



IN THE COURT OF APPEAL

AT MOMBASA

(CORAM: MAKHANDIA, OUKO & M'INOTI, J.J.A.)

CIVIL APPEAL NO. 51 OF 2014

BETWEEN

TWALIB HATAYAN.....1ST APPELLANT

ABDUL WAHID HAJI YERROW.....2ND APPELLANT

AND

SAID SAGGAR AHMED AL-HEIDY.....1ST RESPONDENT

MUNIRA SAID SAGGAR2ND RESPONDENT

HANIA SAID SAGGAR AL- HEIDY.....3RD RESPONDENT

FAHMY SAID SAGGAR AL-HEIDY.....4TH RESPONDENT

ABOUD ROGO MOHAMED.....5TH RESPONDENT

FATMA SAID SAGGAR.....6TH RESPONDENT

(Being an appeal from the judgment of the Environment and Land Court of Kenya at Mombasa (Mukunya, J.) dated the 4th day of September, 2014

in

E.L.C. No. 123 of 2011)

JUDGMENT OF THE COURT

The appellants describe themselves as philanthropists. Their story is that sometime in 2003, they were approached by the respondents, who claimed to be the trustees of a trust known as **Madhanhirul Ulum (Muslim Women Centre)** “*the Trust*”. As such trustees, the respondents petitioned the appellants for funding towards the purchase of some land. This was on the understanding that the land so purchased

would be utilized by putting up a mosque, a social hall and *madrassa* for use by the local Muslim community. The appellants thus released a sum of Kshs.2,080,000/- towards this endeavour to the respondents. The donation was channeled through the parties' mutual advocates, **Messrs Swaleh & Company**. Consequently, land described as **Mombasa/Mainland South/Block 1/215** "*the suit premises*" was purchased and registered in the name of the trust.

All was quiet until April 2011 when it came to the appellants' attention that the respondents intended to sell the suit premises to **Base Titanium Limited** "*third party*"; who wished to conduct mining operations thereon. Given that the appellants had not approved of the intended sale, further investigations into the matter were deemed necessary. It was then that two things came to the fore; Firstly, that contrary to the respondents' earlier representations, there existed no registered trust at the time of purchase and transfer of the suit premises in 2003, and that the trust only came into existence in 2005. Secondly, that the suit premises were never put to use as agreed and had instead been lying idle all along.

Displeased with this turn of events, the appellants filed suit against the respondents; being **Mombasa High Court Civil Suit No 123 of 2011** based on fraud, illegality and resulting trust, seeking the following reliefs:

"1. Recovery of the land parcel known as Mombasa/ Mainland South/ Block 1/215 registered in the name of Madhanhirul Ulum (Muslim Women Centre).

2. A declaration that the registration of the suit property in the name of Madhanhirul Ulum (Muslim Women Centre) is illegal as the said entity did not exist at the time of registration.

3. A declaration that the registration of the suit property in the said name is null and void and is ineffectual to confer a good title to the said registered owner.

4. In the alternative, a declaration that the suit property registered in the name of Madhanhirul Ulum (Muslim Women Centre) belongs to the Plaintiffs and is held by the registered owner for and on behalf of the Plaintiff pursuant to a resulting trust created in the Plaintiff's favour.

5. An order restraining the defendants from selling, transferring and/ or otherwise disposing of the suit property pending the hearing and determination of this suit.

6. Costs and interest in this matter.

Any other relief this court deems fit to grant."

The suit was defended, with the respondents filing a joint statement of defence. According to the respondents, they never made any representation whatsoever to the appellants or presented themselves to them at any material time for whatever cause. The trust was registered in 2002 and not 2005 as alleged by the appellants. They further contended that the trust purchased the suit premises from the Kenya Red Cross with no assistance whatsoever from the appellants. Rather it was the 1st appellant's wife and her friends who offered to contribute to the Trust some amount of money towards the purchase of the suit premises. At no time prior to and after the purchase of the suit premises did the appellants and the respondents discuss or reach any compromise in regard to the terms of ownership and use of the suit premises. The respondents went on to aver that the Trust was in legal existence both at the time of the purchase and registration of the suit premises in its favour and that the sale and the transfer were lawful and indefeasible. After the purchase of the suit premises it became necessary to execute a fresh trust deed to provide for the management and for additional trustees being the 5th and 6th respondents, hence the expanded trust deed registered in the year 2005. It was further averred that in the exercise of the powers conferred on them under the trust, the respondents offered for sale the suit premises to the third party with a view to raising funds to purchase a parcel of land at an alternative and more conducive area and to retain the balance of the proceeds thereof, if any, in order to put up a much more modern and well equipped *madrassa* for Muslim Women on the said parcel of land. They maintained that any person that may have made any contribution towards the purchase of the suit premises did not by reason of such

contribution acquire any proprietary, beneficial or fiduciary interest accruing in his favour in respect of the suit premises or any other properties owned by the trust. In the premises, the suit was manifestly actuated by greed on the part of the appellants and thus incompetent, frivolous, vexatious, an abuse of the process of court as it did not disclose any cause of action against the respondents.

The suit was heard by **Mukunya, J.** with both appellants testifying. The respondents testified through the 1st respondent. The 1st appellant testified that together with the 2nd appellant they ran a Universal Educational Fund founded in 1999 with over 12000 students in both secondary and university. That it caters for the less fortunate members of society and helps in building *madrassa*. His wife was involved in Muslim women *madrassa*. In that capacity she identified someone who needed help and their Trust agreed in principle to help. He did not know those people very well so they instructed A.M. Swaleh & Co. Advocates to handle the matter, and paid a cheque of kshs.2,080,000/-. The understanding was that the money was for the purchase of a parcel of land and to develop thereon a mosque and a boarding facility for the *madrassa*. Later he found out that the respondents were selling the suit premises which went against the purpose for which it was bought. Cross –examined, he admitted that the request for help was brought to his attention by his wife. He never dealt with the respondents at all. He had not even been to the suit premises and was not involved in the negotiations leading to its purchase but was aware that a *madrassa* had been put up on the suit premises. That though the suit premises were purchased 10 years ago he had not been there. He admitted that he had no problem with the suit premises and the title. He just objected in principle to the selling of the suit premises.

The 2nd appellant testified that he had not met the respondents. That the contract was entered into by the 1st appellant's wife through whom they financed the purchase of the suit premises. That the intention was purely charity. He maintained that the suit premises were being sold to the third party by respondents and wanted it stopped. In cross –examination he admitted that he never met the respondents directly neither was he involved in the negotiations. That the purchase price did not come from him as an individual. He was not however aware whether there was an existing trust.

For the respondents, the 1st respondent testified that he was an administrator of *madrassa* at Likoni that started in 1970 as Madhanhirul Ulum (Muslim Women Centre) Trust. He produced documents to back up the claim. He testified that his daughter was going around to Muslim women to look for money to buy the plot. He did not know where the money came from. He heard though that the money came from the wife of **Twalib Hatayam**. The suit premises were bought in the name of the *madrassa*. He confirmed that they wanted to sell it to the third party because it was near their harbour and the minerals shipped therefrom by the third party would be harmful to the people. He stated that the Trust Deed allowed them to do so and invest the money. On cross-examination he admitted that the other trustees were his own children. He claimed that it was important for them to expand the *madrassa*. That it was equally important to move out of the place because Titanium was going to be dangerous to them.

In a reserved judgment rendered on 4th September, 2014, Mukunya **J.**, dismissed the suit with each party being ordered to bear their own costs. In so doing, he delivered himself thus:

“16. It is my finding that once the donation was given by the plaintiffs and Plot No. Mombasa/Mainland South/Block 215 registered in the name of Madhanhirul Ulum (Muslim Women Centre) Trust the transfer cannot be recalled thereafter. Having reached that conclusion I need not dwell on all the other issues raised by learned counsel for the parties. The suit is dismissed. I order that each party bear its own costs.”

It is in respect of that judgment that the appellants have lodged this appeal. The same attacks the judgment on 22 grounds, which **Mr. Abed**, learned counsel for the appellants at the hearing, condensed into four limbs as follows: failure by the learned Judge to address the existence and validity of a resulting trust; failure by the Judge to evaluate facts and apply the law; defeasibility of the title on account of fraud and misrepresentation; and lastly, failure to hold that the gift, having been fraudulently procured, could be recalled.

Elaborating on the said limbs, counsel reiterated that the donation given in 2002 by the appellants was on the strength that there was a duly registered trust, with the respondents as trustees. Consequently, since it had now emerged that no such trust existed, the donation was fraudulently obtained and the registration of title in 2003 in the names of the respondents was equally irregular and invalid. As proof of this assertion, counsel referred the court to a trust deed registered in 2005 as well as a copy of the title deed and transfer form of the suit premises. Counsel further submitted that the court below ignored evidence tendered by both parties. According to **Mr. Abed**, this evidence proved the respondents' fraud. In particular, he pointed out that the 1st respondent's testimony bore an acknowledgment of their intention to dispose of the property to the third party. Coupled with this, was an admission that the respondents kept no account of the trust funds, with the 1st respondent also attesting to the fact that he put the said funds to his own personal use. Counsel added that to top it all, it had also come to light that the suit premises were not being utilized for the intended purpose and as such, the respondents were in breach of the trust. Accordingly, the appellants' argument was that these acts amounted to fraud and that the learned Judge failed to evaluate these facts and hold as much. In a bid to further illustrate the learned judge's misapprehension of the law and facts, counsel stated that the judgment was erroneously based on the decision in **Registered Trustees Anglican Church of Kenya Mbeere Diocese v. David Waweru Njoroge [2007] eKLR (Mbeere case)**. In **Mr. Abed's** view, the Mbeere case was distinguishable from the present case. To begin with, he stated that the entire purchase price was solely donated by the appellants, unlike the Mbeere case where purchase was through church members' contributions. Another distinguishing element was said to be that whereas the suit premises in this case were vacant, in Mbeere case land had been developed and lastly, that the causes of action in the two cases were vastly different; as this case turned on fraud and illegality, which was not the case with the Mbeere case. Accordingly, he urged this court to order the restitution of the money paid to the respondents by the appellants. All these was on the basis that a resulting trust had arisen in favour of the appellants.

In opposing the appeal, the respondents were represented by both **Mr. Nyongesa** and **Mr. Ochwa**. Mr. Nyongesa submitted that contrary to the appellants' assertions, the allegations of fraud were conclusively addressed in the impugned judgment. That in any event, the particulars of fraud pleaded by the appellants did not point to the culpability of the respondents. Instead, that the said particulars appear to blame the parties' mutual advocates- **Messrs Swaleh & Co**. It was the respondents' argument therefore that the appellants' cause of action lay against the said advocates if at all. Counsel further submitted that there existed no relationship between the parties. This, he said, was proved when the 1st appellant attested to his ignorance of the existence of a trust and in fact suggested that he had no prior dealings with either of the respondents. That in fact it was his wife who dealt with the respondents. Mr. Nyongesa went on to submit that if the donation was made as alleged, it was by the 1st appellant's wife and not the appellants. That the donation notwithstanding, the parties never agreed on how the suit premises were to be managed. Had they agreed, nothing would have been easier than for the appellants to call 1st appellant's wife and/ or Messrs Swaleh & Co. Advocates to testify and shed light on what went on. That since the appellants had failed to do so the learned Judge rightly inferred that the appellants had failed to prove their case. Counsel also contended that the allegation that the suit premises had been acquired for a fraudulent purpose was false, as there was a *madrassa* thereon. It was thus the respondents' case that the issues of fraud and misrepresentation could not arise. With regard to the existence of a trust, counsel submitted that the trust already existed at the time of the donation. To this end, he referred the court to a copy of a trust deed registered in 2002, which had been produced by the respondents during the trial. In view of this, he submitted that the trust deed relied upon by the appellants was merely a second registration meant to broaden an already existing trust by adding new trustees. Mr. Nyongesa concluded by saying that the sole issue in the matter was whether or not a gift once donated was recoverable and whether the learned Judge satisfactorily resolved the issue.

On his part, Mr. Ochwa supported his co-counsel's submissions and added that though the appellants were aware of the third party's interest in the suit premises, they had neglected to enjoin it to the suit. It was also his contention that the appellants could not sue for the restitution of the suit premises as they were never privy to the transaction. He went on to submit that in any event, by the appellants' own admission, the trust agreement was void and as such, counsel contended that the appellants cannot now seek to have the same enforced in their favour.

In a brief rejoinder to the respondents' submissions, Mr. Abed clarified that the appellants had no cause of action against the third party and thus no reason to enjoin them to the suit.

This being a first appeal from the trial court, this court has an obligation to consider and evaluate the evidence which was adduced in the trial court and come to its own conclusions bearing in mind however, that the trial court had the singular advantage of seeing and assessing the demeanor of witnesses as they testified (see **Selle & Another vs Associated Motor Boats Co. Ltd [1968] EA 123**). In undertaking that obligation, the court is guided by the principle that a Court of Appeal will not normally interfere with a finding of fact by the trial court unless it is based on no evidence or on misapprehension of the evidence or the Judge is shown to have acted on wrong principles in reaching the findings he did. With this in mind and from the submissions made before us we deem the following to be the issues for determination in this appeal:

Whether a trust of whichever description arose between the parties?

Whether or not a gift once donated, is capable of being recalled?

Dealing with the first issue, according to the **Black's Law Dictionary, 9th Edition**; a trust is defined as

"1. The right, enforceable solely in equity, to the beneficial enjoyment of property to which another holds legal title; a property interest held by one person (trustee) at the request of another (settlor) for the benefit of a third party (beneficiary)."

Under the Trustee Act, "...the expressions "trust" and "trustee" extend to implied and constructive trust, and cases where the trustee has a beneficial interest in the trust property..."

It is common ground that a sum of Kshs.2,080,000/- was paid by the 1st appellant's wife to the respondents through the parties' erstwhile mutual advocates; Messrs Swaleh & Company. It is also common ground that the same was used to purchase the suit premises, which was registered in the name of the trust. Thereafter, a *madrassa* was constructed thereon. These were facts appreciated by the learned Judge in the court below. Consequently, did the respondents hold the suit premises in trust and if so, in whose favour?

Trusts are created either expressly (by the parties) or by operation of law. An express trust arises where the trust property, its purpose and beneficiaries have been clearly identified (*see. Halsbury's Laws of England vol 16 Butterworths 1976 at para 1452*). In this case, we have a definite property and beneficiary. The purpose/intent for which the property was bought remains in dispute. This negates the existence of an express trust herein. In the absence of an express trust, we have trusts created by operation of the law. These fall within two categories; constructive and resulting trusts. Given that the two are closely interlinked, it is perhaps pertinent to look at each of them in relation to the matter at hand. A constructive trust is an equitable remedy imposed by the court against one who has acquired property by wrong doing. (*see Black's Law Dictionary*) (*Supra*). It arises where the intention of the parties cannot be ascertained. If the circumstances of the case are such as would demand that equity treats the legal owner as a trustee, the law will impose a trust. A constructive trust will thus automatically arise where a person who is already a trustee takes advantage of his position for his own benefit (*see. Halsbury's Laws of England supra at para1453*). As earlier stated, with constructive trusts, proof of parties' intention is immaterial; for the trust will nonetheless be imposed by the law for the benefit of the settlor. Imposition of a constructive trust is thus meant to guard against unjust enrichment. In the present case, a constructive trust cannot be imposed or inferred since the suit premises were yet to be transferred to the third party. Therefore, there is no unjust enrichment to be forestalled.

This leaves us with resulting trusts; upon which the appellants had laid their claim. A resulting trust is a remedy imposed by equity where property is transferred under circumstances which suggest that the transferor did not intend to confer a beneficial interest upon the transferee (*see Black's Law Dictionary*) (*supra*). This trust may arise either upon the unexpressed but presumed intention of the settlor or upon his informally expressed intention. (*See Snell's Equity 29th Edn, Sweet & Maxwell p.175*). Therefore,

unlike constructive trusts where unknown intentions maybe left unexplored, with resulting trusts, courts will readily look at the circumstances of the case and presume or infer the transferor's intention. Most importantly, the general rule here is that a resulting trust will automatically arise in favour of the person who advances the purchase money. Whether or not the property is registered in his name or that of another, is immaterial (**see. Snell's Equity at p.177**) (supra).

As earlier stated, it is not in doubt that the purchase price for the suit premises came from the 1st appellant's wife, with the premises being bought and registered in the name of the trust. To the extent then the wife never testified, there was no evidence of her intention. So we cannot say there was an automatic resulting trust. Can we modify a little and say "*if ever there was a resulting trust, it could only have been in favour of the 1st appellant's wife.*" It is she who contracted with the respondents and paid the donation. Both parties to this appeal concur on this. By applying the definition of trust earlier stated, the said wife thus became the settlor, the respondents the trustees, with the local Muslim community as beneficiaries. The appellants were not privy to the trust agreement between the respondents and the settlor. This much they admit. It was indeed common ground before the court below and indeed this court that the appellants and the respondents never met over the transaction neither have they been to the suit premises. The interlocutor if at all was the 1st appellant's wife who apparently did not even tell the respondents that the money had been paid by the appellants. It then follows automatically that the parties never agreed on the management of the suit premises, a fact admitted by the 1st appellant, who in his evidence in chief stated in part that:

".....We did not know the people very well. We instructed A.M Swaleh & Company Advocates who was (sic) our lawyer..."

Further, on cross examination he went on to add that:

"The person approached my wife. She is my wife and still alive. The message was brought by my wife. I knew from my wife why this property was purchased. I never dealt with anybody... I am aware that there is a madrassa for girls there. I have not been to the place any other time since I was with my wife. I was not involved in negotiations for that plot..."

It is therefore clear that the appellants were never involved in the entire transaction. If the appellants never met the respondents, on what basis then would they mount the suit? They were not even aware of the existence of the trust. The only person who could rightly sue in law would have been the 1st appellant's wife or the appellants for and on her behalf. The appellants have sued in their own right. How can they sue over something they know nothing about? Readily therefore the evidence is at variance with pleadings which carries with it fatal consequences. The 1st appellant did confirm that his wife was alive and well. She was not under any disability that would have caused her not to sue. The appellants claim to have released the money to the wife of the 1st appellant to remit to the respondents. However, where is the evidence? It may well be that the money came from the 1st appellant's wife's own resources. She was the only person who would have shed light as to what went on between her and the respondent. She would also have buttressed the appellants' assertion that they were the ones who released the purchase price. Strangely and crucial as she was as a witness in the claim, the appellants for unexplained reasons never bothered to call her to testify. On what basis then can the appellants who were not party to the transaction condemn the respondents on account of being fraudulent and or committing illegalities. For all intents and purposes their evidence in the absence of that by the 1st appellant's wife was just hearsay incapable of being acted upon. Then there was the absence of the evidence of their mutual advocates, Swaleh & Company Advocates. The evidence would have confirmed from whom the money was received and the intent. We must say at once that the absence of the evidence of this two crucial witnesses was fatal to the appellants' claim.

By definition, a contract is an agreement by which one person obligates himself to another to give, to do, or permit, or not to do something express or implied by that agreement. The promise, price, right or forbearance is what is termed as consideration in a contract. As a result, for a contract to be valid, it must fulfill several requirements. Among these requirements is that the consideration must move from the

promisee. This means that no one can enforce another's promise unless he has been a party to the contract. As a result, a stranger to a contract cannot sue on it, even if the contract was made for his benefit. Such is the general rule on privity of contract. This rule is however subject to some exceptions; one of which arises in cases of trust. Even though he was never a party to the trust contract a beneficiary to a trust may in his own right, sue the trustee. However, such was not the case here, as the appellants never sued as beneficiaries. In the premises, one could easily say that they were strangers and even busy bodies to the transaction and should never have initiated the suit in the first place.

In light of the foregoing, it would be improper for this court to presume the existence of a common intention between the appellants and the respondents; for the respondents were all through, strangers to the trust agreement.

We may add that even if we had held that given the circumstances, there was indeed a resulting trust in favour of the appellants, we do not see how the court would have ordered the refund of the purchase price as prayed for by the appellants. Reasons being, one, the appellants have admitted that indeed their donation had been put to the intended use. The suit premises were bought and *madrassa* constructed. It matters not whether or not there was a trust deed then. In any event there is no evidence that the existence of a trust deed was a condition precedent to the release of the purchase price. Two, the trust deed allowed the trustees to, "*in their absolute discretion either allow the trust fund or any other trust property or any part thereof to remain as actually invested or may sell, exchange or convert it into money and invest the net sale proceeds thereof in the name of the trust in or upon such investments as the trustees may think proper.*"

We do not see how then the appellants can challenge, or stop the intended sale of the suit premises given this provision in the trust deed.

As to the respondents' claim that the money was a gift and not refundable, according to **Halsbury's Laws of England 4th Edn, vol 20, Sweet & Maxwell p. 24**);

"where a person buys property and pays the purchase money, or part of it, but takes the purchase in the name of another, who is neither his child, adopted child nor wife, prima facie, there is no gift, but a resulting trust for the person paying the money" (emphasis ours)

However, where a gift can be shown either to have been intended by the donor, or where the donor was under an equitable obligation to pay, then a presumption of advancement is readily made. (**see. Snell's Equity, 29th Edn, Sweet & Maxwell p.178**). As a result, the presumption of advancement is made in cases where the circumstances unequivocally point to the intention of the donor to make it so, or where the donor has an obligation to pay the gift (for example in her capacity as a wife or mother to the donee). Given that there was no express intention that the donation was an advancement; and also given that the settlor has not been shown as having owed an equitable obligation to the respondents, it would be difficult for the court to pronounce itself on the issue of presumption of advancement as pleaded. This is more so in view of the fact that neither of parties enjoined the settlor to the suit. Not even their mutual advocate.

When a person donates to another any gift to perform a public spirited function as was in this case, can such a person micro manage such donation? We do not think so. As correctly held by this Court in the **Church Commissioners** case (supra) quoting with approval from the case of **Rose v Inland Revenue Commissioners [1952]** Ch 499:

" that in equity it is held that a gift is complete as soon as the settler or donor has done everything that the donor has to do that is to say as soon as the donee has within his control all those things necessary to enable him, the donee to complete his title."

The foregoing receives support from **Snells Equity 29th Edition** where the authors state at page 122 Paragraph 3 that:

".....Where however the donor has done all in his power according to the nature of the

property given to vest the legal interest in the property in the donee, the gift will not fail even if something remains to be done by the donee or some third person.....likewise a gift of registered land becomes effective upon execution and delivery of the transfer and cannot be recalled thereafter even though the donee has not yet been registered as the proprietor...”

The point we are making is that there is no evidence that the respondents acted outside the intent of the gift. They went ahead and purchased the suit premises. They also went ahead and constructed a *madrassa*. These were the main intention of the advancement of the money. On what basis then should whoever advanced the money even if they were the appellants (already discounted) demand the refund of the money? The appellants want the money back because the suit premises are being transferred to a third party. Was there a provision that the suit premises once bought could not be sold if the need arose? No such evidence was adduced. Further, the terms of the trust deed are clear, the donor had no role in the management and operations of the trust. There can be no fraud or illegality as claimed by the appellants when in their evidence they confirm that indeed the suit premises were bought and a *madrassa* erected thereupon. The appellants cannot read fraud and illegality on the part of the respondents merely because they have opted to sell the suit premises. They advanced valid reasons why that move was necessary. It was because of the operations of the third party near where the suit premises are situate, it had become hazardous and also the need for a bigger space. In our view, the suit was not genuinely instituted but was instituted for ulterior motives. Given the foregoing, we are in agreement with the conclusion reached by the trial court that once the donation was given and the intent of the donor fulfilled, the donor cannot recall his donation. We do not agree with the lamentation by the appellants that in reaching the conclusion the court simply and solely relied on the Mbeere case. The court considered many other factors and only used the Mbeere case for the principle of non-recoverability of a donation once the terms upon which it was made are fulfilled. The distinguishing factors advanced by the appellants with regard to this case and the Mbeere case are really immaterial.

Having reached that conclusion, the court concluded that it need not have considered other issues raised by the parties to the suit. This was perfectly in order. The court concluded and rightly so in our view, that the core issue was whether a gift once given and the terms upon which it was given fulfilled, the donor could subsequently recall such a gift. It is a normal occurrence for a court to determine a suit not on all issues framed. At times a court can determine a suit on a single issue if it is central and or core in the suit. That was the case here. It was therefore not necessary for the court to delve into all issues raised before it as demanded by the appellants.

Accordingly, we find no merit in this appeal and it is dismissed with costs to the respondents.

Dated and Delivered at Mombasa this 15th day of May 2015.

ASIKE-MAKHANDIA

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JUDGE OF APPEAL

W.OUKO

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JUDGE OF APPEAL

K.M'INOTI

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JUDGE OF APPEAL

I certify that this is a
true copy of the original.

DEPUTY REGISTRAR