An overlooked overriding interest in Singapore's Torrens system?

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An overlooked overriding interest in Singapore's Torrens system?

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Introduction

"A landowner free to develop his land as he wishes before the imposition of public controls, finds himself prohibited from doing so as a consequence of the controls. The title to his ownership of an estate or interest in the land is not disturbed or called into question in any fundamental way—he owns what he had previously … Nevertheless, the powers of ownership are not what they were in all their fullness. He cannot legally do now what before he was at law and at liberty to do. His rights have been curtailed. He has lost something. What is it?"

Most jurisdictions provide statutory market price compensation when the State acquires privately owned land compulsorily. In the UK, this is provided for pursuant to the Compulsory Purchase Act 1965. In Singapore, market price compensation for compulsorily acquired property was enacted only fairly recently in 2007, pursuant to the Land Acquisition Act (Cap.152). The rationale for compensation has been articulated by common law courts. In Burma Oil Co (Burma Trading) Ltd v Lord Advocate, the House of Lords declared, "It is plainly just and equitable that when the State takes or destroys a subject’s property for the general good of the State it shall pay him compensation". Similarly, the Privy Council held in Government of Malaysia v Selangor Pilot Assoc that laws authorising the taking of property without compensation are generally recognised as "repugnant to justice".

While it appears self-evident that a physical taking of land should attract compensation, it is interesting to note that virtually no jurisdiction, including Singapore, provides compensation as-of-right when privately owned land is not physically acquired but merely rendered less economically valuable—I refer to such planning laws as regulatory incursions to land or simply, downzoning. Alterman’s treatise is the first large-scale comparative research devoted entirely to such incursions. The 13 jurisdictions she analyses show that compensation for regulatory incursions to land are typically absent and at best minimal.

Planning Singapore and the Master Plan

Singapore’s tiny geographical size (all of 720 km 2 ) has perhaps led to it always been a planned city. Founded as a trading post of the British East India Company during the expansionist phase of British mercantile capitalism at the beginning
Of the 19th century, Sir Stamford Raffles, the founder of British Singapore, sketched the first town development plan in Singapore, which had the original purpose of keeping the peace between the various ethnic factions. This plan guided the development of Singapore for more than 100 years. Following the end of the Second World War, Singapore again became a Crown Colony. With development picking up, the colonial government endorsed the Planning Act 1951, which subsequently led to the formation of the original Master Plan 1958.

When Singapore gained self-government in 1963 and subsequently independence in 1965, Singapore discarded the British colonial master plan that divided the island into urban, suburban and rural belts. Taking advice from a UN Planning team led by architect-planner Erik Lorange, Singapore adopted a plan which viewed the entire island as a single planning and functioning entity. The colonial land-use pattern was reordered to accommodate the projected needs of an industrial economy and a rapidly growing population. Accordingly, a "ring" of residential housing estates was to be developed around the water catchment area of three reservoirs in the centre of the island. A large area to the west was designated the Jurong Industrial Estate, and Changi International Airport was constructed at the eastern end of the island. Housing estates, light industrial facilities and all the other land uses filled up the interstitial spaces over time, and an integrated road and mass rapid transit (MRT) network linked the various districts, integrating the country into one functional unit.

In general, this broad planning outline has been maintained till today through the current Planning Act (Cap.232), its constituent subsidiary legislation and the Master Plan. Collectively these constitute the legislative framework governing land use and planning control in Singapore. Specifically, it is the Master Plan, Singapore’s statutory land use plan, that parcels the country into thousands of land lots, each with a uniquely identifiable lot number. It also sets out the permitted development of each lot by listing the particular zone (e.g. residential, commercial, park etc), plot ratio, height limit and whether an area, building or cluster of buildings in a lot has conservation status. As a technical map, the Master Plan is extremely comprehensive providing even for three-dimensional lots setting out subterranean and airspace land use rights. The total number of lots represented in the Master Plan is not fixed but varies when lots are amalgamated, split or when new land parcels are formed through land reclamation from the foreshore.

As a forward-looking document, the Master Plan sets out prospective development potential and is required by statute to be reviewed at least once every five years, although the authority can submit proposals for altering the plan at any time. Planning in Singapore is administered by the Chief Planner of the Urban Redevelopment Authority (URA), a statutory body under the Ministry of National Development. Apart from Parliamentary assent, amending the Master Plan requires the additional step of public advertisement. Proposed changes must be advertised to the public for at least two weeks and any person with non-frivolous concerns about proposed amendments has the right to a public inquiry. Singapore’s planning regime thus creates a strong system of dependence in relation to the contents of the Master Plan. The authors of the leading property law textbook in Singapore note: "The existence of the … Master Plan enable private individuals to know in advance the direction of growth. Accordingly, their own private business plans could be influenced by the Plans".

The sheer comprehensiveness of the statutory planning system in Singapore means that land values and the stated development potential of any particular lot are inextricably linked. There is however, a stark tension between State and private landowner’s rights when the Master Plan is amended. Should the value of land be increased via the Master Plan (for instance if land designated for residential purposes be re-designated as commercial purposes or height limits increased), the State imposes a 70% tax on any increase in value when the landowner seeks to develop the newly improved land. On the other hand, there is no countervailing law requiring compensation if planners employ the Master Plan to reduce the economic value of a lot. The lack of reciprocity means that the State is at liberty to "downzone" private land then acquire it at its newly degraded price.
This paper explores the interaction between the Master Plan and Singapore’s Torrens land registration system. Because the information found in the Master Plan (such as types of land use or plot ratio) are not reflected in a lot’s certificate of title, the point made is that amendments to the Master Plan constitute an overriding exception to indefeasibility that is not observable with due diligence, and one that has not been noted previously in the literature.

**Planning and the Torrens land registration system in Singapore**

As in many jurisdictions, the attendant problems of conveying interests in land by deed at common law led to Singapore’s adoption of a Torrens land registration system that provides State-guaranteed indefeasibility of title. While small pockets of unregistered land remain in Singapore, the vast majority are now registered land. The Torrens system of land registration is statutorily provided for under the Land Titles Act (Cap.157) (LTA), first introduced prior to independence via the colonial Land Title Ordinance 1956. Indefeasibility of title means that a registered proprietor’s interest is paramount and cannot be defeated by a prior unregistered interest. Underpinned by indefeasibility, the Torrens system has been described by a former UK Chief Land Registrar as characterised by three principles: (1) the mirror principle, (2) the curtain principle and (3) the indemnity principle.

In Fels v Knowles, Edwards J pithily observed that "the cardinal principle … is that the register is everything". The Torrens system is thus said to enshrine the mirror principle—the register effectively reflects all interests affecting land. By conferring on the registered proprietor an indefeasible right to the land, the Torrens land regime also:

"saves persons dealing with the registered proprietor from the trouble and expense of going behind the register, in order to investigate the history of their author’s title, and to satisfy themselves as to its validity … everyone who purchases in bona fide and for value from a registered proprietor and enters [it] on the register, shall … acquire an indefeasible right, notwithstanding the infirmity of his author’s title."

This is the curtain principle—one does not need to go behind the certificate of title (CT) as it contains all the information about the title and ownership need not be deduced by a good root of title as all of the necessary information regarding ownership is on the CT. The third and final principle forming the Torrens system is the indemnity principle whereby compensation of loss caused by private fraud or by errors made by the Registrar of Titles is provided for.

This paper focuses on the first of the three defining principles—the mirror principle. Benefits of the mirror principle in the Torrens system of registration are certainty coupled with the lower transaction costs incurred in conveyancing transactions because the register effectively reflects all registrable interests in land. As observed in the context of the UK’s Land Registration Act 2002, one of the key goals of registration is to ensure that the "price paid reflects [the lot’s] true economic and social value". Uncompensated downzoning of land in Singapore is an affront to the mirror principle because regulatory incursions may be deemed an overriding interest that may reduce the value of the lot as reflected in a particular CT. Because this overriding interest is only ex-post observable, this in turn weakens the application of the Torrens system in Singapore.

The mirror principle

The mirror principle encapsulates the idea that the register should reflect the "full character of the land", i.e. the totality of rights and interests concerning title. Thus all an intending purchaser needs to do is to check the land register. Unless they are "overriding interests" (discussed below), he will be bound by the interests which are found there and will not be affected by those which are not. In Singapore this means that an intending purchaser would be able to know the shape
and size\textsuperscript{28} of the land, its lot number and whether any mortgages, easements or caveats are lodged in respect of the property in question. In Wong Kok Chin v Mah Ten Kui Joseph,\textsuperscript{29} Chan J stated that the object of the Land Titles Act (Cap.157) was to simplify dealings by the introduction of a register of title to mirror land ownership. In this respect the learned judge described Edwards J’s comment in Fels v Knowles that "the register is everything" as the "what you see is what you get" principle. Full and fair notice to interested parties such as prospective buyers or mortgagees is therefore achieved through the "what you see is what you get" precept embodied in the mirror principle. By reflecting the totality of rights and interests concerning a title to registered land, the mirror principle allows the full character of the land to be reflected, thus facilitating negotiation of contract by reducing uncertainty on the part of purchasers, promoting informed consent and lowering transaction costs. As an overriding interest, amendments to the Master Plan may catch market participants off-guard and create significant subject matter uncertainty.

\textbf{Overriding interests and the erosion of indefeasibility}

The term "overriding interest" has been referred to in the preceding paragraphs and denotes interests in which a registered title is binding even if such interests are not found in the Land Registry. LTA s.46(1) lists those overriding interests to which the registered proprietor remains subject. Relatively uncontroversial exceptions constituting such interests include implied subsisting reservations, covenants and conditions in State land,\textsuperscript{30} statutory easements,\textsuperscript{31} the narrow (procedural) powers of the registrar or court to correct errors and rectify the land register,\textsuperscript{32} short-term tenancies up to seven years\textsuperscript{33} and transactions void under the Residential Property Act (Cap.274).\textsuperscript{34} These small and acceptable exceptions are indeed imperfections to the CT’s reflection in the "mirror"; they are nevertheless\textsuperscript{285} justified on the basis that "it is simply impractical or undesirable to make absolutely everything subject to express registration".\textsuperscript{35}

One final exception however, and within which regulatory incursions would fall, is not acceptable, being tantamount to a serious erosion to the mirror principle and hence indefeasibility. LTA s.46(1)(c) states that a registered proprietor’s estate is subject to "any statutory obligation as defined in s.142". The relevant parts of s.142 in turn read:

"Statutory obligation means (a) any charge on land; and (b) any order, award, determination, notification, resolution, by-law or proclamation affecting the title to or restricting or otherwise affecting the user of land or prescribing or authorising any act or thing to be done on land, under the provisions of any written law or regulations made thereunder, and which is intended to bind successive owners of the land."

In the UK, the Land Registration Act 2002 Schs 1 and 3 also provide for "unregistered interests which override". These include "local land charges" found in cl.6 of both Schs 1 and 6 and may thus said to parallel s.142(a)’s reference to "any charge on land". This overriding exception in the UK is, however, mitigated by the fact that Councils have a statutory duty under the Local Land Charges Act 1975 to maintain an accurate and up-to-date register of local land charges, with details of any charges that are registered to land listed in each Council’s Local Land Charges Register. There is no equivalent system in Singapore to determine if there is a charge on a lot. Moreover, there is no equivalent in the Land Registration Act 2002 to LTA s.142(b)’s mention of "any order, award, determination, etc". The scope of overriding exceptions to land registration in Singapore is thus potentially far wider than the UK.

The overriding exception created in Singapore via s.46(1)(c) read with LTA s.142(b) is thus an open-ended exception that can impose either positive or negative obligations on the registered proprietor and has thus rightly been described as having "wide-ranging effects".\textsuperscript{36} Notably, including statutory obligations in its current form as an exception to the mirror principle was not part of the original scheme. The predecessor to Singapore’s LTA, the Land Titles Ordinance 1956, was drafted by Sydney barrister John Baalman\textsuperscript{37} and s.114(4) of the 1956 Ordinance required the statutory obligation to be notified on the register before it became effective as against a purchaser; this limited the exception. In
1970, however, the law was amended \(^{38}\) (s.142(2) of the current LTA still reflects this amended position) and a statutory obligation intended to affect registered land may be notified by lodging with the Registrar an instrument of statutory obligation, with LTA s.142(3) stating that "notification of an instrument of statutory obligation shall not give that obligation any greater operation or effect than it would have had without such notification". That statutory bodies need not take the trouble to have the statutory obligation notified on the register was also stated in the Explanatory Statement accompanying the Land Titles (Amendment) Bill. \(^{39}\) The inclusion of statutory obligations as an overriding interest has thus been seen by land law scholars in Singapore as an erosion of the concept of indefeasibility, \(^{40}\) with the authors cautiously remarking that:

"whether this is desirable in a scheme of indefeasibility of title is essentially a question of whose convenience is to be served—the statutory body or the purchaser who deals with the registered proprietor." \(^{41}\)

Statutory obligations: downzoning amendments to the Master Plan

It is thus submitted that amendments to the Master Plan constitute statutory obligations under LTA s.142(1) and therefore represent an unregistered overriding interest under s.46(1) of the same. There are no judicial pronouncements nor parliamentary comments concerning LTA s.142(1) (nor any of its predecessor sections since 1970), nor has there been any academic writing regarding the section, apart from what is cited above. A de novo analysis to justify this conclusion is thus needed.

The Planning Act (Cap.232) s.10 provides that the Planning (Master Plan) Rules 2000 govern how the Master Plan is amended. Briefly, the Urban Redevelopment Authority (URA) must submit the intended maps to be amended with supporting documentation to the Minister (r.3) and concurrently by advertisement publish a public notice of at least two weeks for public inspection (r.4) for objections and representations (r.5). After considering public feedback (objectors have the right to a public inquiry), the Minister decides—either approving, rejecting or approving the plan with modifications (r.6), and the Authority (URA) then issues a public notice specifying the date of the Minister’s approval and where the maps with the approved amendments are available for public inspection (r.7). While it is not explicit whether the Master Plan becomes amended when the Minister grants his approval or when public notice of such approval is made by the URA, it would appear the former is correct.

Regulatory downzoning of the Master Plan (for instance a change of use from commercial to industrial, or lowering of allowable building density limits) would indeed as LTA s.142(1)(b) provides, "... restrict or otherwise affect the user of land or prescribe or authorise any act or thing to be done on land, under the provisions of any written law or regulations made thereunder ...". Satisfaction of the first part of s.142(1) also needs the Master Plan’s amendment to be made via "any order, award, determination, notification, resolution, by-law or proclamation". If the Master Plan is deemed amended upon the Minister’s approval, then from the procedure set out in the Planning (Master Plan) Rules, the Minister’s decision to approve an amendment comfortably falls under a "determination", also conceivably falling under "order", "resolution", "by-law" or "proclamation". On the other hand, if the Master Plan is only deemed amended upon the URA’s ex post facto public advertisement of the Minister’s approval, then such a notice would fall under s.142(1)’s "notification" limb. Whichever interpretation is adopted however, it is apparent that an amendment of the Master Plan is a statutory obligation under s.142 and therefore an overriding exception under LTA s.46(1).

That regulatory downzoning constitutes an overriding exception is problematic. The mirror principle holding the register paramount is intended to reduce uncertainty, subject only to what ought to be narrow and discoverable overriding interests. This is reflected in the nature of the other overriding exceptions—with reasonable effort and due diligence, would-be purchasers by and large are able to determine, for instance, whether a public easement is inferable from the situs and shape of the land, whether the property is sold subject to a tenancy, or whether it would be illegal for them to
purchase the property in question. As Dixon explains in the context of UK land registration, "registration of title is not intended to replace physical inspection of the land by the purchaser as a way of discovering whether there are any adverse rights over that land". Dixon's comment applies equally to Singapore's land registration system—the intended purchaser should inspect both the register and the physical land. The justice consideration supporting this interpretation of non-registered "overriding interests" can be broadly subsumed under the caveat emptor maxim—while the register indeed has all the primary information needed, some homework is needed before buying. The sensitivity and therefore secrecy of planning decisions, however, mean that would-be purchasers cannot know how the Government will act, and no amount of due diligence can aid even the most assiduous, should the government decide to embark on regulatory downzoning by amending the Master Plan to the detriment of landowners.

Conclusion

This paper has argued that regulatory downzoning in Singapore is an overriding statutory obligation to indefeasibility and a potentially significant violation to the mirror principle. It is arguably an unanticipated overriding exception, being markedly different from the other enumerated overriding exceptions, which are discoverable with due diligence. Perhaps requiring compensation for regulatory downzoning in the same way as market price compensation for physical takings of land reduces the harshness of this overriding exception, as this would preserve the dollar value of affected land.

As a point of reform to better protect landowners and enhance the mirror principle, it is suggested that all developmental information in the Master Plan, such as plot ratios, height restrictions, conservation status (if any) and land use be reflected in the CT. The system of registered land was created to serve the needs of stakeholders, including the needs of commerce, financial institutions and purchasers, as land is one of the most important economic assets of any nation. As land value comes from what can be done on land, including the Master Plan’s prospectively set-out development rights in a lot’s CT enhances transparency by explicitly providing this most critical information: owners would know what they own, purchasers would know what they are buying, and banks would know what they are underwriting. The purpose of capturing all relevant information found in the prevailing Master Plan on the CT is to enhance transparency so that landowners are not afflicted by retrospective changes to the Master Plan which could adversely affect them—it is recalled that the government imposes a 70% development tax when a change in the Master Plan benefits landowners but does not compensate when an adverse change is made.

It follows that LTA s.142(1)(b) may have to be amended to eliminate interpreting a downzoning as a statutory obligation. The relevant parts of the sub-section which show why downzoning is a statutory obligation read:

142(1)(b) "statutory obligation’ means— any order, award, determination, notification, resolution, by-law or proclamation affecting the title to or restricting or otherwise affecting the user of land or prescribing or authorising any act or thing to be done on land, under the provisions of any written law or regulations made thereunder, and which is intended to bind successive owners of the land."

Regulatory downzoning of the Master Plan, for instance through a change of use from commercial to industrial, or lowering of allowable building density limits, would indeed, as LTA s.142(1)(b) provide, "… restrict or otherwise affect the user of land or prescribe or authorise any act or thing to be done on land, under the provisions of any written law or regulations made thereunder …". To forestall interpretive problems that may arise should developmental rights in the Master Plan be reflected in the CT, it is necessary to exclude any purported downzoning as an overriding exception under LTA s.46 and thus exclude it as a statutory obligation under LTA s.142(1)(b). A potential clause for reform could read (added on words in emphasis):

142(1)(b) "statutory obligation’ means— any order, award, determination, notification, resolution, by-law or proclamation affecting the title to or restricting or otherwise affecting the user of land or prescribing or authorising any act or thing to be done on land, under the provisions of any written law or regulations made thereunder, and which is
intended to bind successive owners of the land, but does not include any amendment purporting to affect the description of a land lot which reflects developmental rights and limitations consistent with the prevailing Master Plan at the time of the issuance of the land lot’s certificate of title by the Singapore Land Authority or any other competent Authority as directed by the Minister. *289 "

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Footnotes
1 PhD (Cantab), Assistant Professor of Law, Singapore Management University.
5 Such incursions may include reducing the permissible built intensity on undeveloped land, changing the permitted land use rights (e.g. re-designating "residential" use to "road" use).
6 R. Alterman (ed), Takings International—A Comparative Perspective on Land Use Regulations and Compensation Rights (ABA, 2010).
7 These are: US, Canada, UK, France, Netherlands, Sweden, Finland, Germany, Austria, Poland, Greece, Israel and Australia.
8 C. Beng Huat, Political Legitimacy and Housing: Stakeholding in Singapore (Routledge, 1997), 27.
9 The British ruled Singapore from 1819 to 1942; surrendered the island to the Japanese (1942–1945) and again ruled Singapore as a Crown Colony from 1946–1959.
11 These fall under 34 survey district Mukims (MK) and 30 Town Subdivision (TS) areas. The TS lots are located around the city area, whereas a MK is found in the outer regions.
13 Planning Act (Cap.232) s.8(1).
14 Planning Act (Cap.232) s.7.
16 T. Sook Yee, T. Hang Wu and K. Low, Principles of Singapore Land Law, 3rd edn (Lexis Nexis, 2009), 239 notes that the ease of creating and transferring interests in land, coupled with the common-law and equitable rules of priority that favoured earlier created interests made conveyancing a hazardous affair.
17 Indefeasibility has been described as the "foundation of the Torrens system": Bahr v Nicolay (No.2) (1998) 164 C.L.R. 604 at 613 (per Mason CJ and Dawson J).
18 This guarantee is subject only to in personam exceptions and overriding legislation (Pieper v Edwards [1982] NSWLR 336), i.e. indefeasible except by other interests as provided in the statute itself. The Singapore courts have repeatedly held that Singapore’s land registration system is a Torrens system. See United Overseas Bank v Bebe bte Mohammad [2006] 4 S.L.R. 884 where the Court of Appeal affirmed that Singapore adopts the strong-form theory of immediate indefeasibility.
20 Fels v Knowles (1906) 26 NZLR 604 at 620. This dictum was subsequently approved by the Privy Council in Waimihia Sawmilling Co v Waione Timber Co [1926] A.C. 101 at 106.
21 This is of course subject to "overriding interests" (provided under Land Titles Act (Cap.157) s.46(1)) such as short-term tenancies and illegal transactions which override the registered title.
23 This involves an investigation of all the deeds affecting the land for at least the statutory period (15 years in Singapore pursuant to Conveyancing and Law of Property Act (Cap.61) s.3(4)) and is therefore both time-consuming and costly.
24 In Singapore this is pursuant to the statutorily created Assurance Fund under LTA s.155.
The mirror principle's guarantee goes not only to title, but also to the actual physical area under that title: *T. Sook Yee, T. Hang Wu and K. Low, Principles of Singapore Land Law, 3rd edn (Lexis Nexis, 2009), 264.*


LTA s.46(1)(i).

LTA s.46(1)(ii).

LTA ss.46(1)(iv), v.

LTA s.46(1)(vi).

Residential Property Act (Cap.274) s.3 prohibits any transfer of landed residential property (no restrictions on flats and apartments) to a foreign person except with special approval. This exception thus allows the court to declare an illegal transfer void and have the register rectified.


Land Titles Ordinance 1956 s.114(4) was repealed in 1970 by the Land Titles (Amendment) Act 1970 and amended the indefeasibility section by including it as an overriding interest.


As noted above, barring special permission, only Singapore citizens are permitted to buy landed property under the Residential Property Act (Cap.274).


M. Dixon, Modern Land Law, 10th edn (Routledge, 2016), 32.