trusts	748
24.7.1.7	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	748
24.7.2	STAR trusts	748
24.7.2.1	It’s still mine	748
24.7.2.2	It’s not mine	749
24.7.2.3	Perpetuities	749
24.7.2.4	The beneficiary principle — pure purpose trusts	749
24.7.2.5	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	749
24.8	British Virgin Islands — Special Trusts and Vista	750
24.8.1	British Virgin Islands common law of trusts	750
24.8.1.1	Security	750
24.8.1.2	Little or no taxation	750
24.8.1.3	It’s still mine	750
24.8.1.4	It’s not mine	751
24.8.1.5	Perpetuities	751
24.8.1.6	The beneficiary principle — pure purpose trusts	751
24.8.1.7	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	751
24.8.2	British Virgin Islands non-charitable purpose trusts	752
24.8.2.1	It’s still mine	752
24.8.2.2	It’s not mine	752
24.8.2.3	Perpetuities	752
24.8.2.4	The beneficiary principle — pure purpose trusts	752
24.8.2.5	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	753
24.8.3	VISTA trusts	753

24.9	Bermuda	754
24.9.1	Bermuda common law of trusts	754
24.9.1.1	Security	754
24.9.1.2	Little or no taxation	755
24.9.1.3	It’s still mine	755
24.9.1.4	It’s not mine	755
24.9.1.5	Perpetuities	755
24.9.1.6	The beneficiary principle — pure purpose trusts	756
24.9.1.7	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	756
24.9.2	Bermuda non-charitable purpose trusts	756
24.9.2.1	Perpetuities	756
24.9.2.2	The beneficiary principle — pure purpose trusts	756
24.9.2.3	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	757
24.10	Seychelles — Seychelles International Trusts (SIT)	757
24.10.1	Security	757
24.10.2	Little or no taxation	758
24.10.3	It’s still mine	758
24.10.4	It’s not mine	758
24.10.5	Perpetuities	758
24.10.6	The beneficiary principle — pure purpose trusts	759
24.10.7	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	759
24.11	Singapore including Singapore Business Trusts	759
24.11.1	Singapore common law of trusts	760
24.11.1.1	Security	760
24.11.1.2	Little or no taxation	760
24.11.1.3	It’s still mine	760
24.11.1.4	It’s not mine	760
24.11.1.5	Perpetuities	761
24.11.1.6	The beneficiary principle — pure purpose trusts	761
24.11.1.7	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	761
24.11.2	Singapore Business Trust	761
24.11.2.1	Security	762
24.11.2.2	Little or no taxation	762
24.11.2.3	It’s still mine	762
24.11.2.4	It’s not mine	763
24.11.2.5	Perpetuities	763
24.11.2.6	The beneficiary principle — pure purpose trusts	763
24.11.2.7	Restrictions upon settlors, trustees, beneficiaries, protectors and enforcers	763
24.12	International Recognition of Special Trusts	764
24.13	Making Hong Kong More Competitive as a Trust Jurisdiction	766
24.14	Conclusion	767
	Glossary of Terms and Abbreviations	769
	Index	789