

IN THE HIGH COURT OF THE REPUBLIC OF SINGAPORE

[1987] SGHC 41

OS 1488/1986

Between

Shell Singapore (Pte) Ltd

... Plaintiff

And

Chuan Hong Auto (Pte) Ltd

... Defendant

GROUND OF DECISION

Deeds and Other Instruments; Landlord and Tenant — Agreements for leases

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Shell Singapore (Pte) Ltd v Chuan Hong Auto (Pte) Ltd

[1987] SGHC 41

OS 1488/1986
L P Thean J
20 October 1987

1 Cur Adv Vult

2 The cause that has given rise to the present dispute originated in 1967. At that time, the plot of land marked on Government Resurvey Map as Lot 132-8 of Mukim XXII (the property) was owned by one Ong Beh Huat, also known as Ong Beh Whatt (Ong). It was subject to a lease then held by Shell Malaysia Limited (Shell) for use as a service station. In June 1967 or thereabout, Shell intended to re-develop the service station and negotiated with Ong for a fresh lease of the property for a long term. The negotiations were principally conducted between Mr Gordon Seow, an officer of Shell, and Ong Kang Chew, the son of Ong. From the correspondence passing between them, it appears that in July 1967 a firm agreement was reached between them on the following terms:

- (a) that Ong would grant to Shell a fresh lease of the property for a term of 25 years with an option for renewal for a further term of 20 years on the same terms and conditions;
- (b) that the fresh lease was to commence on the date when the rebuilt service station became operational and opened for business; and

(c) that the rent was to be \$600 per month payable as follows:

(i) a sum of \$72,000, as the rent in advance for first ten years, would be paid in October 1967, and

(ii) thereafter, rent would be paid in five-year instalments in advance`.

3 Subsequently, on 6 September 1967 a formal agreement for a lease was executed between Ong and Shell. In this agreement, a form of a lease setting out the terms and conditions as agreed upon was attached. It was there provided, inter alia, that the rent for the first ten years amounting to \$72,000 was to be paid to Ong on or before 31 October 1967, and blank spaces were provided for insertion of the date of commencement of the term and the three dates for payment of rent in advance for each of the five years of the remaining term; none of these dates were inserted at the time.

4 The lease was eventually executed on 4 October 1967 and the material terms thereof, insofar as this case is concerned, are cl 1 and 2(a), which are as follows:

1 In consideration of the rent and the covenants on the part of the company hereinafter reserved and contained the landlord hereby demises unto the company all the land and premises described in the Schedule hereto (hereinafter referred as the demised premises) to hold the same unto the company from the 1st day of May 1968 for the term of twenty-five (25) years yielding and paying therefor the monthly rent of dollars six hundred (\$600.00) payable as is in cl 2(a) next hereinafter appearing until the determination of the term hereby created either by effluxion of time or as otherwise hereinafter provided.

(2) The company for itself and its successors and assigns to the intent that the obligations may continue throughout the term hereby created hereby covenants with the landlord as follows:

(a) To pay to the landlord on or before the 31st day of October 1967 in one sum the whole of the rent hereby reserved for the first ten (10) years of the term hereby created, namely, \$72,000, and thereafter likewise to pay to the landlord the aggregate of the reserved rent for each succeeding five (5) years of the residue of the said term then unexpired, the first of such

aggregate payments to be made on the 1st day of May 1973, the second on the 1st day of May, 1978 and the last on the 1st day of May 1983.

5 Messrs Donaldson & Burkinshaw acted for Shell as well as Ong in the preparation of the agreement for a lease and the lease, and Mr Henry Dyne was the partner in charge of the transaction.

6 Subsequent to the execution of the lease, various changes took place in respect of the ownership of the property and the holding of the tenancy. Ong died on 2 February 1972 and by his will, he had appointed his wife, Ang Woo, as the sole executrix. Probate to the will was granted to Madam Ang Woo who, on 14 August 1975, conveyed the freehold reversion of the property to her son, Ong Kang Chwee. Subsequently, the property was brought under the Land Titles Act(Cap 157) and on 3 October 1979, Ong Kang Chwee, by an instrument of transfer, transferred the property to Chuan Hong Auto (Pte) Ltd, the defendants in these proceedings. As for the lessee of the property, Shell Malaysia Limited on 26 June 1970 assigned the residue of the term of the lease to Shell Eastern Petroleum (Pte) Ltd, which in turn on 27 June 1970 assigned it to Shell Singapore (Pte) Ltd, the plaintiffs in these proceedings.

7 Few days before the expiry of the first ten years, on 24 April 1978 or thereabout, the plaintiffs paid to Ong Kang Chwee, then the owner of the freehold reversion of the property, a sum of \$36,000, which was expressed to be `payment of five years rental in advance from 1 May 1978 to 30 April 1983 in accordance with the terms of the lease`. Five years later, on or about 14 May 1983, the plaintiffs made another payment of rent in advance for five years and that payment was made to the defendants who had become the owners of the reversion; it was expressed to be `payment of five years rental in advance from 18 May 1983 to 30 April 1988 in accordance with the terms of the lease`. That

was accepted by the defendants as evidenced by their receipt dated 14 May 1983. (The date 18 May 1983 as stated in the letter and the receipt appears to me to be in error.)

8 The plaintiffs subsequently discovered that the dates for payment of the rent in advance for the respective periods of five years were not correctly stated in the lease. Mr Dyne in his affidavit, sworn to on 15 December 1986, deposed to the fact that owing to a clerical error wrong dates of such payment were inserted in cl 2(a) of the lease; the correct dates, he said, should be as follows: the date of the first payment should be made 1 May 1978; that of the second-payment should be 1 May 1983 and that of the last payment 1 May 1988. This error was discovered by the plaintiffs apparently some time in May 1986 or thereabout and Messrs Donaldson & Burkinshaw immediately wrote to the defendants drawing their attention to the error and seeking their agreement to rectify it. A draft deed of rectification was drawn up and submitted to them for approval. The defendants refused to accept that there was an error in the lease and maintained that the dates of payment of rent were as stipulated in the lease, and that on those terms the plaintiffs had defaulted in complying with the terms of the lease. Accordingly, the plaintiffs initiated these proceedings seeking an order for rectification of the lease by deleting the dates `1st day of May 1973`, `1st day of May 1978` and `1st day of May 1983` in cl 2(a) thereof and substituting therefor the dates `1st day of May 1978`, `1st day of May 1983` and `1st day of May 1988` respectively. The application was resisted by the defendants. At the conclusion of the hearing of the application, I held that the plaintiffs had made out a case for rectification and made an order for rectification accordingly, and also a consequential order directing the Registrar of Deeds to make the proper and necessary rectification in any book or index in the Registry of Deeds to give effect to the order.

9 In order to succeed on a claim for rectification of a written instrument, it must be established that there was a common intention of the parties concerned in regard to a particular provision at the time when the written instrument was executed and that owing to a common mistake the instrument executed does not record the provision in conformity to that intention. In the case of ***Shipley Urban District Council v Bradford Corp*** [1936] Ch 375 which is particularly apposite here, a local council and a corporation entered into an agreement whereby the council was allowed to draw water from the land owned by the corporation. Clause 5 of the agreement provided, inter alia, that all additional supplies of water from certain parts of the land of the corporation were to be paid for by the council `at a pro rata charge as is Â£540 for 450,000 gallons subject to measurement`. Discussion between the parties prior to the execution of the agreement clearly indicated the intention of both parties that the charge of Â£540 should be an annual charge and the yield of 450,000 gallons should be a daily yield. Clauson J held that, first, on the true construction of the clause the amount of Â£540 was to be construed as Â£540 per annum and that the quantity of 450,000 gallons was to be construed as 450,000 gallons per diem, and, secondly, if that construction was wrong, on the evidence before him he would rectify the instrument so as to give effect to the concurrent intention of the parties. He said, at pp 393 to 394:

On the facts I have stated I can see no escape from the conclusion that either the Â£540 is to be construed as an annual figure and the 450,000 gallons is to be understood as a figure of daily yield - as, indeed, I think and propose to declare - or that, if that is not so, the form of the deed is defective in that it did not specifically state what the parties intended and that the defects will be made good and the form brought into accord with the intention by inserting the words `per annum` immediately after the `Â£540` and the words `per diem` immediately after the words `450,000 gallons`, the fact that the form of the instrument is thus defective and that the mistake was mutual appearing without any possible doubt from the circumstances in evidence before the court.

10 He then summarily referred to what he called a `long and ancient line of authorities` to show that the court had jurisdiction to rectify a document in those circumstances and rejected the argument that the court only had jurisdiction to rectify a document if it was provided that before the execution there was in existence a legally enforceable agreement, whether oral or written, in terms which the document was intended to record, but failed by mutual mistake to do so.

11 The decision of Clauson J was followed by Simonds J in **Crane v Hegeman-Harris Co Inc** [1939] 1 All ER 662 where he said, at p 664:

*... I am clear that I must follow the decision of Clauson J, as he then was, in **Shipley Urban District Council v Bradford Corp** [1936] 1 Ch 375, the point of which is that, in order that this court may exercise its jurisdiction to rectify a written instrument, it is not necessary to find a concluded and binding contract between the parties antecedent to the agreement which it is sought to rectify. The judge held, and I respectfully concur with his reasoning and his conclusion, that it is sufficient to find a common continuing intention in regard to a particular provision or aspect of the agreement. If one finds that, in regard to a particular point, the parties were in agreement up to the moment when they executed their formal instrument, and the formal instrument does not conform with that common agreement, then this court has jurisdiction to rectify, although it may be that there was, until the formal instrument was executed, no concluded and binding contract between the parties. That is what the judge decided, and, as I say, with his reasoning I wholly concur, and I can add nothing to his authority in the matter, except that I would say that, if it were not so, it would be a strange thing, for the result would be that two parties binding themselves by a mistake to which each had equally contributed, by an instrument which did not express their real intention, would yet be bound by it. That is a state of affairs which I hold is not the law, and, until a higher court tells me it is the law, I shall continue to exercise the jurisdiction which Clauson J, as I think rightly, held might be entertained by this court.*

12 Secondly, I want to say this upon the principle of the jurisdiction. It is a jurisdiction which is to be exercised only upon convincing proof that the concluded instrument does not represent the common intention of the parties.

13 This statement of law with a slight qualification was accepted by the Court of Appeal in **Joscelyne v Nissen** [1970] 2 QB 86. In that case, a father transferred his business to his daughter in return for which she agreed to pay for certain household expenses including gas, electricity and coal bills. An agreement was made and executed by the father and daughter, and thereafter the daughter paid several household bills, but following a dispute with her father, she refused to pay such household expenses contending that the agreement did not provide for payment of such expenses. The father brought an action against his daughter claiming, amongst other things, a rectification of the agreement to provide for such expenses. The court granted the rectification and on appeal, the Court of Appeal dismissed it. Russell LJ in delivering the judgment of the court said, at p 98:

*In our judgment the law is as expounded by Simonds J in **Crane**'s case with the qualification that some outward expression of accord is required. We do not wish to attempt to state in any different phrases that with which we entirely agree, except to say that it is in our view better to use only the phrase 'convincing proof' without echoing an old-fashioned word such as 'irrefragable' and without importing from the criminal law the phrase 'beyond all reasonable doubt'. Remembering always the strong burden of proof that lies on the shoulders of those seeking rectification, and that the requisite accord and continuance of accord of intention may be the more difficult to establish if a complete antecedent concluded contract be not shown, it would be a sorry state of affairs if when the burden is discharged a party to a written contract could, on discovery that the written language chosen for the document did not on its true construction reflect the accord of the parties on a particular point, take advantage of the fact.*

14 I now turn to the facts of this case. The question of payment of rent in advance, namely: the sum of \$72,000, as the rent in advance for the first ten

years and thereafter rent in advance for every five years, was first broached in the letter of 30 June 1967 from Shen to Ong Kang Chew. It is true that, as regards the latter payment, the writer wrote the sentence thus: `Thereafter rents shall be payable to you in five year instalments in advance`. This, in my view, must mean that `thereafter`, ie after the period of first ten years, the rent for each period of five years is payable in advance. To that letter, Ong Kang Chew replied by his letter of 6 July 1967 in which he stated, in so far as payment of rent is concerned, that the advance payment of the rent for the first ten years was to be made on the execution of the lease. No disagreement or comment, however, was made on the payment of rent for the period after the first ten years. He impliedly accepted the term as regards the manner of payment of rent for this period, and no mention of this was made in subsequent correspondence. Then came the agreement for a lease dated 6 September 1967 to which was attached an agreed form of the lease, where the date of commencement of the term of the lease and the dates of payment of the rent in advance for each period of five years after the first ten years were not inserted in the blank space provided. The omission was deliberate and intentional. At that time, it was agreed that the term of the lease was to commence on the date when the rebuilding of the service station was completed and the service station became operational, and at the date of execution of the agreement this date was still uncertain. Equally uncertain were the dates of the three payments of the rent in advance for the respective periods of five years. On the terms of cl 1 and 2(a), the obligation to pay such rent would only arise `thereafter`, ie after the expiry of the first ten years. An examination of these two clauses would demonstrate this point clearly. Clause 1 provides, inter alia, that the term of the lease is to be 25 years commencing from a date which at that time was to be determined in due course at a monthly rent of \$600 payable as provided in cl 2(a), and cl 2(a) provides that the tenant agrees to pay to the landlord on or before 31 October

1967 in one sum the whole of the rent for the first ten years of the term, namely, \$72,000, and thereafter (ie after the first ten years) likewise to pay to the landlord the aggregate of the rent for each succeeding five years of the residue of the term then unexpired, the first, second and last payments to be made on the dates which again at that time were to be determined in due course. The determination of these three dates was dependent on the commencement date of the term of the lease; as I have said before, the obligation to pay the five-year rent in advance would arise after the expiration of the first ten years of the term.

15 When the lease was perfected, the date of commencement of the term, namely the `1st day of May 1968`, was inserted. Next, the three dates, `1st day of May 1973`, 1st day of May 1978` and `1st day of May 1983`, were inserted in cl 2(a). All the insertions were made manually. On the reasoning I have given, it is obvious to me that these three dates as inserted were incorrect. If the term commenced on 1 May 1968, the first ten years expired on 30 April 1978 and the obligation to make the first payment of rent in advance for five years arose on 1 May 1978. Following from that, the date for the second payment must be 1 May 1983 and that of the last payment 1 May 1988. I am satisfied on the material before me that such were the dates of payment intended by the parties at the time of execution of the lease, and events subsequent to the execution of the lease reinforced the conclusion I have reached. The plaintiffs as the successors in title to the lease made the first payment of five-year rent in advance on 1 May 1978, and that was made expressly for the period from 1 May 1978 to 30 April 1983; that payment was accepted by the then landlord, Ong Kang Chew - the person who negotiated the terms of the lease - without any question or protest. The second payment of five-year rent in advance was made by the plaintiffs in May 1983, and it was made expressly for the period from 1 May 1983 (erroneously stated as 18 May 1983) to 30 April 1988; it was also

accepted by the then landlord, the defendants, without any question or protest. Clearly, there was an error made by those in charge of the transaction at the material time in inserting the erroneous dates in cl 2(a). In that connection, it would, perhaps, be helpful to refer to the case of **Weeds v Blaney** [1977] 121 Sol Jo 794 where, owing to mistake of the solicitors of both parties, a contract for sale of land included the whole acre of the land in question where only half an acre was to be sold. The court granted the claim for rectification and on appeal, the Court of Appeal held that it was a case of common mistake and the fact that the error was due to the fault of the solicitors was no bar to a claim for rectification.

16 It was submitted on behalf of the defendants that they were a bona fide purchaser for value who acquired the freehold reversion without any notice of such an error in the lease, and that they were entitled to rely on the express terms of the lease as existed at the time. In support, counsel for the defendants referred to **Smith v Jones** [1954] 1 WLR 1089. There, the defendant purchased a farm at an auction. At the time of purchase, the defendant had knowledge of the plaintiff's occupation thereof as a tenant. Disputes subsequently arose between them and the plaintiff brought an action claiming for rectification of the tenancy agreement in such a way as to make the defendant liable for structural repairs. The claim failed; on the facts before him, Upjohn J dismissed the claim for rectification. In the course of his judgment, the learned judge said, at p 1091:

*On the other hand, Mr Arnold has not produced any case which goes so far as to say that an equity of rectification is an equity which is enforceable against a purchaser. In my judgment it would be extending the doctrine of notice and the obligation to make inquiry far too much if the doctrine was intended to cover an equity of rectification. Of course the purchaser is bound by the rights of the tenant in occupation - that is quite clear. He is not entitled to assume - as was argued in the earlier cases, notably, I think, **Taylor v Tibbert** 2 Ves J 437 - that the tenant is in possession from year to year. He must look at the agreement and*

*he is bound by the agreement, and if, as in **Daniels v Davison** 16 Ves J 249, the tenant not only has a tenancy agreement but an option to purchase, he is also bound by that.*

17 But, in my judgment, a purchaser is not only entitled but bound to assume, when he is looking at the agreement under which the tenant holds, that that agreement correctly states the relationship between the tenant and the landlord; and he is not bound to assume or to ask or make inquiry whether the tenant has any rights to rectify that contract.

18 And he later concluded, at pp 1092-1093:

In my judgment the defendant is entitled and bound to rely on the terms of the document, and the document speaks for itself. Accordingly, had I come to a contrary conclusion upon the claim for rectification, I should have found that this action was barred by the plea of bona fide purchaser of value without notice. In the circumstances, I must dismiss the action.

19 The instant case is clearly distinguishable from that case. First, in this case, if one examines the terms and conditions of the lease, as any conveyancing lawyer would have to do in acting for a purchaser of the freehold reversion, he would have noticed the error or defect in cl 2(a) with regard to the three dates of payment of the five-year rent in advance. Limiting my attention to the four corners of the document alone and as a matter purely of construction, I would be inclined to hold that on the true construction of that clause, the first date of payment of the five-year rent in advance must be 1 May 1978 and following from that, the second and the last dates of similar payments must be May 1, 1983 and 1 May 1988 respectively.

20 Secondly, at the time when the defendants accepted the transfer of the property from Ong Kang Chew on 3 October 1979 the question of apportionment of rent would have arisen and in this connection the defendants would have been apprised of the fact that the five-year rent in advance for the

five years from 1 May 1978 to 30 April 1983 only had been paid. It must therefore be taken that the defendants in accepting the transfer of the property had accepted that the two subsequent payments of five-year rent in advance would be paid respectively on 1 May 1983 for the period from 1 May 1983 to 30 April 1988 and 1 May 1988 for the period from 1 May 1988 to April 30, 1993. It was said by counsel for the defendants that the question of apportionment of rent did not take place as the transfer was one made to the defendants as a `family company`. Even if that was the position - on which there was no evidence in support - the `family company` would still have been aware at that time of the rent that had been paid and the rent that would be payable. I find it inconceivable that in taking over this property the defendants did not enquire with and find out from Ong Kang Chew the exact dates of payment of the five-year rent in advance for the residue of the term. On any view of the matter, the defendants cannot be considered as a purchaser without notice. This argument on behalf of the defendants therefore failed. I cannot find any reason why an order for rectification as sought should not be made, which I therefore made.

21 ***Order accordingly***

L P Thean J

HM Dyne (Donaldson & Burkinshaw) for the plaintiffs
Leong Wee Teen (JS Yeh & Co) for the defendants
