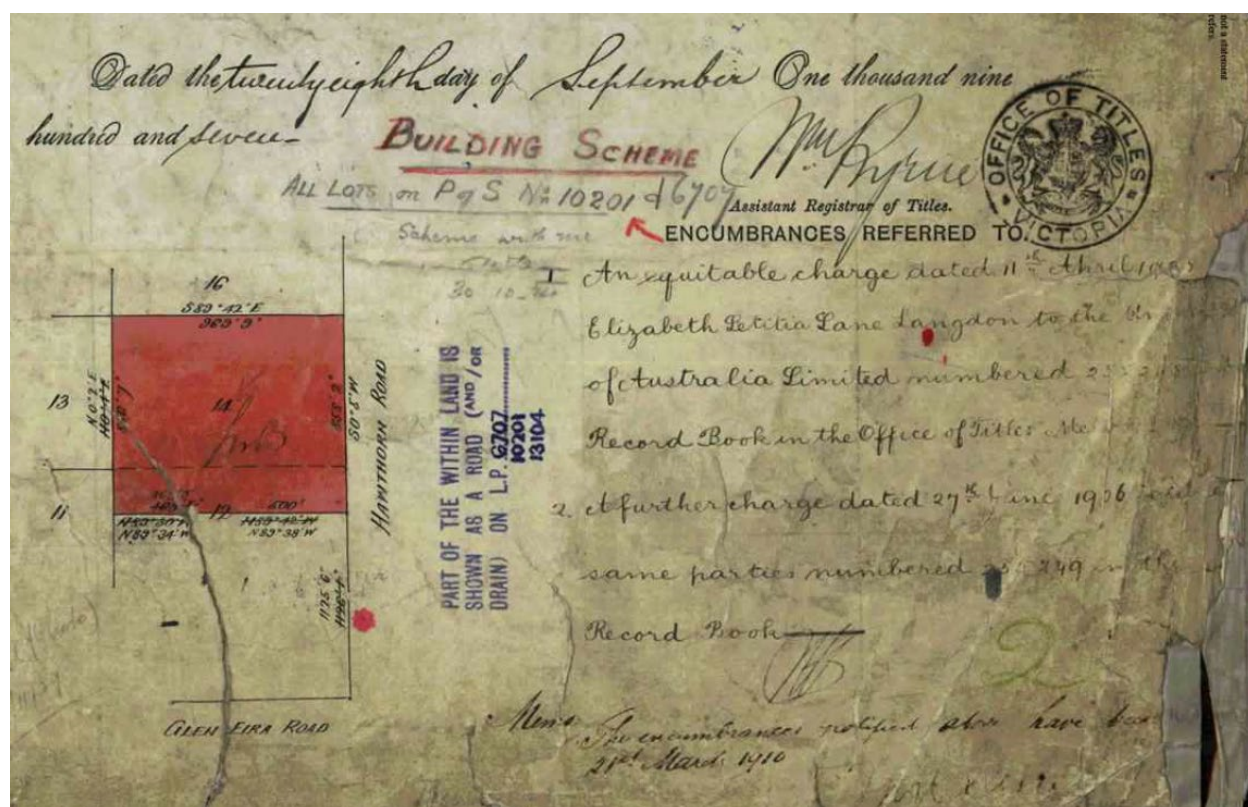


RESTRICTIVE COVENANTS IN VICTORIA

THEORY AND PRACTICE



Matthew Townsend (LLB) Hons
Owen Dixon Chambers
townsend@vicbar.com.au

13 April 2021

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WHAT ARE RESTRICTIVE COVENANTS?

1. Restrictive covenants are contracts that run with the land, that are negative in nature.
2. As explained by Gillard J in [*Fitt & Anor v Luxury Developments Pty Ltd* \[2000\] VSC 258](#), [54]–[70] a restrictive covenant is an agreement creating an obligation which is negative or restrictive, forbidding the commission of some act.
 - 54 ... In its most common form it is a contract between neighbouring land owners by which the covenantee¹ determined to maintain the value of his property or to preserve the enjoyment of his property acquires a right to restrain the other party, namely the covenantor,² from using his land in a certain way.
 - 55 The original parties to the covenant can enforce it against the other.
 - 56 Being a contract between two parties it does usually continue to bind those two parties personally and this is the position even when one of the parties ceases to own the land. However, the only remedy available in those circumstances where there is a breach would be nominal damages. ...
 - 58 Problems can arise when one of the parties to the covenant sells the land and ceases to have any control over it. By reason of the law of privity of contract the new owner not being a party to the covenant could not enforce it, except in the case of an assignment of the right to him.
 - 59 However, the Common Law did recognise that the benefit of a restrictive covenant which was made with the covenantee having an interest in the land to which the covenant related, passed to his successor in title and could be enforced by the latter – see for example *Sharp v Waterhouse* (1857) 7E and D 816; 119 E.R. 1449.
 - 60 At Common Law subject to proof of certain matters the benefit did run with the land and the covenantor was liable to the successors of the covenantee by reason of the terms of the covenant. In other words he was personally liable on the covenant.
 - 61 Although the benefit could run with the land for the purpose of enforcing the covenant against the covenantor owner, at Common Law the burden did not run and hence a new owner was not liable on the covenant. See *Austerberry v The Corporation of Oldham* (1885) 29 Ch. D 750.

"As between persons interested in land other than as landlord and tenant, the benefit of a covenant may run with the land at law but not the burden: see the *Austerberry* case" per Lord Templeman in *Rhone v Stephens* (1994) 2 AC 310 at 317.
 - 63 Because the Common Law did not enforce the burden of a covenant against a new owner, equity stepped in.
 - 64 Equity recognised that the burden of restrictive covenant may run with the land in certain circumstances.
 - 65 In 1848 in the historic case of *Tulk v Moxhay* equity intervened and provided remedies which were not available at common law in respect to the enforcement of a restrictive covenant against a subsequent transferee of land from the original covenantor.

¹ The person to whom the promise is made.

² The person who makes the promise, or agrees to be bound by the covenant.

- 66 In *Tulk v Moxhay* (1848) 2 Ph. 774; 41 E.R. 1143 equity enforced a restrictive covenant against a purchaser of the land who was not the covenantor but who purchased with full notice of its terms.
- 67 The facts were that in the year 1808 the plaintiff then an owner of a vacant piece of ground in Leicester Square in London as well as several houses forming the Square sold a piece of the ground by description of "Leicester Square Garden or pleasure ground . . . to one Elms in fee simple". In the deed of conveyance Mr Elms covenanted with the plaintiff "his heirs and administrators" – "that Elms, his heirs and assigns should, and would from time to time, and at all times thereafter at his and their own costs and charges, keep and maintain the said piece of ground and square garden, and the iron railing around the same in its then form, and in sufficient and proper repair as a square garden and pleasure ground, in an open state, uncovered with any buildings, in neat and ornamental order."
- 68 The land was subsequently conveyed to a number of purchasers and ultimately to the defendant whose purchase deed contained a similar covenant with his vendor.
- 69 The defendant admitted that he had purchased the block of land with notice of the covenant in the deed of conveyance of 1808.
- 70 The defendant manifested an intention to alter the character of the Square garden and to build upon it and the plaintiff who still owned several houses in the Square applied for an injunction. The Master of the Rolls granted an injunction and motion was made to the Lord Chancellor to discharge the order.

3. Traditionally, restrictive covenants were imposed over lots as they were transferred out of a larger area of land that was in the process of being subdivided. For example, one of the covenants considered in *Randell v Uhl*³ adopted the following formulation:

... with the intent that the benefit of this covenant shall be attached to and run at law and in equity with every Lot on the said Plan of Subdivision other than the Lot hereby transferred and that the burden of this covenant shall be annexed to and run at law and in equity with the said Lot hereby transferred ...

4. In the absence of a building scheme, discussed below, covenants are typically only enforceable by parties who take ownership of land remaining within the parent title⁴ at the time of the transfer of the burdened land. Beneficiaries need not be appurtenant landowners. Although a more distant beneficiary may find it harder to show direct injury from a covenant's proposed variation, such as overlooking, overshadowing and visual bulk. To this extent, restrictive covenants can be haphazard in application and enforceability.
5. In other words, if your land was the first lot sold and transferred out of the parent title you may be bound by a promise to all future owners of land remaining in the estate, as all lots will transfer out after yours. On the other hand, if yours was the last lot transferred out of the parent title, you may find the owners of no other parcel of land has the ability to enforce the covenant against you.
6. Needless to say, this is an imperfect system.
7. Consider, for example, the following plan from an application to vary a covenant pursuant to section 84(1)(c) of the *Property Law Act 1958* (Vic) in Reservoir. The subject land to the south

³ [Randell v Uhl \[2019\] VSC 668](#).

⁴ 'Parent title' refers to the title or description of a property *before* the land is subdivided or consolidated.

east of the plan, shaded green, is the burdened lot. The covenant provided that a prospective developer of the land may construct only *one* dwelling on the lot. The parcels shaded yellow are those lots with the benefit of the covenant:



8. In varying the single dwelling covenant to allow the development of land with four dwellings, Derham AsJ relied on the fact that most beneficiaries were some distance away. The beneficiary to the immediate north of the subject land was indifferent to, or supportive of the application to vary the covenant:
 - (i) all other properties having the benefit of the covenant are so remote from the Land that there will be no significant impacts from overlooking, overshadowing and other amenity issues;
 - ...
 - (m) there will be no reduction in the quality of life for beneficiaries of the covenant within the neighbourhood. The present rear yard of the Land does not contribute to their enjoyment and is generally remote from them;
9. Had the property to the north actively opposed the application, the Court might have arrived at a different conclusion. For example, in [Foudoulis v O'Donnell \[2020\] VSC 248](#), Mukhtar AsJ explained that beneficiaries close to the burdened land would experience a tangible impact on their amenity:
 - 26 Unlike the O'Donnells, the Kiriazidis' and the Danieles have additional grounds for resistance because they are physically so close to the plaintiff's land. They are in a position to be heard to say they will suffer tangible injury in having two double story dwellings of a substantial build near a boundary interfering with the privacy and the use and enjoyment of their back yard.
 - 54 ... in my judgment, the construction of two semi-detached double storey dwellings on the plaintiff's land would involve a substantial change to the built form and density of his land. I have viewed the backyard of the Danieles place and the Kiriazidis' place and

looked over to the plaintiff's land. One can envisage there will be no relief to the mass of the proposed build form when seen from the gardens of these beneficiaries.

- 55 Accordingly, I hold that the plaintiff has not made out a case under s 84(1)(c). I do not see an injustice in holding Mr Foudoulis to the covenant by which he is legally bound.

TECHNICAL REQUIREMENTS

10. For a covenant to be legally valid, the following elements are required:

- a) it must be negative in nature;
- b) it must touch and concern the land;
- c) it must be annexed or assigned to the land; and
- d) the benefited land must be 'easily ascertainable'.

A restrictive covenant must be negative in nature

11. A covenant must be negative in that it must restrain a person from dealing with land in a certain way. Whether a covenant is negative is assessed by the court as a question of fact. It is therefore immaterial whether the wording is phrased as a positive requirement.⁵

12. For example, although a covenant stating that a person 'must use a dwelling as a private residence only', is positively expressed, in substance it is a covenant to *not* use the premises for any purpose other than a dwelling.⁶ As explained by the Victorian Law Reform Commission (VLRC):

6.87 The distinction between restrictive and positive covenants is one of substance, not form. A covenant is restrictive if it is possible to comply with it by 'doing absolutely nothing',⁷ while a positive covenant requires some deliberate action or expenditure of money. For example, a covenant that a landowner must not allow a building to fall into disrepair is negative in form, but positive in effect, since action must be taken to maintain the building in a state of repair.⁸

13. In contrast, agreements made pursuant to section 173 of the *Planning and Environment Act 1987* (Vic) can run with the land and be positive or negative in nature:

- (1) A responsible authority may enter into an agreement with an owner of land in the area covered by a planning scheme for which it is a responsible authority.
- (1A) Without limiting subsection (1), a responsible authority may enter into an agreement with an owner of land for the development or provision of land in relation to affordable housing.

⁵ [*Fitt & Anor v Luxury Developments Pty Ltd* \[2000\] VSC 258, \[151\].](#)

⁶ Anthony P Moore, Scott Grattan, Lyndren Griggs, *Australian Real Property Law* (Thomson Reuters, 6th ed, 2016); *Thamesmead Town Ltd v Allotey* [1998] 3 EGLR 97.

⁷ Bruce Ziff, *Principles of Property Law* (Thomson Carswell, 4th ed, 2006) 381.

⁸ [*Victorian Law Reform Commission, Easements and Covenants: Final Report 22* \(Victorian Law Reform Commission 2011\), 84.](#)

- (2) A responsible authority may enter into the agreement on its own behalf or jointly with any other person or body.
- (3) A responsible authority may enter into an agreement under subsection (1) or (1A) with a person in anticipation of that person becoming the owner of the land.
- (4) Despite anything in this Division, if an agreement entered into with a purchaser in anticipation of the purchaser becoming owner is recorded by the Registrar of Titles, it does not bind the vendor unless the vendor assumes the purchaser's rights and obligations under the agreement.

A restrictive covenant must touch and concern the land

14. The requirement that the benefit of a covenant must 'touch and concern' the land can be seen in the cases of *Smith and Snipes Hall Farm v River Douglas Catchment Board*⁹ and *Town of Congleton v Pattison*.¹⁰
15. In *Snipes Hall*¹¹, the covenant required landowners of land abutting a river to maintain the riverbank. The riverbank fell into disrepair and caused flooding. The benefit that the river would not flood was found to directly affect, or touch and concern the land. Tucker LJ explained that, to touch and concern the land:

... it must either affect the land as regards mode of occupation, or it must be such as per se, and not merely from collateral circumstances, affects the value of the land, and it must then be shown that it was the intention of the parties that the benefit therefore should run with the land.¹²
16. In contrast, the landowner in *Town of Congleton v Pattison*¹³ operated a silk mill on his land. The covenant affecting his land barred people from outside the Parish from working at the mill. The Court found that such a covenant did not go to the mode of occupation of the land, but rather sought to limit foreigners from being able to find work, and as such it did not touch and concern the land.
17. When assessing whether the benefit touches and concerns the land, the benefitted land will need to be sufficiently proximate to the burdened land for it to be capable of receiving the benefit.¹⁴ There is no need for the lands to be contiguous, however both parcels must be 'in the same neighbourhood'.¹⁵ Thus, land in Mildura could not reasonably be said to be land that benefits from burdened land in Hawthorn.

A restrictive covenant must be annexed to land

18. Common law principles requiring the benefit and burden of a covenant to be annexed to the land are now reflected in sections 78 and 79 of the *Property Law Act 1958* (Vic).

⁹ *Smith and Snipes Hall Farm v River Douglas Catchment Board* [1949] 2 All ER 179 (*Snipes Hall*).

¹⁰ [*Town of Congleton v Pattison* \[1808\] EWHC KB J66](#) (*Congleton*).

¹¹ *Snipes Hall*.

¹² *Ibid* 183.

¹³ *Congleton*.

¹⁴ [*Clem Smith Nominees v Farrelly* \(1978\) 20 SASR 227](#).

¹⁵ *Ibid*, 249.

19. Section 78 of the *Property Law Act 1958* (Vic) provides a statutory presumption that any person deriving title under the covenantee, being the owner of the originally benefitted land, will, all other factors being equal, take the benefit of the covenant:
- (1) A covenant relating to any land of the covenantee shall be deemed to be made with the covenantee and his successors in title and the persons deriving title under him or them, and shall have effect as if such successors and other persons were expressed.
- For the purposes of this subsection in connexion with covenants restrictive of the user of land successors in title shall be deemed to include the owners and occupiers for the time being of the land of the covenantee intended to be benefitted.¹⁶
20. Similarly, section 79 of the *Property Law Act 1958* (Vic) provides the further presumption that the land burdened by the covenant will continue to be burdened, even if it passes out of the ownership of the original covenantor:
- (1) A covenant relating to any land of a covenantor or capable of being bound by him, shall, unless a contrary intention is expressed, be deemed to be made by the covenantor on behalf of himself, his successors in title and the persons deriving title under him or them, and, subject as aforesaid, shall have effect as if such successors and other persons were expressed.
- This subsection shall extend to a covenant to do some act relating to the land, notwithstanding that the subject-matter may not be in existence when the covenant is made.
21. The practical effect of section 78 and 79 of the *Property Law Act 1958* (Vic) is that — save where expressly set out in the covenant to the contrary — the benefit and burden of the covenant will pass from the original covenanting parties to the subsequent possessors in title:
- 43 For completeness, I note that there are several statutory provisions that extend the benefit or burden of a covenant, being ss 78, 79 and 79A of the PLA. Section 78 provides that a covenant made after the commencement of the Act is deemed to be for the benefit of the covenantee and his successors in title, even if those words are not used, and s 79 applies the same deeming provision in respect of the burden of a covenant in relation to covenants made after the commencement of the Act. It is not necessary to consider those provisions further in this case, as the Covenant is of an earlier date.
- 44 Counsel for the plaintiff has taken me to an earlier provision, in force at the time of creation of the Covenant. That provision is s 65 of the Conveyancing Act 1904. Section 65(2) of that Act deemed a covenant ‘relating to land not of inheritance or not devolving on the heir as special occupant’ (which would appear to be the situation in respect of the Covenant) to be made with ‘the covenantee his executors administrators and assigns’ even if those persons were not expressed to be benefitted in the covenant itself. That deemed extension does not in my view annex the benefit of the Covenant to land, but merely extends its personal benefit to those other persons. In this case, the covenantee’s executor is himself deceased, and there is no evidence of any assignee of the benefit of the Covenant from the covenantee. Thus s 65 does not undermine the plaintiff’s contentions in this case.¹⁷

¹⁶ [Section 78 of the Property Law Act 1958 \(Vic\).](#)

¹⁷ [Re Hunt \[2017\] VSC 779, 793.](#)

The benefited land must be ‘easily ascertainable’

22. Section 78 and 79 of the *Property Law Act 1958* (Vic), however, do not overcome any failure to adequately describe the land with the benefit of the covenant.

23. For example, in *Beman Pty Ltd v Boroondara City Council*¹⁸ the text of the Covenant was as follows:

The said Robert Padmore Greenshields hereby covenants with the said Kate Lynch and James Byrne and their transferees that any buildings (except outbuildings) now and hereafter to be erected on the said land transferred shall be built of brick or stone with roofs of tiles, slates or iron or any other material and ... will not erect on that part of the said land transferred fronting Mary Street any shop or detached dwelling house facing Mary Street only but this covenant shall not prevent the said Robert Padmore Greenshields or his transferees from erecting outbuildings and accommodation appurtenant to any buildings erected in Glenferrie Road and it is intended that this covenant shall be set out as an encumbrance at the foot of the Certificate of Title to be issued in respect of the said land and shall run with the land.¹⁹

24. The applicant owned the land and wished to develop it for apartments. It had sought a planning permit to remove the Covenant from the title to the land on the basis that the Covenant no longer had any work to do and was unenforceable.

25. The Boroondara City Council issued a planning permit modifying the terms of the Covenant, rather than permitting its removal. The applicant appealed to the Victorian Civil and Administrative Tribunal seeking the removal of the Covenant, rather than the variation of its terms.

26. The Tribunal affirmed the decision of the Council and made no amendment to the planning permit that had been issued. Its key finding was that, on the proper interpretation of the terms of the Covenant, it was probable that there were still beneficiaries of the Covenant and this should have been fully investigated as part of the permit application.

27. On appeal, Emerton J of the Supreme Court of Victoria disagreed with the Tribunal’s conclusion and found that the covenant was unenforceable:

32 ... had the Covenant described the benefiting land as the un-transferred part or parts of the land owned by Kate Lynch and James Byrne on the relevant date, it may have served to create a restrictive covenant enforceable by the landowners from time to time of the previously un-transferred part or parts of the original parcel. In the absence of some such specification, however, while it might be possible to speculate with a level of confidence about which land the parties intended should benefit from the Covenant, the benefited land is not ‘easily ascertainable’.

33 Hence, notwithstanding that the Covenant expresses the intention that it ‘run with the land’ the subject of the transfer and records that the buyer, Mr Greenshields, covenants with Kate Lynch and James Byrne ‘and their transferees’, it does not satisfy the third element identified above: it does not specify which land held or previously by Kate Lynch and James Byrne ‘and their transferees’ is to benefit from the Covenant.

¹⁸ [*Beman Pty Ltd v Boroondara City Council* \[2017\] VSC 207.](#)

¹⁹ *Ibid*, 207 [2].

34 In these circumstances, the words ‘*and shall run with the land*’ at the end of the Covenant are not ‘game-changing’. They do not solve the problem of identifying the land to benefit from the Covenant.²⁰

28. Similarly, in [Re Hunt \[2017\] VSC 779](#), Lansdowne AsJ declared a covenant to be ineffective on the basis that the covenant failed to identify any land with the benefit:

47 The Covenant does not identify in its terms any land to which its benefit is annexed. In my view, it is unarguable that the Covenant does not annex its benefit to land, and so is personal only to the transferor and his executor, both of whom are now dead.²¹

PRIVATE PROPERTY RIGHTS MERGING WITH PUBLIC PLANNING LAW

Restrictive covenants were once a nascent form of planning control

29. Restrictive covenants were an early form of town planning control, providing for the use and development permitted or encouraged in a particular area. For instance, the network of covenants that helped create the Ranelagh Estate in Mt Eliza (shown below) was described by Eames J in *Greenwood & Anor v Burrows & Ors*²² as directed towards establishing a residential estate:

In this case it seems to be clear enough that the purpose of [the restrictive covenant] is to maintain the purely residential character of the land which is subjected to it. And there is no doubt in this case that other lots have been made subject to the like restrictions, and that the general purpose is to preserve not only the particular lot in this case as a residential area, but the general area as a residential area ... It is a very common type of covenant and well recognized as having this object of preventing the area being turned into an area of a different character.

30. In *Prowse v Johnstone & Or* [2012] VSC 4 Cavanough J found that a network of single dwelling covenants was a form of dwelling density control, noting the attendant benefits that such a condition provides:

The plaintiff ... confronts a restrictive covenant, indeed a web of restrictive covenants, with a clear purpose or object indistinguishable from the purpose or object identified by the Full Court in *Re Stani*²³ in respect of a similar covenant, namely to ensure that “one residence only was to be erected on each block so that there would be a reasonable density of population giving a reasonably quiet residential atmosphere, attractive in that it would provide a tranquil, quiet existence”. Similarly, in *Re Miscamble’s Application* McInerney AJ said of a comparable covenant that its purpose was ... to prevent the erection on the subject land of more than one dwelling house, and thereby to preserve the area in question ... as an area of spacious homes and gardens²⁴

²⁰ Ibid. See also [Re Hunt \[2017\] VSC 779](#).

²¹ *Re Hunt* [2017] VSC 779, 794. See also *Re Ferraro* [2021] VSC 166.

²² [Greenwood & Anor v Burrows & Ors \(1992\) V ConvR 54–444](#).

²³ *Re Stani*, Unreported, Full Court, Supreme Court of Victoria, 7 December 1976, p 8.

²⁴ [Re Miscamble’s Application \[1966\] VR 596, 601](#).

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31. In *Conlan v Benton & Ors*,²⁵ the narrow lots facing Woodland Street, Essendon in the following proposed plan of subdivision, were intended to establish a commercial precinct by restricting those lots for use as a shop or shops with an associated residence:

... That the said Sarah Searls her heirs executors administrators or transferees shall not at any time hereafter erect or allow to be erected on the land hereby transferred any building other than one shop or shops with or without dwelling house attached...²⁶



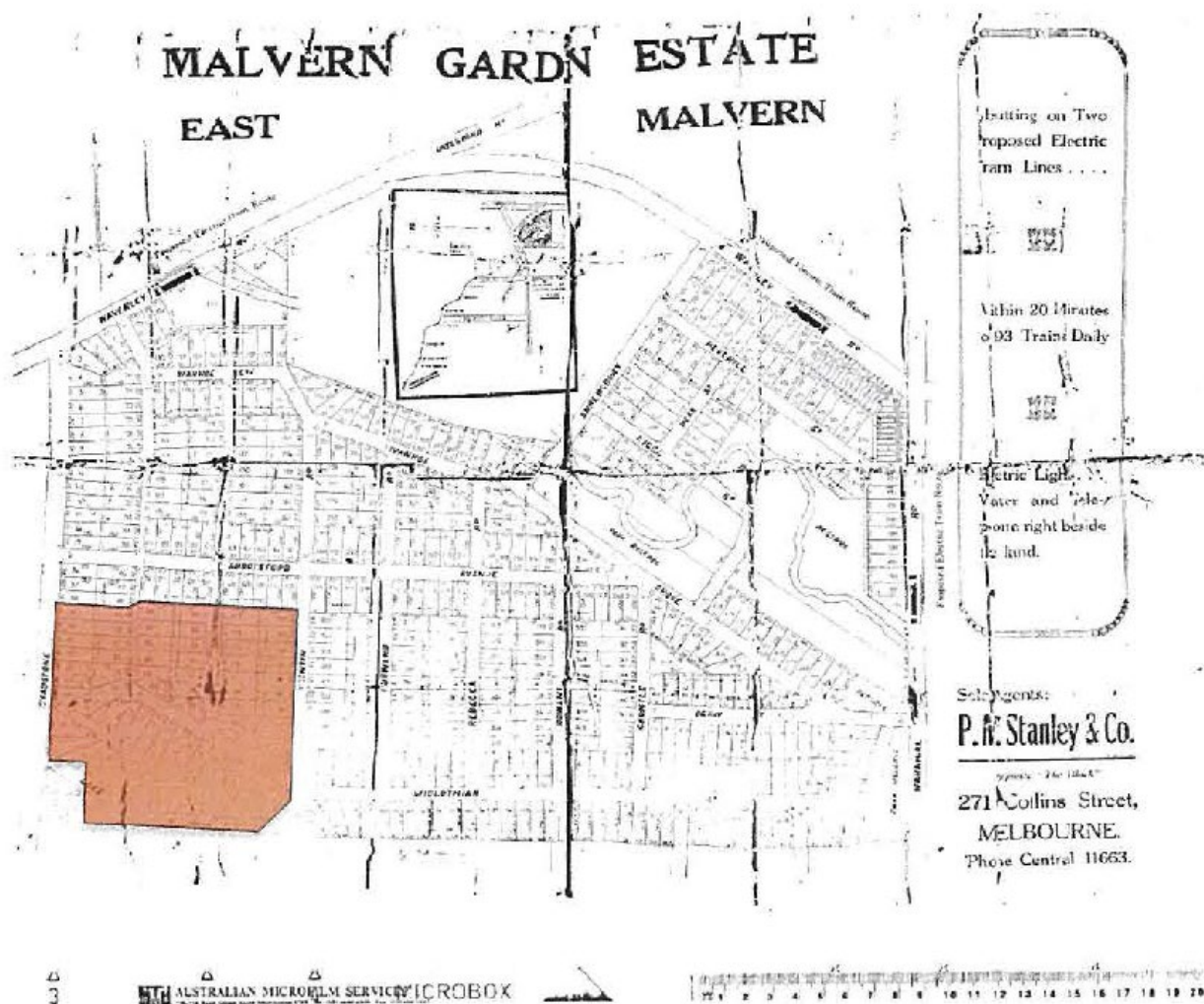
32. Restrictive covenants have also been used as a means of preventing quarrying pits from blighting residential estates, such as those found in the Malvern Garden Estate in East Malvern. In *City of Stonnington v Wallish*,²⁷ Ierodiaconou AsJ explained:

31 ... The covenants only makes sense if they are construed having regard to the purpose, being a primitive control on the extract of earth-based resources. The evidence given by Mr Milner and Mr Raworth supports this. On the other hand, Mr Chapman, for the defendants, has looked at the words in the covenants without considering the underlying purpose. The purpose he identifies is not consistent with how the covenants have been construed for years. Mr Chapman has simply taken the words at face value. His evidence refers to the effect of the covenants rather than suggesting a purpose for them. It is very clear in reading the covenants that they control earth-based resources. It is only when the words are broken down that confusion arises.

²⁵ *Conlan v Benton & Ors* [2017] VSC 244.

²⁶ *Ibid* [7].

²⁷ *City of Stonnington v Wallish* [2021] VSC 84.



33. In *Re Izadi and others* [2019] VSC 137 Mukhtar AsJ found that the purpose of a ‘building materials’ covenant was to establish a residential neighbourhood of buildings made with quality and durable materials:

24 The purpose of the materials covenant is to establish a residential neighbourhood of buildings made with quality and durable materials as a matter of structural integrity as well as aesthetic presentation and, I suppose, to get away from what might have once been regarded as undesirable or fire hazardous timber homes or, worse still, shanty fibro-sheeting. The first question is whether the covenant disallows plaster rendering over brick walls. There are various authorities which say that a building materials covenant is not breached by the application of a particular finish such as a concrete render over exposed: see *Jacobs v Greig*,²⁸ *Grech v Garden City*²⁹ and *Clare v Bedelis*.³⁰ The photographs in evidence show that the rendered finish achievable on a substrate of polystyrene foam does make it, at least from a distance, imperceptible from a rendered finish over a brick wall. The same type of finish and aesthetic purpose is achieved. I saw fit to reveal to the parties in Court that I am personally closely familiar with the choice and the use of a rendered polystyrene finish on an upper storey external wall.

²⁸ *Jacobs v Greig* (1956) VLR 597.

²⁹ *Grech v Garden City* [2015] VSC 538.

³⁰ *Clare v Bedelis* [2016] VSC 381.

34. The lightweight construction regularised in the Court's decision can be seen on the upper level of the building shown below:



Planning schemes are now the primary means of controlling land use and development

35. This reliance on a network of restrictive covenants as a precinct-based development control has now been largely subsumed by the operation of the *Planning and Environment Act 1987* (Vic) and its network of planning schemes, zones and overlays.
36. Indeed, in [*City of Stonnington v Wallish*](#),³¹ the Court was moved to conclude that the introduction of planning controls and other surrounding circumstances all but made the network of quarrying covenants obsolete:
- 122 The covenants impose a restriction on quarrying on the subject land. I have accepted that development of the surrounding land and planning controls mean that the subject land could not be realistically used as a quarry, even if it were commercially viable to do so. I would therefore find that due to the evolution of the character of the subject land and the neighbourhood, as well as the effluxion of time, the covenant is now obsolete.
- ...
- 125 As it is no longer realistic for quarrying to occur on the land, the covenants are now obsolete.
37. It is a common mistake, however, to assume that the very existence of planning controls and policies means that a network of covenants has no work left to do. As explained by Mukhtar AsJ in *Re Jensen*:³²
- [10] ... As for the request that the Court take into account planning considerations, it will be better, I would respectfully suggest, if councils are concerned about such matters, for them to assist the Court by becoming respondents to the proceedings and putting before the Court any matters concerning planning policy. The legislation does not require the Court to take into account the relationship between covenants and public planning

³¹ *City of Stonnington v Wallish* [2021] VSC 84.

³² *Re Jensen* [2012] VSC 638.

control. The traditional view has been that the Court concerns itself only with the question whether an applicant comes within the heads stated in s 84 of the Act.³³ Recent decisions of this Court have it that town planning principles and considerations are not relevant to the Court's consideration of whether an applicant has established a ground under s 84: see *Vrakas v Registrar of Titles*³⁴ and *Prowse v Johnstone*.³⁵

38. That said, consideration of town planning controls and policies might be relevant to the extent they may assist a court in understanding how land might be developed, should a variation to a covenant be approved:

105 Turning to other relevant principles, I note the statement of Kyrou J that town planning principles and considerations are not relevant to the court's consideration of whether an applicant has established a ground under s 84(1). His Honour cites five Victorian cases in that regard. I agree that those cases make it clear that it is no part of the Court's function to consider whether a proposed development would or would not be desirable or acceptable under town planning principles and considerations. However, in the present case the plaintiff seeks to make use of statutory planning provisions in a slightly different way. She says that those provisions include protections for neighbouring properties. She says that this is potentially relevant for the purpose of assessing substantial injury. I am prepared to assume, without deciding, that planning provisions of that kind may be relevant in that way. However, as will be seen, the provisions upon which the plaintiff seeks to rely in the present case do not sufficiently avail her in any event.³⁶

39. However, the amenity protections inherent in planning controls are a compromise between the private need for privacy against the broader public need for urban consolidation. It is therefore wrong to assume a privacy protection in a planning scheme covers off on the proprietary interests of beneficiaries. As Cavanough J explained in *Prowse v Johnstone & Or*³⁷:

118 I am not satisfied that all substantial injury would be prevented by the operation of the provisions of the planning scheme. The plaintiff relies in particular on clause 55 of the Stonnington Planning Scheme, commonly known as ResCode. However, those provisions represent a legislative compromise between the interests of developers and the interests of surrounding residents. They leave considerable discretion to the planning authorities. They cannot be regarded as a substitute for the proprietary rights of the defendants pursuant to the restrictive covenant.

40. It is therefore an error to apply town planning principles in a section 84 application, as one might in a merits planning appeal before the Victorian Civil and Administrative Tribunal:

41 Instead of the correct test for the first limb of s 84(1)(a) Mr Chapman asks whether the Covenant is 'out-moded' and expresses the view that:

The continuation of the existing single dwelling covenant on this property is considered to be redundant in the context of the suite of planning policy, restrictions and requirements applicable to the area that has generally kept density to a modest level that is respectful of the low key character of the neighbourhood.

³³ See generally *Bradbrook and Neave's Easements and Restrictive Covenants* (3rd ed.), 19.79.

³⁴ *Vrakas v Registrar of Titles* [2008] VSC 281.

³⁵ *Prowse v Johnstone* [2012] VSC 4.

³⁶ *Ibid* [105].

³⁷ *Ibid* [118].

- 42 The test is not whether the restriction in the Covenant is ‘out-moded’ or ‘redundant’ i.e. no longer necessary. It is whether it retains utility i.e. is still capable of fulfilling any of its original purposes, even if only to a diminished extent.³⁸

For many years, planning permits could facilitate the breach of restrictive covenants

41. Prior to 2000, planning permits could be granted that would permit a breach of a restrictive covenant.
42. For instance, in *Luxury Developments v Banyule CC*³⁹ the Tribunal explained that its remit was exclusively the application of town planning controls and policies. It had no jurisdiction to consider the proprietary legal interests raised by the existence of a restrictive covenant:

15.2 Restrictive Covenant

A restrictive covenant affects the property. This covenant limits the development to one dwelling on the site. Mr. Hooper submitted that the restrictive covenant has no bearing on the decision to be made on the planning merits of this proposal. I agree with this submission. Any action to remove or vary the covenant will be the subject of a separate application and procedures by the landowner, and may or may not be the subject of a separate application for review, depending on which legal course the applicant chooses to take. Whilst the area is comprised of single and two storey detached housing, that does not necessarily prohibit the removal of the covenant nor does it necessarily prohibit, in a planning sense, the development of the site for more than one dwelling.⁴⁰

43. Few landowners had the resources or inclination to protect their property rights and so developers would routinely construct developments on the calculated assumption that no potential beneficiaries would enforce the covenant.
44. However, after the permit was granted in the above case of *Luxury Developments v Banyule CC*, and construction commenced in furtherance of the permit, the residents of the Hartland Estate in Ivanhoe commenced injunctive proceedings in the Supreme Court of Victoria.
45. Over four days in the Practice Court of the Supreme Court, Gillard J determined to stop the construction of three medium density homes at 270 Lower Heidelberg Road, Ivanhoe East:
- 332 Luxury Developments commenced building works on 14 February 2000 in the knowledge that the plaintiffs and particularly Mr Fitt had warned Mr Seiffert that if it commenced building works they would take legal proceedings.
- 333 The plaintiffs issued their originating motion on 6 March 2000 and Mr Seiffert continued with the building works to 31 March. Luxury Developments have spent approximately \$75,000 on the works to date. A proportion of the cost was incurred after the proceeding was instituted.
- 335 I am satisfied that there are no discretionary factors which would preclude the plaintiffs enforcing their right. Luxury Developments proceeded with this development with full knowledge that it had been opposed at every step by the plaintiffs and others and with the knowledge that there was a substantial probability that a proceeding would be brought against it. Further, Luxury Developments did not take advantage of the course that was

³⁸ *Del Papa v Falting & Ors* [2018] VSC 384.

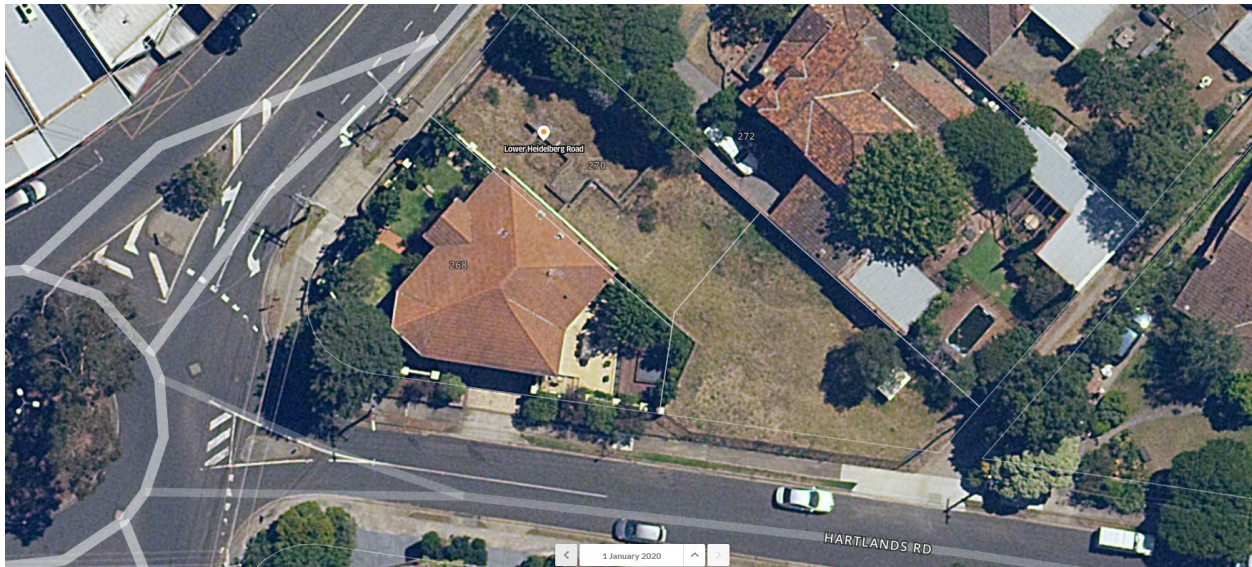
³⁹ *Luxury Developments v Banyule CC* [1998] VCAT 1310.

⁴⁰ *Ibid.*

open to it to approach the court under s 84 of the Property Law Act to determine the question before commencing the building works.

- 337 In my opinion the plaintiffs have established the necessary requirements to enforce the benefit of the covenant in equity against Luxury Developments which purchased the land with full knowledge of the terms of the covenant and is bound by the burden.⁴¹

46. To this day, only one of the three dwellings have been completed:



Since 2000, planning permits cannot result in the breach of a covenant

47. Luxury Developments subsequently went into liquidation, leaving the residents of the Hartlands Estate unable to recover their costs. Partly in response to this case, the Victorian Parliament passed the *Planning and Environment (Restrictive Covenants) Act 2000*, an Act that would prevent planning permits from being issued where they would breach a restrictive covenant.

48. The second reading speech explained:

In 1988, the then Labor government introduced ground-breaking legislation to allow covenants to be removed or varied by planning processes. This introduced a simple alternative to complex Supreme Court proceedings.

In 1993, the Kennett government introduced amendments to the legislation that made it very difficult to remove or vary a covenant by grant of a planning permit. Most applicants then opted to apply for a permit to use or develop land, before subsequently acting to remove or vary the covenant.

This caused a variety of problems. Covenant beneficiaries had to participate in two applications to defend a covenant.

They also found that relying on the covenant in support of their objections was not a relevant planning consideration. Applicants lost the chance for simultaneous consideration of both development and covenant matters. Responsible authorities and the now Victorian Civil &

⁴¹ *Fitt & Anor v Luxury Development Pty Ltd* [2000] VSC 258.

Administrative Tribunal lost opportunities to act as a one-stop shop. At times, responsible authorities felt obliged to grant permits even though they supported the covenant.

This bill implements a simple principle to end these problems – that a permit to use or develop land must not be granted if the permit would result in the breach of a covenant. It may only be granted if authority to remove or vary the covenant is given either before or at the same time as the grant of the permit.⁴²

49. Section 61(4) to the *Planning and Environment Act 1987* (Vic) now provides:

- (4) If the grant of a permit would authorise anything which would result in a breach of a registered restrictive covenant, the responsible authority must refuse to grant the permit unless a permit has been issued, or a decision made to grant a permit, to allow the removal or variation of the covenant.⁴³

50. In *Pivotel Pty Ltd v Maroondah CC*,⁴⁴ Senior Member Byard explained that this provision changed the sequence in which development approvals must be sought:

3. The effect of this sub-section is that, where planning permission is required for the use or development of land which, if acted on, would result in a breach of a restrictive covenant, the granting of such permission (prior to the removal or modification of the restrictive covenant so that it would no longer be breached by what the permit authorises) is barred. In other words, in those circumstances, the restrictive covenant must be removed or so modified before the use and/or development permit is granted, or at the same time. An applicant can no longer obtain the use and/or development permit first, and then worry about the restrictive covenant afterwards.
4. This represents a change in the law. Prior to the 13 December 2000, where various different permits, consents, licences and the like were required under various pieces of legislation before a proposal could be realised, the proponent could seek those licences, permits, approvals, etc. in any order he, she or it might choose. ...

Planning permits cannot be conditioned on the later removal of a covenant

51. It might be thought that an application for planning permit could be made with a condition requiring the later removal or modification of the restrictive covenant. However, that possibility was quashed in [*Design 2u and on behalf of Y & P Harel Pty Ltd v Glen Eira SC*](#).⁴⁵
52. This case involved an application for review of the council's refusal to grant a permit for a multi-unit development. The subject land was affected by a registered restrictive covenant, which the parties accepted as restricting development on the land to a single dwelling. The Council argued that the Tribunal was precluded from granting a permit in this case because of the operation of section 61(4),⁴⁶ set out above.
53. The applicant argued that, provided the permit contains a condition as required by section 62(1)(aa), such a permit could not be properly described as a permit which authorised the breach of a registered restrictive covenant. Section 62(1)(aa) provides as follows:

⁴² Victoria, *Parliamentary Debates*, Legislative Assembly, 1 June 2000, 2160 (the Hon John Thwaites).

⁴³ *Planning and Environment Act 1987* (Vic), s 61(4).

⁴⁴ *Pivotel Pty Ltd v Maroondah CC* [2001] VCAT 895 (31 May 2001).

⁴⁵ *Design 2u and on behalf of Y & P Harel Pty Ltd v Glen Eira SC* [2010] VCAT 1865.

⁴⁶ *Planning and Environment Act 1987* (Vic).

62 What conditions can be put on permits?

(1) In deciding to grant a permit, the responsible authority must—

...

(aa) if the grant of the permit would authorise anything which would result in a breach of a registered restrictive covenant, include a condition that the permit is not to come into effect until the covenant is removed or varied; and

54. The Tribunal was not persuaded that a condition to the effect of section 62(1)(aa) can operate to overcome the prohibition in section 61(4):

5 I find that unless there is a prior or simultaneous grant of a permit or decision to grant a permit to allow the removal of variation of the covenant, a permit cannot be granted by either the responsible authority or the Tribunal if the grant of a permit would authorise anything which would result in a breach of the covenant. I find that as the grant of a permit in this particular case would result in a breach of the covenant affecting the subject land, the application for review must fail and should therefore be dismissed.

55. It is for this reason that developers must now seek to vary a restrictive covenant *before* applying for planning permission.

56. That said, the Tribunal has found that section 61(4) will *only* prevent the grant of a permit if the grant of a permit itself would authorise the breach of covenant. If a further permit is required to authorise the thing that would result in the breach, then that does not preclude the grant of a permit by reason of section 61(4). For example, Deputy President Horsfall said in *Dukovski v Banyule City Council*:⁴⁷

[22] It is well established that where a covenant places restrictions on construction on an allotment, e.g. a single dwelling covenant, a permit to subdivide the land does not result in a breach of the covenant. Whilst the subdivision may be a pre-requisite or part of the process for ultimate sale of a ... dwelling, the subdivision itself does not result in the breach. The breach is created by the relevant construction.

57. Thus, it is not sufficient that the grant of the permit will simply create a set of circumstances where a breach of the covenant may occur in the future.

58. In *Trevanion v Maroondah City Council*,⁴⁸ the Tribunal was dealing with a two-lot subdivision of land which already had an existing dwelling but was subject to a single dwelling restrictive covenant. The Council granted a permit but attached a note to the permit as follows:

Council advises that a restrictive covenant exists on title, and prior to the construction of any dwelling on the subject land, a variation of the restrictive covenant to allow the construction of a dwelling on the land would be required.⁴⁹

59. The Tribunal found “there is a good case that some form of warning should be given in the permit regarding the implications of the restrictive covenant.” However, the Tribunal decided that rather than include a note on the permit, it should be replaced by a more comprehensive and better drafted permit condition.

⁴⁷ *Dukovski v Banyule City Council* [2003] VCAT 190.

⁴⁸ *Trevanion v Maroondah City Council* [2004] VCAT 2480.

⁴⁹ *Ibid* [3].

60. In *Peter Wade v Yarra Ranges Shire Council*,⁵⁰ Gibson DP granted a permit for a two-lot subdivision but included a condition that a statement of compliance must not be issued unless and until the restrictive covenant is removed or varied to allow construction of a dwelling on each of the lots created by the subdivision.

RESTRICTIVE COVENANTS ARE COMMON IN VICTORIA

61. Restrictive Covenants are commonly found throughout Victoria, particularly in the eastern suburbs of Melbourne — from Prahran, down to Brighton and through Glen Waverley out to Boronia.
62. The largest cohesive network of covenants is perhaps in Reservoir in Melbourne’s north, described by Morris J in *Stanhill v Jackson*:⁵¹
- 4 It would appear that in about 1919 two entrepreneurs, Thomas Michael Burke and Patrick Deane, purchased 1,119 acres of land at Reservoir and gradually commenced the process of subdividing the land into more than 3,000 lots. Initially the residential lots were transferred directly out of the original title. Later larger lots were transferred out of the original title, then these larger lots were further subdivided into residential lots.
63. In *Foudoulis v O'Donnell*,⁵² Mukhtar AsJ explained that this area is the subject of “more than a few” applications for the modification of restrictive covenants:
- 23 The objectors Vicky and John Kiriazidis objected on similar and additional grounds. They say that the neighbourhood is mostly large blocks with single dwellings on them; the character of the neighbourhood gives it the benefit of providing a quiet, family friendly environment with low-density living and a limited amount of traffic; and that to allow the modification in this case would allow or encourage the possibility of other medium density developments such as townhouses in the area. In support of that apprehension, they exhibit a standard form letter addressed to ‘Dear Home Owner’ which they in the post from the ‘Acquisitions Manager’ of a firm describing itself as ‘one of Victoria’s largest suburban property development firms’. In substance, that letter states that the developer ‘is now looking at certain pockets of Melbourne for townhouse development opportunities’ and ‘based on our research we are interested in speaking with you regarding the potential purchase of your property as you have fit (sic) a specific criteria’. The letter also says that the developer will ‘pay a premium for your property in return for a longer settlement (approx. 12 months), as it gives us the opportunity to obtain a permit to develop your land before we settle with you’.
- 24 It may be supposed this letter was sent to others in the neighbourhood. As counsel for the objectors put it, ‘developers are circling’ and ‘will be interested in this case’. I am able to say this Court has experienced over recent years more than a few applications to modify single dwelling covenants in other neighbourhoods in Reservoir.

⁵⁰ *Peter Wade v Yarra Ranges Shire Council* [2005] VCAT 111.

⁵¹ *Stanhill v Jackson* [2005] VSC 355.

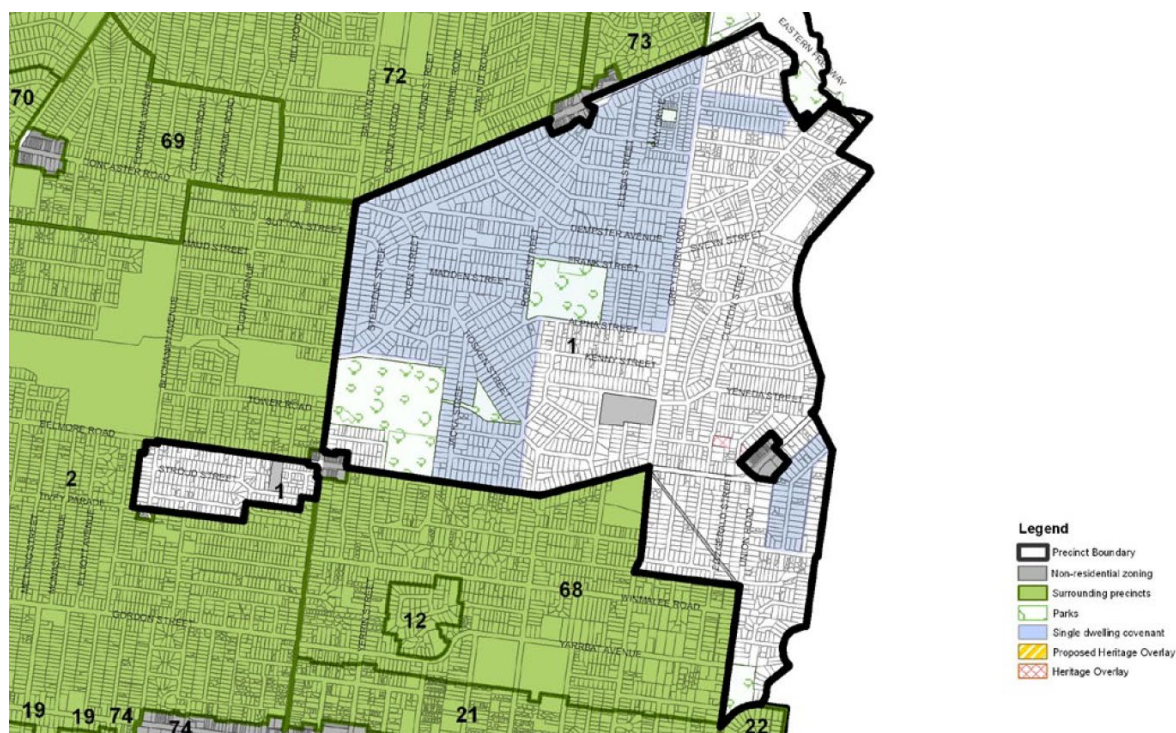
⁵² *Foudoulis* [23].



Figure 4: Boundary of Grandfather or Parent Title in red boundary of title 4984/715 in blue and subject land is arrowed

53

64. One network of covenants in Balwyn is so intact, it enjoys a degree of protection in the Boroondara Planning Scheme, which is ironic given that one enduring effect of single dwelling covenants is to defeat the otherwise broadly accepted principle of urban consolidation:⁵⁴



⁵³ Annexure A, in [Foudoulis v O'Donnell \[2020\] VSC 248](#).

⁵⁴ Boroondara Character Study, Precinct Statement, Precinct 1, Adopted 24 September 2012, updated October 2013.

RESTRICTIVE COVENANTS ARE STILL BEING CREATED

65. Given the scope of modern-day planning controls, one might expect restrictive covenants to be declining in popularity. However, they are still being introduced and may be of indefinite duration. The VLRC report lamented:

Restrictive covenants emerged as a means of controlling land use when public planning was in its infancy, but are used now more than ever. When land is subdivided, hundreds of lots may be created.

Each lot may be sold by the developer subject to a number of restrictive covenants that can be enforced by all or many of the other lot owners.

Restrictive covenants are commonly created to ensure that the neighbourhood is built to the developer's plan and does not change. They may be created for a limited time but many are of indefinite duration. The proliferation of covenants that are difficult to remove when circumstances change is an emerging problem for future owners. To control the problem, we recommend that future covenants operate for a definite period and no more than 20 years.⁵⁵

66. As recently as April 2021, Land Use Victoria was moved to introduce two, new forms where parties intend to seek to record a restrictive covenant in the Register using a transfer or plan.⁵⁶ These were said to have been created due to a “significant number of transfers and plans lodged that ... do not meet the requirements for recording a valid restrictive covenant”. Typical errors include:
- a) benefitted land not being identified; or
 - b) attempts to burden and benefit the same land.

IDENTIFYING THE BURDENED LAND

67. If a restrictive covenant burdens or runs with a parcel of land, it should be noted under the heading “Encumbrances, Caveats and Notices” on a register search for a certificate of title available from Landata.⁵⁷ For example:

ENCUMBRANCES, CAVEATS AND NOTICES

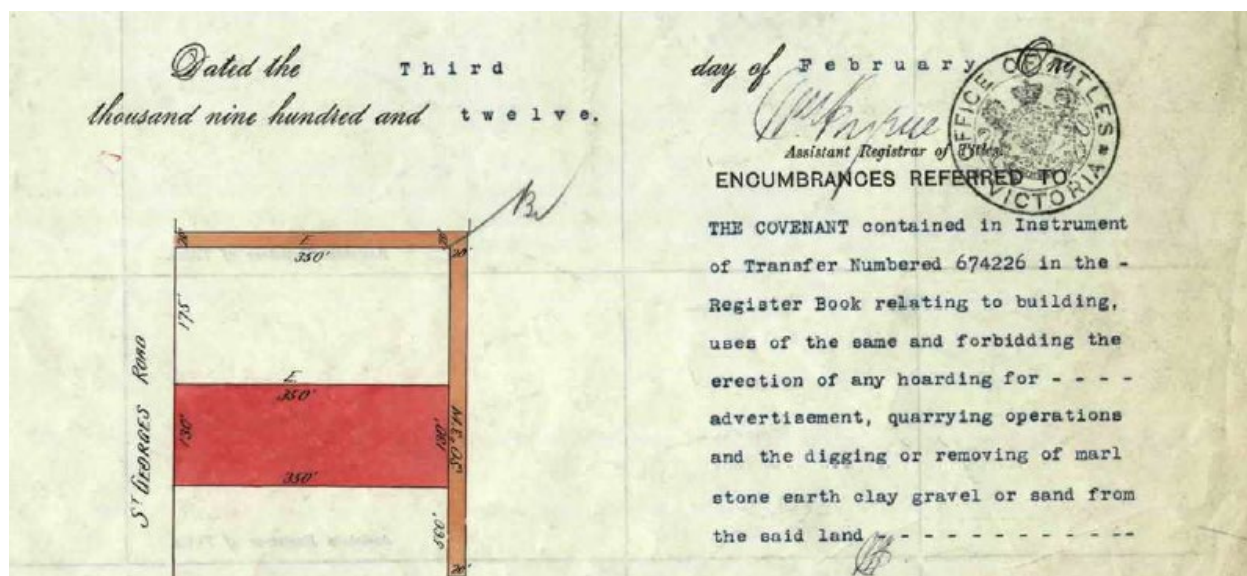
COVENANT 0853012

68. Alternatively, a covenant may be disclosed on the imaged certificate of title itself.

⁵⁵ Victorian Law Reform Commission, *Easements and Covenants: Final Report* (Victorian Law Reform Commission 2011), 10.

⁵⁶ See Fees, Guides and Forms: www.land.vic.gov.au/land-registration/fees-guides-and-forms.

⁵⁷ Landata is a search service for land titles, producing imaged certificates of title, such as the example shown above.



52.02 EASEMENTS, RESTRICTIONS AND RESERVES

Purpose

To enable the removal and variation of an easement or restrictions to enable a use or development that complies with the planning scheme after the interests of affected people are considered.

Permit requirement

A permit is required before a person proceeds:

- Under Section 23 of the *Subdivision Act 1988* to create, vary or remove an easement or restriction or vary or remove a condition in the nature of an easement in a Crown grant.

...

Decision guidelines

Before deciding on an application, in addition to the decision guidelines in clause 65, the responsible authority must consider the interests of affected people.

72. However, caution must be exercised when applying to modify a restrictive covenant through the planning permit process:
- a) first, notice will need to be given to all owners and occupiers of land with the benefit of the Covenant. In some cases, this may amount to tens if not hundreds of properties:

52 Notice of application

- (1) Unless the responsible authority requires the applicant to give notice, the responsible authority must give notice of an application in a prescribed form—
 - (a) to the owners (except persons entitled to be registered under the Transfer of Land Act 1958 as proprietor of an estate in fee simple) and occupiers of land benefited by a registered restrictive covenant, if the application is to remove or vary the covenant; ...

In contrast, an application made pursuant to section 84 of the [Property Law Act 1958](#) typically only requires direct notice to the most proximate beneficiaries;⁶⁰

- b) second, section 60(5) and to a lesser extent, section 60(2) of the [Planning and Environment Act 1987](#) are difficult provisions to satisfy, meaning that few, if any, planning permit applications to remove or modify restrictive covenants succeed where there is sustained opposition by a beneficiary;
- c) third, an application to remove or modify a restrictive covenant necessarily awakens the interest of a well-resourced (and often legally represented) opponent in the responsible authority or relevant municipal council. In contrast, applications pursuant to section 84 of the *Property Law Act 1958* rarely attract the involvement of a municipal council unless it happens to own land with the benefit of the Covenant. As a matter of practice, notice is rarely if ever directed to councils simply by reason of their being responsible for roads in the relevant neighbourhood. In [Re Pivotel Pty Ltd](#),⁶¹ the Maroondah City Council received notice of, and actively opposed an application to amend a covenant, but it was the beneficial owner of parkland in the relevant subdivision;

⁶⁰ See 'The extent of notice required' below/

⁶¹ *Re Pivotel Pty Ltd* [2000] VSC 264.

- d) fourth, when making an application to the Supreme Court to modify a restrictive covenant via section 84 of the *Property Law Act 1958*, any earlier application to modify a restrictive covenant via the *Planning and Environment Act 1987* needs to be disclosed to the judge hearing the later section 84 application. Part of the reason for this is that the Court's current practice is to ensure that each beneficiary who objected to an earlier application (irrespective of its statutory basis) receives notice of the section 84 application. This obligation to give notice to more distant and active beneficiaries can have a significant impact on the conduct of the section 84 application, by triggering the opposition of parties that might otherwise not have been involved in the section 84 process, were it not for this broader notice obligation; and
- e) the expression "interests of affected people" in clause 52.02 of the relevant planning scheme has been construed to include non-beneficiaries. In [Hill v Campaspe SC \[2011\] VCAT 949](#), Gibson DP held:

61 A proposal to remove or vary a restrictive covenant will clearly affect the property law rights of the owners of land with the benefit of the covenant. However, the provisions of the Planning and Environment Act 1987 and the planning scheme have blurred the distinction between property law rights and what I will refer to as 'planning interests'. I do not consider that the scheme for removing or varying a covenant under the legislation is limited to a consideration only of the effect on property law rights. If that was intended, the consideration of issues could have been limited to a consideration of issues arising only under section 60(5) (or section 60(2)). But that is not the scheme established under the Act and the planning scheme.

In contrast, in an application pursuant to section 84 of the *Property Law Act 1958*, the Supreme Court is unlikely to give much weight to the views of persons without a proprietary interest in the proceedings, and in many instances, they may not even be aware the application is being considered. In [Re DVC Management & Consulting Pty Ltd](#),⁶² Mukhtar AsJ explained:

5 ... as a covenant is a private not a public obligation, only a person having the benefit of the covenant (i.e., the ability to enforce it) has standing to object to such an application in this Court. Of course, if a covenant is removed or modified, disaffected neighbours may make later objections to the particular features of the proposed development to the planning authority on public planning grounds if and when a planning permit is sought.

This is, however, in the discretion of the Court. In [Re Milbex](#),⁶³ Byrne J was prepared to entertain the objections of a non-beneficiary before allowing the variation of a single dwelling covenant to allow the construction of a seven-unit development.

Section 60(5) of the Planning and Environment Act 1987

- 73. Section 60(5) of the *Planning and Environment Act 1987* has been described as "a high barrier that prevents a large proportion of proposals"⁶⁴:

⁶² *Re DVC Management & Consulting Pty Ltd* [2018] VSC 814.

⁶³ *Re Milbex* [2006] VSC 298.

⁶⁴ [Hill v Campaspe SC \[2011\] VCAT 949](#), [65].

- (5) The responsible authority must not grant a permit which allows the removal or variation of a restriction referred to in subsection (4) unless it is satisfied that—
 - (a) the owner of any land benefited by the restriction (other than an owner who, before or after the making of the application for the permit but not more than three months before its making, has consented in writing to the grant of the permit) will be unlikely to suffer any detriment of any kind (including any perceived detriment) as a consequence of the removal or variation of the restriction; and
 - (b) if that owner has objected to the grant of the permit, the objection is vexatious or not made in good faith.

74. More particularly, in *McFarlane v City of Greater Dandenong*,⁶⁵ the Vice President of the Tribunal, Judge Strong and Member Cimino set out what they considered to be the propositions distilled by the Tribunal in relation to Section 60(5)(a) in *Carabott & Ors v Hume City Council and T Scuderi*.⁶⁶

- 1 It is for the Tribunal to determine whether it is satisfied on the balance of probabilities that any covenant beneficiary “will be unlikely to suffer any detriment of any kind if the variation is permitted.” In other words it is not a question of whether the Tribunal is satisfied there will be detriment: the Tribunal must be affirmatively satisfied that there will be none.
2. Compliance with planning controls does not, of itself, and without more, establish that a covenant beneficiary will be unlikely to suffer any detriment of any kind. Consideration of a proposal from a planning perspective often requires a balancing of competing interests. There is no such balancing exercise involved in the consideration of the issue which arises under paragraph (a). The nature of the enquiry is fundamentally different.
3. The mere assertion of the existence of a detriment is not sufficient to demonstrate its existence. On the other hand, loss of amenity will constitute a detriment, and in this regard amenity includes “an appeal to aesthetic judgment, which is difficult to measure, however the notion of ‘perceived detriment’ specifically contemplates that this consideration is relevant to the enquiry”.
4. The determination must be made on the evidence before the Tribunal “including the appeal site and its environs”.
- 5 It is not necessary for an affected person to assert detriment. This is so for two reasons: first, because the Tribunal must be affirmatively satisfied of a negative, namely that there will probably be no detriment of any kind; secondly, the Tribunal is entitled to form its own views from the evidence.

75. In practice, if an objection is pressed under this provision, it is rarely a good use of time or resources to pursue a Council’s refusal to remove or modify a covenant to the Victorian Civil and Administrative Tribunal.

Section 60(2) of the Planning and Environment Act 1987

76. For covenants created on or after 25 June 1991, a less restrictive test applies.

- (2) The responsible authority must not grant a permit which allows the removal or variation of a restriction (within the meaning of the Subdivision Act 1988) unless it is satisfied that the owner of any land benefited by the restriction (other than an owner who, before or

⁶⁵ *McFarlane v City of Greater Dandenong* 2001/P51398 [2002] VCAT 696.

⁶⁶ *Carabott & Ors v Hume City Council and T Scuderi* (1998) 22 AATR 261.

after the making of the application for the permit but not more than three months before its making, has consented in writing to the grant of the permit) will be unlikely to suffer—

- (a) financial loss; or
- (b) loss of amenity; or
- (c) loss arising from change to the character of the neighbourhood; or
- (d) any other material detriment—

as a consequence of the removal or variation of the restriction.

77. This provision was the subject of detailed analysis in [*Waterfront Place Pty Ltd v Port Phillip CC*](#).⁶⁷

Construction and Application of Legislation

- 60 There is no provision under the Planning and Environment Act 1987 or any other legislation for the payment of compensation for the removal or variation of a restrictive covenant by either planning scheme amendment or the grant of a permit under clause 52.02.
- 61 This means that the grant of a permit to remove a restrictive covenant amounts to a de facto expropriation of an interest in property without compensation. This a situation which the law will generally seek to avoid notwithstanding its recognition that the essential purpose of planning legislation is to control and limit the exercise of property rights (see *271 William Street Pty Ltd v City of Melbourne* 1975 VR 156).
- 62 The Tribunal considers that this has two consequences in relation to the application of s. 60(2) of the Act.
- 63 First, the provision is designed to protect proprietary interests and therefore should be interpreted as beneficial legislation and given as wide a meaning as the words of the sub-section reasonably allow.
- 64 Secondly, the standard of proof required to satisfy the threshold tests must have regard to the severity and consequences of the findings of fact. In *Briginshaw v Briginshaw* (1938) 60 CLR 336 Dixon J. (as he was then) said at pp. 361 – 362:
- Except upon criminal issues to be proved by the prosecution, it is enough that the affirmative of an allegation is made out to the reasonable satisfaction of the tribunal. But reasonable satisfaction is not a state of mind that is attained or established independently of the nature and consequence of the fact or facts to be proved. The seriousness of an allegation made, the inherent unlikelihood of an occurrence of a given description, or the gravity of the consequences flowing from a particular finding are considerations which must affect the answer to the question whether the issue has been proved to the reasonable satisfaction of the tribunal.
- 65 More recently, in *Kyriacko v Law Institute of Victoria Limited* (2014) VSCA 322, the Court of Appeal pointed out that because the Tribunal is not bound by the rules of evidence, neither the provisions of s. 140 Evidence Act 2008 nor the common law principles established by *Briginshaw* are of strict application. However, the Court went on to say (at para 26):

⁶⁷ [2014] VCAT 1558.

Nevertheless, those principles reflect common sense notions of probability with respect to human conduct and it is entirely proper for the Tribunal to take them into account when considering allegations of serious misconduct.

- 66 The Court referred to what the High Court said in *Neat Holdings Pty Ltd v Karajan Holdings Pty Ltd* (1992) 67 ALJR 170:

[T]he strength of the evidence necessary to establish a fact or facts on the balance of probabilities may vary according to the nature of what it is sought to prove.

- 67 The Tribunal considers that expressed in colloquial parlance it must be persuaded to a “comfortable level of satisfaction” that the threshold requirements are met rather than “only just satisfied”.

- 68 Section 60(2) of the Act was considered by the predecessor of this Tribunal *Pletes v City of Knox and Minister for Planning* (1993) 10 AATR 155. The case was heard a short time after the enactment of the provision. The Tribunal comprised the President and two legally qualified members, and this legal firepower was intended to synthesise principles emerging from cases involving restrictive covenants that had come before the Tribunal up to that time.

- 69 The Tribunal enunciated a number of propositions of law at pp. 162 – 163. They include the following:

The expression “any other material detriment” in Section 60(2)(d) qualifies the loss mentioned in each of the sub-sections (a), (b) and (c) with the result that the loss referred to in each means material loss. (Russel, Crimmin, Harvey). Further the word “material” in this section means “important detriment, detriment of such consequence viewed on an objective basis. It does not include trivial or inconsequential detriment” (Russell, Harvey). We add that the word conveys to us the connotation of “real and not fanciful detriment” (Stokes). It is to be contrasted with the somewhat wider meaning of the use of the word “material” in Section 52 of the Act (Tjorpatsis).

- 70 This proposition does not sit entirely easily with a beneficial construction of the sub-section but is clearly sensible and practical and, given the composition of the Tribunal, is of compelling authority so far as this Tribunal is concerned.

- 71 The Tribunal also said:

In performing the exercise required by Section 60(2) it seems to us essential to look at the purpose and effect of the covenant as one of the factors relevant in determining the likelihood of any loss or detriment in the event of removal or variation.

- 72 The Tribunal stated that in applying the tests set out in s. 60(2) it is not a question of balancing the loss suffered by a benefiting owner in each of the categories set out in paragraphs (a) to (d) against the planning benefits of removal or variation of the covenant. The tests must be applied in absolute terms. Consideration of the planning merits can occur only if the tests are satisfied and the discretion to grant a permit thereby enlivened. This Tribunal respectfully agrees.

- 73 Moreover the reference in sub-section (2) to “the owner of any land benefited by the restriction” means that the Tribunal must take into account the circumstances of all owners who enjoy the benefit of the covenant, not just those benefitting owners who have objected to the application.

78. On the evidence, the Tribunal concluded that in relation to the proposed variations of the covenants, the threshold tests imposed by section 60(2) of the Act were satisfied.

Section 47(2) of the Planning and Environment Act 1987

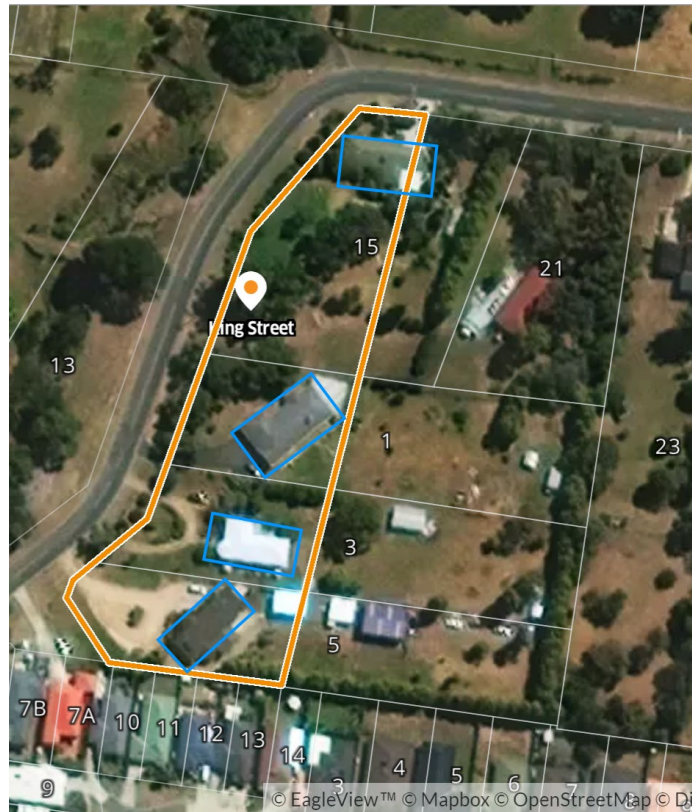
79. One of the first questions often asked of aspiring applicants for covenant modification is whether there have been any longstanding breaches of the covenant.
80. The answer to this question can have significant implications. Where land has been used or developed for at least two years in breach of a restriction⁶⁸ in a manner that would be lawful under the *Planning and Environment Act 1987* but for the covenant, an application to vary the restriction may be made pursuant to [section 47\(2\)](#) of the *Planning and Environment Act 1987*.
81. Such an application may be made without:
- a) notice of the application under section 52 of the *Planning and Environment Act 1987* (including beneficiaries of the Covenant); and
 - b) the application being referred under section 55 to any relevant referral authorities:
 - (2) Sections 52 and 55 do not apply to an application for a permit to remove a restriction (within the meaning of the *Subdivision Act 1988*) over land if the land has been used or developed for more than 2 years before the date of the application in a manner which would have been lawful under this Act but for the existence of the restriction.
82. Gibson DP explained the operation of section 47(2) in *Hill v Campaspe SC*:⁶⁹
- 9 ... Section 47(2) of the Act exempts applications for the removal of covenants from the need to give notice under sections 52 and 55 of the Act in certain circumstances.
 - 10 The section 52 notice requirements for an application to remove or vary a covenant include notice to the owners and occupiers of all land benefited by the covenant (section 52(1)(cb)). Section 55 of the Act relates to notice to referral authorities. ...
 - ...
 - 26 ... [I]f part of a covenant is breached, and the breach continues for years without any action on the part of those having the benefit of the covenant, it is reasonable that no notice should be given of an application to vary by removal part of the covenant of which there is a breach. But this exemption from notice pursuant to section 47(2) of the Act should not extend to the removal of any aspect of a covenant of which there is no breach.
83. Gibson's DP analysis is consistent with the Explanatory Memorandum of the *Subdivision (Miscellaneous Amendments) Bill* that introduced section 47(2) into the Act:⁷⁰
- Clause 61 amends section 47, 68, 69, 81 and 85 of the *Planning and Environment Act 1987* in relation to easements or restrictions. This is consequential on amendments outlined elsewhere in these notes.
- It also provides that the notification procedures under the *Planning and Environment Act 1987* do not apply to the removal of covenants from land where an otherwise lawful building has breached the covenant for more than 2 years.

⁶⁸ As that term is defined in section 3(1) of the [Subdivision Act 1988 \(Vic\)](#).

⁶⁹ *Hill v Campaspe SC* [2004] VCAT 1456.

⁷⁰ Explanatory Memorandum, [Subdivision \(Miscellaneous Amendments\) Bill 1991](#) No. 48, section 61(1)(c).

84. In some respects, this is an awkward provision because:
- a) the provision contemplates an application to *remove* a covenant, whereas on one view the deletion of parts of a covenant might be said to allow its *modification*;
 - b) it is not clear how the responsible authority's discretion is to be exercised in the absence of notification. For instance, some council officers will endeavour to apply section 60 of the *Planning and Environment Act 1987* against an application made under section 47(2) with its reference to the tests of "detriment" and "loss of amenity", despite that any reference to "perceived detriment" is at odds with a beneficiary not knowing about an application being made under the provision. Most commonly, however, council officers seem content to apply section 47(2) without reference to any tests in section 60; and
 - c) it is not clear whether the provision can be used in circumstances where the breach has already been rectified through demolition or the removal of non-complying materials.
85. This divergent approach to the application of section 47(2) is partly because there have been few cases that have considered the provision. If the advantage offered by the provision is to avoid bringing an application to the attention of beneficiaries, it makes little sense to appeal a Council's refusal to exercise its power under this section.
86. Consistent with the need for discretion, applications under section 47(2) should be pursued through a separate planning application before the substantive use or development application is made. In other words, if an applicant wishes to build a rear extension out of Alucobond metal and there is a covenant on the land requiring walls to be constructed of brick or stone, an application to remove the relevant part of the covenant under section 47(2) should be made as a separate permit application, in advance of the permit application for the extension.
87. An application pursuant to section 47(2) should be accompanied by sworn evidence as to the existence and duration of the breach and legal advice supporting the provision's use. Evidence may be in the form of aerial or other photographs, building permits or from people familiar with the dwellings' development.
88. In the following examples:
- a) evidence of multiple dwellings (highlighted in blue) was used in support of an application to remove the single dwelling restriction on the lot highlighted in orange:



- b) evidence of non-compliant roofing materials was used to support an application to remove an obligation to build a roof from slate or tiles:



and

- c) evidence of non-compliant building materials was used to support an application to remove a covenant creating an obligation to construct a dwelling from brick or stone:



Section 84 of the *Property Law Act 1958*

89. Where opposition from one or more beneficiaries is considered likely, an application may be made to remove or modify the restrictive covenant pursuant to [section 84\(1\)](#) of the *Property Law Act 1958* (Vic):

84 Power for Court to modify etc. restrictive covenants affecting land

- (1) The Court shall have power from time to time on the application of any person interested in any land affected by any restriction arising under covenant or otherwise as to the user thereof or the building thereon by order wholly or partially to discharge or modify any such restriction (subject or not to the payment by the applicant of compensation to any person suffering loss in consequence of the order) upon being satisfied—
 - (a) that by reason of changes in the character of the property or the neighbourhood or other circumstances of the case which the Court deems material the restriction ought to be deemed obsolete or that the continued existence thereof would impede the reasonable user of the land without securing practical benefits to other persons or (as the case may be) would unless modified so impede such user; or
 - (b) that the persons of full age and capacity for the time being or from time to time entitled to the benefit of the restriction whether in respect of estates in fee-simple or any lesser estates or interests in the property to which the benefit of the restriction is annexed have agreed either expressly or by implication by their acts or omissions to the same being discharged or modified; or
 - (c) that the proposed discharge or modification will not substantially injure the persons entitled to the benefit of the restriction:

Provided that no compensation shall be payable in respect of the discharge or modification of a restriction by reason of any advantage thereby accruing to the owner of the land affected by the restriction unless the person entitled to the benefit of the restriction also suffers loss in consequence of the discharge or modification nor shall any compensation be payable in excess of such loss; but this provision shall not affect any right to compensation where the person claiming the compensation proves that by reason of the imposition of the restriction the amount of consideration paid for the acquisition of the land was reduced.

90. Section 84(1) is structured as a series of threshold tests to be satisfied before the court's discretion to exercise its power is enlivened.

The origins of section 84 of the Property Law Act 1958

91. A useful explanation of the history of section 84 of the *Property Law Act 1958* can be found in [*Stanhill v Jackson*](#) [2005] VSC 169.
92. In this case, Morris J carried out a thorough analysis of section 84 in an endeavour to discover the underlying purpose of the statute. His Honour's thesis was that the mischief to which the provision was directed was the restriction of the use or development of land by private treaty, often of ancient origin, which inhibited the achievement of reasonable current needs:

43 On 11 December 1918, by Act No 2962, the Victorian Parliament passed a law relating to property. Section 10 of that Act is in remarkably similar terms to section 84 of the *Property Law Act 1958* and is its original ancestor. In its original form it did not include what is now section 84(1)(c); nor did it then include provisions in relation to the payment of compensation. [The predecessor to section 84(1)(c) and the provisions concerning the payment of compensation were added in 1928.]

44 In moving the Second Reading of the Bill in the Legislative Assembly Mr Mackey MLA said:

“This Bill, which relates exclusively to the law of real property, is a Bill that was drafted in England, and brought in in the Imperial Parliament in pursuance of the recommendations of a very important Royal Commission appointed to inquire into the state of our real property law. That Royal Commission consisted of the most eminent equity and conveyancing men in the Old Country, including Lord Buckmaster, the late Chancellor of England.”⁷¹

45 Between 1908 and 1911 a Royal Commission in England on the Land Transfer Acts had recommended that restrictive covenants affecting registered land be registered by reference to the instrument creating them, and, as part of this reform, that the High Court be empowered to discharge or modify obsolete restrictive covenants affecting land, whether they be registered or unregistered.⁷² An initial draft of what is now our section 84 appears to have been penned by Sir Benjamin Cherry and introduced into the United Kingdom parliament by Lord Haldene in 1913, but then shelved on account of the war.⁷³ In 1919, in the Fourth Report of the Acquisition and Valuation of Land Committee on the Transfer of Land in England and Wales (“the Scott Committee”), more widespread reforms were recommended. The Scott Committee reported:

“We have considered the best method of dealing with restrictive covenants which continue to bind land after they have become obsolete. As we stated in our Second Report (para.22), ‘this question is one of considerable importance, as a large amount of land is bound by restrictive covenants. In many cases such covenants were originally imposed for the protection of vendors who have long since ceased to have any interest in enforcing such covenants, and in other cases land is bound by covenants which were originally designed to ensure that the neighbourhood should continue to enjoy a residential or other special character, and such covenants continue to be in force long after the

⁷¹ Hansard, 6 September 1917, page 1391.

⁷² See the discussion in *Fourth Report of the Acquisition and Valuation of Land Committee on the transfer of Land in England and Wales*, Cmd 424, 1919, (“the Scott Committee”), page 41.

⁷³ See Patrick Polden, “Private Estate Planning and the Public Interest”, 49 *Modern Law Review* 195, March 1986, at 196.

neighbourhood has ceased to enjoy the special character, to preserve which the covenants were imposed. In some such cases the covenants are, no doubt, ignored, but in others the owners of the land which is subject to such restriction are in doubt as to their position, and are debarred from making the fullest use of their property, or are compelled to purchase the release of the covenants.'

"It is, in our view, very desirable that there should be a power vested in an appropriate authority, on the application of any person interested in any land affected by any restriction arising under covenant or otherwise, by order to discharge or modify any such restriction, on being satisfied that the restriction ought to be deemed obsolete, or that its continued existence would impede the reasonable user of the land for public or private purposes, or that the persons of full age and capacity entitled to the benefit of the restriction have agreed expressly or impliedly to the restriction being discharged or modified, subject to payment of compensation to the persons entitled to the benefit of such restrictions, if such persons are, in fact, damaged by the discharge or modification of such restrictions.

"There are some grounds for thinking, as was recommended by the Royal Commission on the Land Transfer Acts, that the authority to exercise such a power should be the Court. But, in our opinion, questions of policy rather than of law would often be involved in the consideration of such a proposal, and for this reason we do not regard a court as the most suitable authority. It is not for judges either to make new contracts for parties, or to invent new rules of public policy.

"In paragraph 22 of our Second Report above quoted, we advised that the modification or extinction of restrictive covenants should be entrusted to the Sanctioning Authority recommended in our First Report. To that advice we still adhere, and trust that steps may be taken to set up the Sanctioning Authority there recommended. But, in the meantime, we think that jurisdiction to extinguish or modify restrictive covenants, and to assess compensation (if any) in connection therewith should be entrusted to the official arbitrators appointed under the *Acquisition of Land (Assessment of Compensation) Act*, 1919. This recommendation is embodied in Section 86 of Mr Cherry's Law of Property Bill."⁷⁴

- 46 It was not until 1925 that the law in England was changed to give effect to the recommendation of the Royal Commission and the Scott Committee concerning restrictive covenants.⁷⁵ The power was not vested in a court but in an authority outside the court system, but without prejudice to any concurrent jurisdiction of the Court.⁷⁶ The drafting of the section included the ability to discharge or modify a restriction subject to the payment of compensation.
- 47 No doubt by reason of the form of section 84 of the English *Law of Property Act* 1925 the Victorian Act was amended in 1928 to introduce the power to discharge or modify a restriction subject to the payment of compensation and, also, by introducing the provision which is now section 84(1)(c).⁷⁷

⁷⁴ *Scott Committee*, at pages 7 and 8.

⁷⁵ See section 84, *Law of Property Act* 1925 (UK).

⁷⁶ The expression "the Authority" where used in the *Law of Property Act* 1925 meant one or more of the Official Arbitrators appointed for the purposes of the *Acquisition of Land (Assessment of Compensation) Act* 1919 as may be selected by the Reference Committee under that Act: see section 84(10) of the *Law of Property Act* 1925.

⁷⁷ In the explanatory paper to the Victorian Statutes 1929 it is stated that the English legislation relating to property has to a limited extent been embodied in the consolidation of Acts. In relation to section 84 the paper explains that this is based

- 48 As Jude Wallace has observed⁷⁸, the processes of reform of land law in England are uniquely relevant to Victoria. English historian, Patrick Polden, has explained that section 84 of the English Act was always intended to provide a practical remedy to discharge or remove “live” restrictions.⁷⁹ He explains that the Scott Committee was seeking to develop a method of dealing with the legal straitjackets that often constrained land use and prevented a flexible response to changes in society or the economic function of a particular locality. The inclusion of a provision to compensate – and the vesting of the power in a body other than a court – emphasised that the exercise of the power necessarily involved town planning and compensation questions.
- 49 Polden analysed the approach taken by arbitrators hearing applications for the discharge or modification of covenants prior to the judgment of Farwell J in *Henderson* in 1940. He observed that arbitrators adopted a robust approach, largely discounting legal niceties, and routinely modified covenants subject to the payment of compensation. According to the Polden, the hearings tended to resemble a planning enquiry rather than a conventional lawsuit, with the arbitrator taking a very active part in the proceeding. Many of the applications involved the construction of flats. The attitude taken by the arbitrators is illustrated by the statistics that only 7% of applications resulted in the *discharge* of the covenant; but only 10% were dismissed outright. The overwhelming number of applications resulted in the modification of the covenant, sometimes subject to the payment of compensation.
- 50 In 1950 the jurisdiction under the English version of section 84 was transferred to the Lands Tribunal. According to Polden, this led to a decisive shift in the nature of the enquiry, from one having a planning character to a law suit. Further, partly as a result of cases such as *Henderson*, the approach of the tribunal was far more cautious than that of the arbitrators. In 1969 the English law was further modified, including a change to the second limb of paragraph (a) which refers to “some” reasonable user instead of “the” reasonable user. Other changes were made at this time, which have moved the English law away from the Victorian law.
- 51 This brief historical analysis demonstrates that, at least since 1928, the purpose of section 84 of the Victorian Act has been to empower the court to vary restrictions, subject to the payment of compensation, in broadly defined circumstances, so as to effect the better use and development of land in the *public* interest. The mischief at which the provision was directed was the restriction of the use or development of land by private treaty, often of ancient origin, which inhibited the achievement of reasonable current needs. Hence this history does not support a narrow construction of the empowering provisions in section 84; rather it is consistent with the grammatical meaning I have set out above.

93. His Honour concluded by finding that section 84 was intended to address circumstances where the use or development of land is restricted in a manner contrary to the public interest:

- 52 In carefully defined circumstances, the court is given power to discharge or modify a private restriction in order to serve this public interest. So understood, it is difficult to justify a narrow interpretation of the various circumstances which would enliven the power of the court to make an order discharging or modifying a restriction. On the

upon section 10 of the Victorian *Real Property Act* 1918, with “some useful additions and variations, the desirability of which seems clear, and which are in accordance with section 84 of the English Act”. (See page lxxxiv.)

⁷⁸ Jude Wallace, “Property Law Reform in Victoria”, (1987) 61 ALJ 174.

⁷⁹ Patrick Polden, “Private Estate Planning and the Public Interest”, 49 *Modern Law Review* 195, March 1986. According to the publisher of Mellen Books, Polden studied history at Reading University, completed his PhD and became a solicitor. He is currently a senior lecturer in law at Brunel University. His publications on British legal history include *A Guide to the Records of the Lord Chancellor’s Department* and *A History of the County Court*.

contrary, the ordinary grammatical meaning of section 84(1), set out above, is reinforced by reference to the policy basis of the section.

94. Justice Morris' attempt to return the Court's focus back to the words of the statute was met with reproach in some quarters, with Young J writing in the *Australian Law Journal* that although the actual result of the case appears appropriate:
- ... single judges who approach cases on the basis that the majority of previous decision of the same wording over the past 60 years are misguided, seldom do the public a service. This is because so many precedents have been created, documents drafted, and advice given on the basis of what appeared to be universally accepted propositions, that disturbance other than by the High Court (and perhaps intermediate appellate courts) is usually to be avoided.⁸⁰
95. But as each year passes, Morris J's analysis appears increasingly prescient, with section 84 now being functionally reduced to a test of "substantial injury" with minimal statutory guidance for the exercise of judicial discretion.
96. Compensation for restrictive covenant modifications is rarely, if ever, paid except in negotiated settlements and, as will be explained below, sections 84(1)(a) and 84(1)(b) have atrophied and are no longer of practical application.
97. Meanwhile single dwelling restrictive covenants continue to fetter land that is otherwise earmarked for a higher and better use such as land zoned Residential Growth along the Principal Public Transport Network.

Section 84(1)(a) of the Property Law Act 1958

98. The principles that apply to an application under s 84(1)(a) were set out by Kyrou J, as he then was, in *Vrakas v Registrar of Titles*:⁸¹
- 24 84(1)(a) has two limbs. In essence, the first limb is that, due to changes in the character of the property or neighbourhood or other circumstances, the covenant is obsolete, and the second limb is that the covenant's continued existence would impede the reasonable user of the land without practical benefits to other persons.⁸² An applicant need only establish one of these limbs in order to have a right to a remedy under s 84(1)(a), subject to the court's residual discretion (see below).
- 25 In relation to the first limb of s 84(1)(a), what is the "neighbourhood" must be determined as at the date of the hearing, rather than the date of the covenant.⁸³ What is the "neighbourhood" is a question of fact.⁸⁴
- 26 A covenant is "obsolete" if it can no longer achieve or fulfil any of its original objects or purposes or has become "futile or useless".⁸⁵ A covenant is not obsolete if it is still

⁸⁰ (2007) 81 ALJ 68.

⁸¹ *Vrakas v Registrar of Titles* [2008] VSC 281, [24-25].

⁸² Unreported, Full Court of the Supreme Court of Victoria, Young CJ, Barber and Nelson JJ, 7 December 1976) 7; *Re Alexandra* [1979] VR 55, 57-8; *Greenwood v Burrows* (1992) V ConvR 54-444, 65 192 ("*Greenwood*").

⁸³ *Re Miscamble's application* [1965] VR 596, 597, 601 ("*Miscamble*"); *Re Pivotel Pty Ltd* (2001) V ConvR 54-635; [2000] VSC 264, [29] ("*Pivotel*").

⁸⁴ *Miscamble* [1965] VR 596, 602; *Greenwood* (1992) V ConvR ¶54-444, 65 196.

⁸⁵ *Miscamble* [1965] VR 596, 597, 601; *Re Markin* [1966] VR 494, 496; *Re Robinson* [1971] VR 278, 281; *Greenwood* (1992) V ConvR 54-444, 65 196 - 65 197; *Pivotel* (2001) V ConvR 54-635; [2000] VSC 264, [31]-[33].

capable of fulfilling any of its original purposes, even if only to a diminished extent.⁸⁶ The test is whether, as a result of changes in the character of the property or the neighbourhood, or other material circumstances, the restriction is no longer enforceable or has become of no value.⁸⁷ If a covenant continues to have any value for the persons entitled to the benefit of it, then it will rarely, if ever, be obsolete.⁸⁸ A covenant could be held to be not obsolete even if the purpose for which it was designed had become wholly obsolete, provided that it conferred a continuing benefit on persons by maintaining a restriction on the user of land.⁸⁹

- 27 Strictly speaking, the inquiry is as to whether the restriction of user created by the covenant is obsolete, rather than as to whether the covenant itself is obsolete.⁹⁰
- 28 In relation to the second limb of s 84(1)(a), to establish that a covenant would impede the reasonable user of the land, it must be shown that “the continuance of the unmodified covenants hinders, to a real, sensible degree, the land being reasonably used, having due regard to the situation it occupies, to the surrounding property, and to the purpose of the covenants”.⁹¹ Whether this is so is essentially a question of fact.⁹²
- 29 It is not sufficient merely to show that the continued existence of the covenant would impede a particular reasonable use which is proposed by the applicant.⁹³ The applicant must show that the restriction will impede all reasonable uses.⁹⁴
- 30 “Practical benefits” within the meaning of the second limb of s 84(1)(a) are any real benefits to a person entitled to the benefit of a restrictive covenant and are not limited to the sale value of the land benefited by the covenant.⁹⁵
- 31 It must be established that the covenant is not necessary for any reasonable purpose of the person who is enjoying the benefit of it.⁹⁶
- 32 If a relaxation of the restriction imposed by a covenant would be likely to lead to further applications of a similar nature, resulting in a detrimental change to a whole area, this “precedential” effect may be relevant in determining whether the restriction secures any practical benefits.⁹⁷
- 33 Whether there are any practical benefits to other persons is a question of fact.⁹⁸

99. In contemporary legal practice, applications to remove or modify a restrictive covenant in studied reliance on [section 84\(1\)\(a\)](#) of the *Property Law Act* 1958 are rare:

⁸⁶ *Miscamble* [1965] VR 596, 597; *Greenwood* (1992) V ConvR 54-444, 65 197.

⁸⁷ *Greenwood* (1992) V ConvR 54-444, 65 196. See also *Miscamble* [1965] VR 596, 601.

⁸⁸ *Re Robinson* [1971] VR 278, 282; *Greenwood* (1992) V ConvR 54-444, 65 197.

⁸⁹ *Greenwood* (1992) V ConvR 54-444, 65 197 - 65 198.

⁹⁰ *Greenwood* (1992) V ConvR 54-444, 65 194.

⁹¹ *Re Stani* (Unreported, Full Court of the Supreme Court of Victoria, Young CJ, Barber and Nelson JJ, 7 December 1976) 8; *Re Alexandra* [1979] VR 55, 58; *Pivotel* (2001) V ConvR 54-635; [2000] VSC 264, [34]; *Bevilacqua v Merakovsky* [2005] ANZ ConvR 504; [2005] VSC 235, [23] (“*Bevilacqua*”).

⁹² *Re Alexandra* [1979] VR 55, 58.

⁹³ *Miscamble* [1965] VR 596, 602-3.

⁹⁴ See the cases referred to in *Stanhill Pty Ltd v Jackson* (2005) 12 VR 224, 233 [17] fn 15 (“*Stanhill*”).

⁹⁵ *Re Robinson* [1971] VR 278, 283; *Pivotel* (2001) V ConvR 54-635; [2000] VSC 264, [36].

⁹⁶ *Re Alexandra* [1979] VR 55, 59; *Pivotel* (2001) V ConvR 54-635; [2000] VSC 264, [35]; *Bevilacqua* [2005] ANZ ConvR 504; [2005] VSC 235, [23].

⁹⁷ *Re Stani* (Unreported, Full Court of the Supreme Court of Victoria, Young CJ, Barber and Nelson JJ, 7 December 1976) 9-10.

⁹⁸ *Re Alexandra* [1979] VR 55, 59.

- a) it is already sufficiently difficult for an applicant to establish that a covenant is incapable of fulfilling any of its *original purposes*. It is close to impossible to prove that a covenant has no residual *ancillary* value where an application to remove or modify a covenant is actively opposed by a beneficiary;
- b) there are few, if any, instances in which an application to modify a restrictive covenant pursuant to section 84(1)(a) of the *Property Law Act 1958* might succeed, where an application pursuant to section 84(1)(c) would not. If this is correct, and section 84(1)(a) no longer has any work to do, Morris J might well have been correct that the original intention of section 84 has been lost over time:

25 ... Covenants have been modified, in contested circumstances, in a number of cases.⁹⁹ But the general approach to the section has been to place a substantial onus upon an applicant to demonstrate that the power is enlivened. Indeed, as the years have passed, there may have been a tendency to look for guidance, not so much to the words of section 84, but to the words used by judges over the years in explaining the meaning of the words used in section 84. One must question this practice.¹⁰⁰

100. In [*City of Stonnington v Wallish & Ors*](#)¹⁰¹, Ierodiaconou AsJ was prepared to accept that planning controls and changed factual circumstances meant that quarrying was no longer likely in the suburb of Chadstone. Had Her Honour been required to do so, she would have found the excavation covenants on the land obsolete, but consistent with the above analysis, her Honour had already found that the application had been made out under section 84(1)(c):

- 121 As I have found that the covenants should be discharged under s 84(1)(c), it is strictly unnecessary to consider the plaintiffs' application for discharge under s 84(1)(a). However, if it were necessary to do so, I would have found that the covenants, as construed, are obsolete.
- 122 The covenants impose a restriction on quarrying on the subject land. I have accepted that development of the surrounding land and planning controls mean that the subject land could not be realistically used as a quarry, even if it were commercially viable to do so. I would therefore find that due to the evolution of the character of the subject land and the neighbourhood, as well as the effluxion of time, the covenant is now obsolete.
- 123 The defendants made submissions in relation to the issue of obsolescence related to ancillary benefits said to arise from the covenant such as maintenance of the parkland and the character of the neighbourhood. It was suggested that such ancillary benefits provided a continuing benefit on persons by maintaining a restriction on the users of land notwithstanding that the purpose for which the covenant was designed – the prevention of quarrying – may have become wholly obsolete.
- 124 However, I do not accept the defendants' submissions that the covenants, properly construed, provide them with ancillary benefits such as the maintenance of the existing parkland and the character of the neighbourhood. While an intention of the imposition of covenants preventing quarrying on the land was to ensure good amenity for the neighbourhood, the covenants do not ensure the continued existence of the Percy Treyvaud Memorial Park in its present form. Instead, the covenants prohibit quarrying. Such use of the land would be antithetical to the creation and maintenance of a residential

⁹⁹ See, for example, *Re Shelford Church of England Girls' Grammar School*, per Lush J, Supreme Court of Victoria, 6 June 1967; *Re Alexandra* [1980] VR 55 per Menhennitt J; and *Longo Investments Pty Ltd* [2003] VSC 37 per Osborn J.

¹⁰⁰ [*Stanhill Pty Ltd v Jackson* \[2005\] VSC 169](#), [25].

¹⁰¹ *City of Stonnington v Wallish & Ors* [2021] VSC 84.

neighbourhood with good amenity. The covenants do not operate to prevent construction or development of the subject land. Indeed, construction and excavation has previously occurred on the land to create facilities for the bowling and tennis clubs.

- 125 As it is no longer realistic for quarrying to occur on the land, the covenants are now obsolete.

Section 84(1)(b) of the Property Law Act 1958

101. Applications pursuant to [section 84\(1\)\(b\)](#) of the *Property Law Act 1958* are also relatively unusual for, if one can demonstrate on evidence the support of all remaining beneficiaries for the modification or removal of a covenant, the more efficient course is to provide that evidence directly to the Registrar of Titles.
102. [Section 88\(1C\)](#) of the *Transfer of Land Act 1958* provides:
- (1C) A recording on a folio of a restrictive covenant that was created in any way other than by a plan under the *Subdivision Act 1988* may be amended or deleted by the Registrar under this section if the restrictive covenant is varied or released by—
- (a) the agreement of all of the registered proprietors of the land affected by the covenant; ...

103. A deed may be required to satisfy the Registrar of the beneficiary's consent.

Section 84(1)(c) of the Property Law Act 1958

104. This leaves [section 84\(1\)\(c\)](#) as the engine room of the Supreme Court's restrictive covenant modification jurisdiction.
105. The operation of section 84(1)(c) of the *Property Law Act 1958* was recently set out by Derham AsJ in [Randell v Uhl](#):¹⁰²
- 84 The plaintiff relies on s 84(1)(c) of the *PLA*, and therefore has the burden of proving as a matter of fact that the proposed discharge or modification will not substantially injure those with the benefit of the covenant.¹⁰³ The plaintiff must prove the negative¹⁰⁴ and the failure by the plaintiff to establish its plans with specificity may result in the Court not being satisfied that the conditions of the section have been fulfilled.¹⁰⁵
- 85 The following guiding principles apply to determine whether those entitled to the benefit of the covenant will not be substantially injured:
- (a) a substantial injury must be a detriment to the benefitted land that is real and not fanciful.¹⁰⁶ The requirement that the injury must be substantial is intended 'to preclude vexatious opposition cases where there is no genuineness or sincerity or bona fide opposition on any reasonable grounds'.¹⁰⁷ That does not mean, however, that s 84(1)(c) of the *PLA* is restricted to dealing with vexatious or frivolous

¹⁰² *Randell v Uhl* [2019] VSC 668.

¹⁰³ *Vrakas v Registrar of Titles* [2008] VSC 281, [40] (Kyrou J) and the cases cited (*Vrakas*).

¹⁰⁴ *Ibid*, [42].

¹⁰⁵ *Ibid*.

¹⁰⁶ *Ibid*, [36].

¹⁰⁷ *Ridley v Taylor* (1965) 1 WLR 611, 622 (Russell LJ); referred to with approval in *Re Stani* (Supreme Court of Victoria, Young CJ, Barber and Nelson JJ, 7 December 1976) 10.

objections. Although the restriction of s 84(1)(c) of the *PLA* to ‘substantial’ injury would enable the weeding out of vexatious objections to the modification or removal of a covenant, the dichotomy in the section is not between vexatious and non-vexatious claims but is between cases involving some genuinely felt but insubstantial injury, on the one hand, and cases where the injury may truly be described as substantial, on the other;¹⁰⁸

- (b) the substantial injury relates to practical benefits, being any real benefits to the person entitled to the benefit of the covenant.¹⁰⁹ It is not sufficient for a plaintiff to merely prove that there will be no appreciable decrease in the value of the property that has the benefit of the covenant;¹¹⁰
- (c) substantial injury may arise from the order for modification of the covenant being ‘used to support further applications resulting in further encroachment and in the long run the object sought when the covenant was imposed [being] completely defeated’.¹¹¹ This consideration is referred to as the ‘precedent value’;¹¹² and
- (d) whether there will be substantial injury is to be assessed by comparing:
 - (i) the benefits initially intended to be conferred and actually conferred by the covenant; and
 - (ii) the benefits, if any, which would remain after the covenant has been discharged or modified;¹¹³
- (e) if the evidence establishes that the difference between the two will not be substantial, the plaintiff has established a case for the exercise of the Court’s discretion under s 84(1)(c) of the *PLA*;¹¹⁴
- (f) it is relevant to consider evidence of statutory planning provisions to the extent they show what realistically will be the result of the removal or modification of the covenant because ‘it would be artificial and wrong to pay no heed at all to the reality of the situation’;¹¹⁵
- (g) in considering whether the plaintiff has satisfied the Court that there will not be substantial injury:
 - (i) town planning principles and considerations are not relevant;¹¹⁶
 - (ii) the absence of objectors to the discharge or modification of a covenant will not necessarily satisfy the onus of proof;¹¹⁷ and

¹⁰⁸ *Greenwood v Burrows* (1992) V ConvR 54-444, 65, 199 (Eames J) (***Greenwood***); *MacLurkin v Searle* [2015] VSC 750, [54]–[56] (***MacLurkin***); *Jiang v Monaygon Pty Ltd* [2017] VSC 591, [37].

¹⁰⁹ *Vrakas* [2008] VSC 281, [30], [34] and the cases cited.

¹¹⁰ *Re Parimax (SA) Pty Ltd* (1956) SR (NSW) 130, 133 (Myers J).

¹¹¹ *Re Stani* (Supreme Court of Victoria, Young CJ, Barber and Nelson JJ, 7 December 1976) 11.

¹¹² *Vrakas* [2008] VSC 281, [39] and the cases cited.

¹¹³ *Prowse v Johnstone* [2012] VSC 4, [104] (***Prowse***).

¹¹⁴ *Re Cook* [1964] VR 808, 810–11 (Gillard J) (***Cook***); approved in *Freilich v Wharton* [2013] VSC 533, [25] (Bell J).

¹¹⁵ *Prowse* [2012] VSC 4, [104].

¹¹⁶ *Vrakas* [2008] VSC 281, [41] and the cases cited.

¹¹⁷ *Ibid*, [43].

- (iii) each case must be decided on its own facts,¹¹⁸ and each covenant should be construed on its own terms and having regard to the particular context in which it was created;¹¹⁹
- (iv) if the plaintiff satisfies the Court that there will be no substantial injury to the relevant persons, the Court has a residual discretion to refuse the application.¹²⁰ The Court in exercising its discretion, may consider town planning principles and the precedent value.

106. Critically, the starting point in a section 84(1)(c) application is to establish the relevant ‘comparator’ against which to assess the injury occasioned by the proposed modification or removal of a covenant. In *Re Ulman*¹²¹ McGarvie J observed that when it comes to paragraph 84(1)(c):

The proper approach is to compare what the covenant before modification permits to be done on the land which it binds with what it would permit to be done after modification.¹²²

107. This point is routinely misunderstood by objectors.

108. For instance, beneficiaries in *Randell v Uhl* focused on the fact that trees would be lost if the property was developed for two dwellings, despite the loss of many of the same trees if the land was developed for a single dwelling:

115 I agree that what lies behind many objections, particularly from the immediate neighbours, Ms Griffith and Ms Whyte, is the fact that there will be a structure on each lot where previously there has been none. That is the position that has obtained for the whole life of the Subdivision and it is understandable that their attitude to the development of the Land is affected by the delight of a vacant lot of land adjacent to their lots.

109. Similarly, in *City of Stonnington v Wallish & Ors* [2021] VSC 84, the beneficiaries complained about the impact of the construction of a new sporting stadium, despite the fact that if the application to vary the covenant failed, the stadium could still be built, albeit with above ground car parking:

101 When considering whether substantial injury would result from modification or discharge of a covenant pursuant to s 84(1)(c) of the Act, the Court assesses what might occur on the burdened land prior to modification or removal and then compares what might occur on the burdened land after modification or removal. In *Prowse v Johnstone*,¹²³ Cavanough J explained:

[E]ven though the plaintiff is entitled to ask the court to take into account the “worst” that could be done under the existing covenant, the defendant is also entitled to invite the court to consider the realistic probabilities of the plaintiff

¹¹⁸ Ibid, [44].

¹¹⁹ *Prowse* [2012] VSC 4, [52].

¹²⁰ *Cook* [1964] VR 808, 810; *Re Robinson* [1972] VR 278, 285-6; *Re Stani* (Supreme Court of Victoria, Young CJ, Barber and Nelson JJ, 7 December 1976) 7; *Greenwood* (1992) V ConvR 54-444, 65, 192, 65, 200; *Stanhill Pty Ltd v Jackson* (2005) 12 VR 224, 239 (*Stanhill*).

¹²¹ *Re Ulman* (1985) V Conv R 54-178.

¹²² Ibid at 63,420.

¹²³ *Prowse* [2012] VSC 4.

actually bringing about the “worst” that could be done under the existing covenant.¹²⁴

- 102 The possibility of the proposal being built above ground, for example through fill being brought in, was raised by the plaintiff as an example of what may occur on the subject land prior to modification or removal, if the effect of the covenants was that they prohibited any digging or excavation of earth on the subject land.
- 103 Mr Kwasek gave evidence that if the covenants prohibited the proposal, the facilities would probably need to be elevated creating a visual impact of around 11 to 12 metres from Quentin Road, whereas the proposal currently has a visual impact of 7 metres. It was not suggested by the defendants that such a proposal would be unrealistic.
110. Perhaps the most dramatic example of the *Re Ulman*¹²⁵ principle in operation can be seen in [EAPE Holdings](#),¹²⁶ an application that succeeded largely because the applicant was otherwise intending to use and develop the land with a rooming house — an as of right land use under the relevant planning scheme, and a use and development of land otherwise consistent with the existing covenant:
- 51 Having regard to the precedential effect of the modification, in combination with the loss of amenity that would be suffered by the benefited owners directly adjacent to the Land, I would have refused the application to increase the number of permitted dwellings had the matter ended there. I could not have been satisfied that there would be no substantial injury to beneficiaries by reason of the modification.
- 66 [However]... I consider the alternative proposal of a six bedroom rooming house, with the possibility of a subsequent addition of a further three bedrooms, is a genuine and likely alternative to the preferred addition of two dwellings at the rear of the Land.
- 83 [Also] I conclude that the rooming house proposal would be permitted by the restriction in the covenant, without the necessity for modification.
111. Lansdowne AsJ accepted that “worse issues of noise and disturbance may arise from adult and probably unrelated rooming house residents than from the residents of the proposed additional two dwellings.”¹²⁷
112. Although her Honour was at pains to ensure that the rooming house proposal in that case was genuine, given the suitability of many pre-development dwellings to rooming house use, it is perhaps surprising that reliance on this approach isn’t used more often.

The process of applying to the Court pursuant to section 84 of the Property Law Act 1958

113. The starting point in any application to modify or remove a restrictive covenant is the Court’s own [Guidelines for Practitioners \(Guidelines\)](#).
114. The Guideline, and the principles articulated by Derham AsJ, above, invite applicants to establish their plans with specificity.

¹²⁴ Ibid [104].

¹²⁵ *Re Ulman* (1985) V Conv R 54-178.

¹²⁶ *EAPE Holdings* [2019] VSC 242.

¹²⁷ At [86].

115. As with many aspects of section 84 applications, the degree of detail expected by plaintiffs increases in proportion to the amount of opposition to the application by beneficiaries. So:

- a) while the Court was satisfied with the following degree of detail in the unopposed matter of *Re Hollow*:¹²⁸

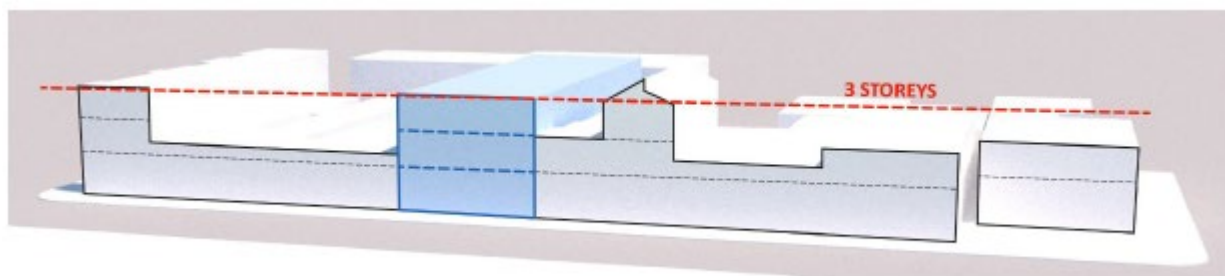
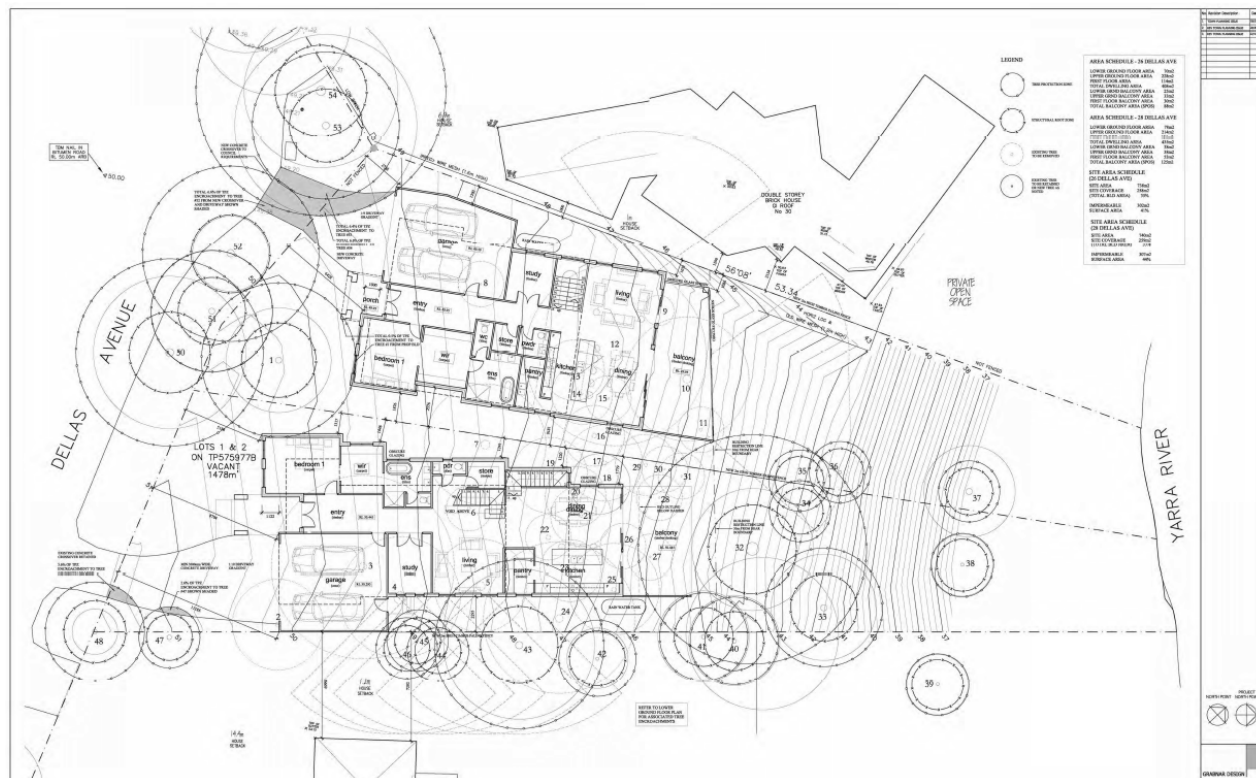


Figure 14 – Concept building envelope (view west) (Merlyn Street streetscape shown indicatively only)

- b) the following detailed plans were prepared in *Randell v Uhl*¹²⁹, a case that proceeded to trial:

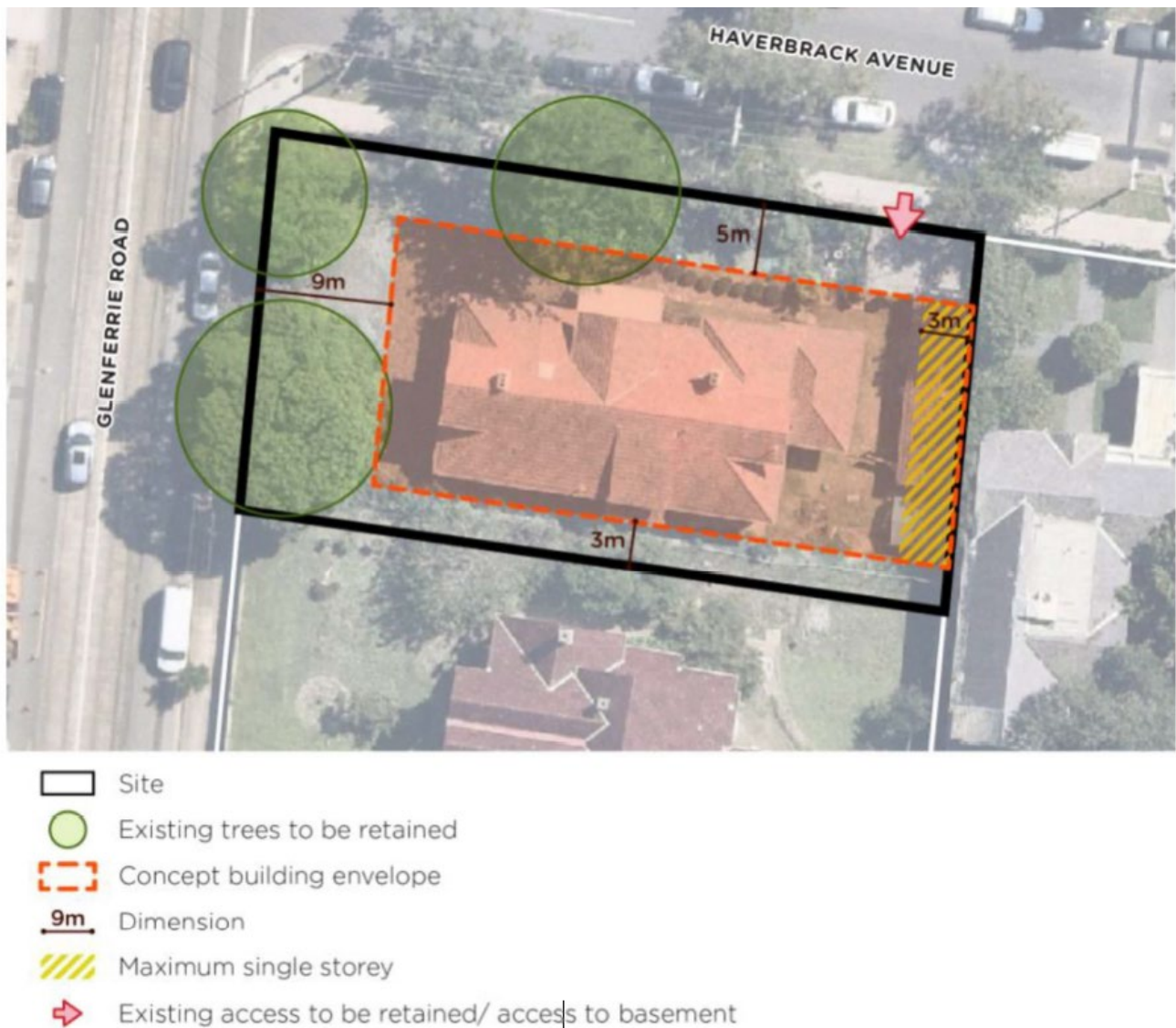


116. Many applicants wish to maximise the value of their land prior to sale but not develop the land themselves. This routinely occurs with deceased estates. In this instance, the plaintiff should declare this fact and invite an expert assessment of what might be fairly described as a reasonably likely development following the disposition of the land.

¹²⁸ Unreported — S ECI 2020 01159.

¹²⁹ *Randell v Uhl* [2019] VSC 668.

117. The starting point may be a nominal building envelope showing setbacks and development constraints, but increased detail may be required if the matter proceeds to a contested hearing:



Section 84(2) of the Property Law Act 1958

118. Often an application to modify a restrictive covenant will be made in conjunction with an application as to the enforceability of the restrictive covenant.
119. The Court's power here is expressly set out in [section 84\(2\)](#) of the *Property Law Act 1958*:
- (2) The Court shall have power on the application of any person interested—
 - (a) to declare whether or not in any particular case any land is affected by a restriction imposed by any instrument; or
 - (b) to declare what upon the true construction of any instrument purporting to impose a restriction is the nature and extent of the restriction thereby imposed and whether the same is enforceable and if so by whom.

120. By way of example, in *Prowse v Johnston*¹³⁰ the plaintiff's case was put first as a declaration application and as a modification application in the alternative:

21 ... so far as declaratory relief is concerned, the plaintiff now seeks, in substance, a declaration that a development generally in accordance with the current architectural plans would not contravene that part of the restrictive covenant which prohibits the erection of more than one house on each of Lots 7 and 8. In the alternative, the plaintiff seeks an order under s 84(1)(a) or (c) of the Act modifying that particular restriction. Further, the plaintiff seeks an order under s 84(1)(a) or (c) modifying the restrictions relating to excavation, building materials, subdivision and frontages. Taken together, the modifications sought are modifications that would permit the construction of a building generally in accordance with the current architectural plans.

121. In that case, Cavanough J expressed reservations as to whether section 84(2) was capable of being used to determine a hypothetical question such as whether a building constructed in accordance with a given set of plans would satisfactorily comply with a restrictive covenant:

26 As indicated above, the declaration is sought under s 84(2) of the Act or under the Court's general or inherent jurisdiction and powers, including under s 36 of the Supreme Court Act 1986. It would necessarily be a declaration as to a situation or position that has not yet arisen, in that the development is merely proposed. It is very doubtful whether s 84(2) of the Act would authorise the Court to make a declaration of that kind. The plaintiff acknowledged this during oral submissions and thereafter placed principal reliance on the Court's general or inherent jurisdiction. I accept that that jurisdiction may extend to future questions, and that it is available in this case. The jurisdiction is apparently no less ample than any jurisdiction under s 84(2) of the Act. So it is not necessary to decide finally whether jurisdiction under s 84(2) of the Act also exists.

122. Although plaintiffs are often tempted to run declarations as preliminary points, they are rarely short and sharp hearings, meaning that a failure in the declaration application can lead to litigation fatigue and the subsequent abandoning of an application. Far better then, in most cases, to run an application for declaration and an application for modification in the same hearing. As the adage goes "Most people who ask for a preliminary hearing on the separate question, eventually come to regret it."

The extent of notice required

123. Unlike applications made pursuant to the *Planning and Environment Act 1987* (Vic), where notice of an application for the variation of a covenant is provided to all 'affected properties', notice under the *Property Law Act 1958* (Vic) is given only to the lots which have the benefit of the covenant. However, orders for notice may further be limited where the Court believes it to be appropriate.¹³¹

124. Section 84(3) provides:

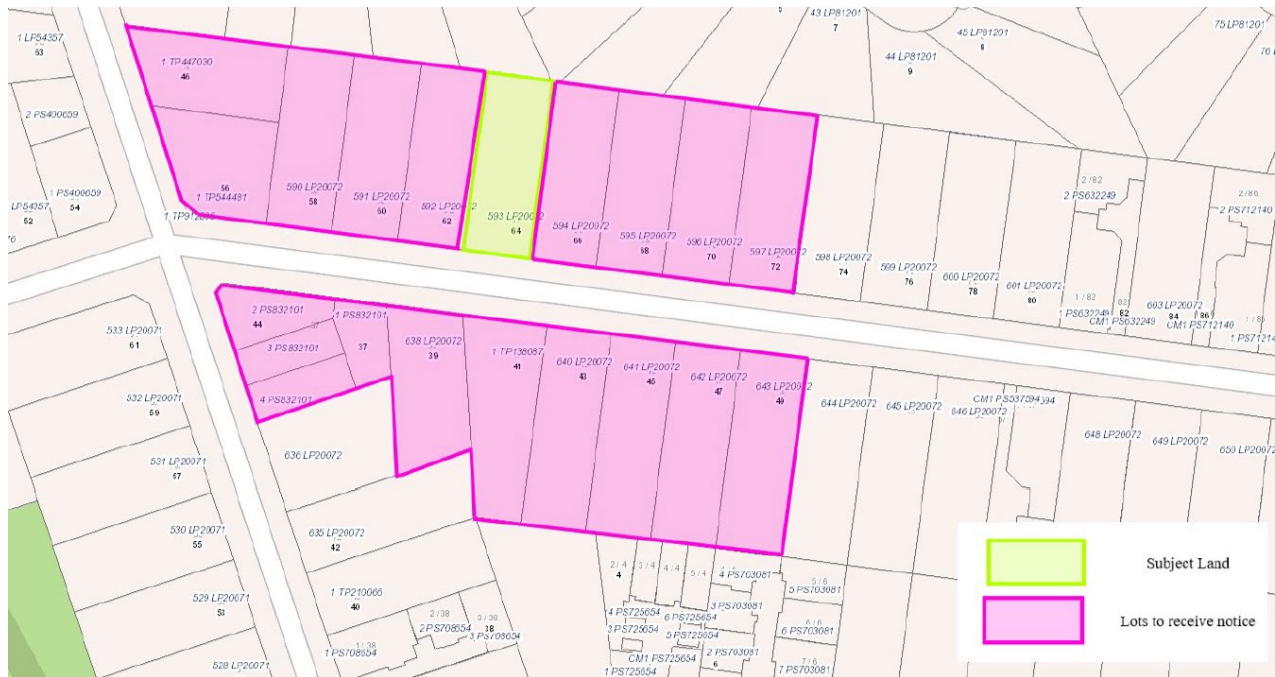
(3) The Court may before making any order under this section direct such inquiries (if any) to be made of any local authority or such notices (if any) whether by way of advertisement or otherwise to be given to such of the persons who appear to be entitled to the benefit of the restriction intended to be discharged, modified or dealt with as, having regard to any

¹³⁰ *Prowse v Johnstone* [2012] VSC 4.

¹³¹ [Section 84\(3\)](#) of the *Property Law Act 1958* (Vic).

inquiries, notices or other proceedings previously made given or taken the Court thinks fit.

125. At the first return, direct notice to land with the benefit of the covenant might be required in a manner similar to the following:



126. Notice may take the form of an A3 sign on the land, direct notice to beneficiaries via the address indicated on the records of Land Use Victoria (and the street address of the benefiting land if different).
127. Orders may then be made for the return of the application at a future hearing at which objectors may attend.
128. A surprising number of applications attract no objections. Upon being satisfied that this is the case, the Court may grant the application.
129. Alternatively, objections may be received and/or objectors may attend court to be heard.
130. If a mutually acceptable agreement on the application cannot be reached with the objectors, orders may be made for the exchange of further evidence before the matter is listed for mediation and/or final hearing.

The court rarely exercises its power to discharge a covenant entirely

131. The Court is typically unwilling to exercise its power to discharge a covenant entirely, preferring instead to modify a covenant to allow the applicant's stated intentions.
132. The objective for applicants should therefore be to modify the restrictive covenant as modestly as possible, while nonetheless comfortably facilitating the intended use or development contemplated, appreciating that the responsible authority under the *Planning and Environment*

Act 1987 (the municipal council at first instance and then the Victorian Civil and Administrative Tribunal on review), may require additional changes to any plans.

133. That said, an application to *discharge* a restrictive covenant may be allowed where the Court finds that outcome appropriate to avoid future confusion:

a) see *Re: Ambrens*.¹³²

I In many cases, modification of a restrictive covenant to allow an intended development will be more appropriate than discharge of the covenant. In this case, however, the Court considers that discharge of the Covenant is more appropriate than modification. The Court considers that the proposed form of modification, to allow the construction of 'one residential building', could be unclear and so introduce confusion, and is not necessary given the nature of existing development proximate to the subject land and its zoning as residential.

b) see *City of Stonnington v Wallish & Ors*.¹³³

Given the limited scope of the restrictions imposed by the covenants and for substantially the same reasons outlined above, I do not consider that my residual discretion should be exercised in the defendants' favour. I accept that it is desirable for the covenants to be discharged in order for there to be clean titles on the subject land. Such a course will avoid any future confusion or disputes and will not cause the defendants substantial injury.

The importance of costs in section 84 applications

134. Potential applications pursuant to section 84 of the *Property Law Act 1958* (Vic) should be familiar with the practice cost implications of *Re: Withers*¹³⁴ that:

... unless the objections taken are frivolous, an objector in a proper case should not have to bear the bitter burden of his own costs when all he has been doing is seeking to maintain the continuance of a privilege which by law is his.¹³⁵

135. *Re: Withers* was applied by Morris J in *Stanhill Pty Ltd v Jackson*¹³⁶ who noted:

The principle set out in *Re Withers* is consistent with other decisions of the Court, such as that by Gillard J in *Re Markin*, Lush J in *Re Shelford Church of England Girls' Grammar School* and McGarvie J in *Re Ulman*. In my opinion, it is a sound principle.

136. However, his Honour did sound a note of caution that objector defendants should not see the reimbursement of costs as an entitlement:

6 It is also relevant that the defendants conducted the proceeding responsibly. If a defendant, resisting an application to modify a covenant, acts irresponsibly then it would not be entitled to costs in relation to that irresponsible conduct; indeed, it might be in a position where it would have to pay the plaintiff's costs.¹³⁷

¹³² *Re: Ambrens* Unreported — SCI2016 03948.

¹³³ *City of Stonnington v Wallish & Ors* [2021] VSC 84.

¹³⁴ *Re Withers* [1970] VR 319.

¹³⁵ *Ibid* 320.

¹³⁶ *Stanhill Pty Ltd v Jackson* [2005] VSC 169.

¹³⁷ *Ibid*, [6].

137. By reason of this principle, a well-advised plaintiff should continually look for opportunities to make Calderbank offers¹³⁸ and/or Offers of Compromise to improve their position in the future when it comes to discussing the issue of costs.
138. However, objectors' costs are typically low until after the second return of the application, meaning a plaintiff can commence a section 84 application with a fair degree of confidence about how much the process will cost. It is not until the number and extent of objectors becomes known that the implications of a *Re Withers*' costs ruling starts to emerge.

Combined permit and amendment process—96A of the *Planning and Environment Act 1987*

139. Interestingly, the least-used means of removing or amending a covenant is also the one arguably capable of delivering the most ambitious proposals — namely, applying for a combined permit and amendment pursuant to section 96A of [the *Planning and Environment Act 1987*](#). This section provides:

DIVISION 5 — COMBINED PERMIT AND AMENDMENT PROCESS

96A Application for permit when amendment requested

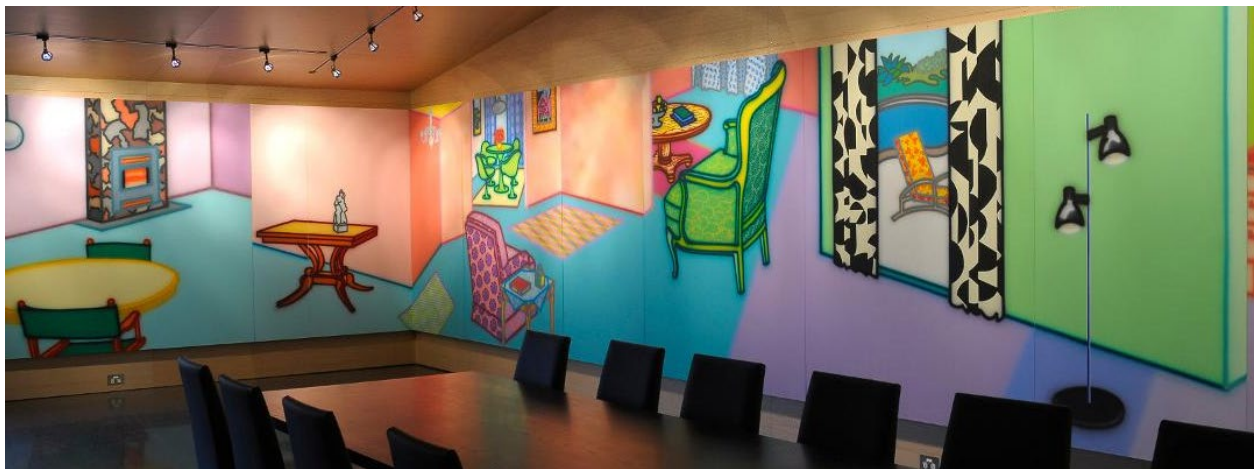
- (1) A person who requests a planning authority to prepare an amendment to a planning scheme may also apply to the planning authority for—
- (a) a permit for any purpose for which the planning scheme as amended by the proposed amendment would require a permit to be obtained; or
 - (b) if the amendment provides for the removal or variation of a registered restrictive covenant, a permit for a use or development which would, if the restrictive covenant were not removed or varied, result in a breach of that registered restrictive covenant.
140. In this process, the assessment is made according to ordinary planning principles and the broad, open textured test known as 'net community benefit'. In the [Mornington Peninsula C46 Panel Report](#), Member Ball explained:
- First, the Panel should be satisfied that the Amendment would further the objectives of planning in Victoria. ...
- Second, the Panel should consider the interests of affected parties, including the beneficiaries of the covenant. It may be a wise precaution in some instances to direct the Council to engage a lawyer to ensure that the beneficiaries have been correctly identified and notified.
- Third, the Panel should consider whether the removal or variation of the covenant would enable a use or development that complies with the planning scheme.
- Finally, the Panel should balance conflicting policy objectives in favour of net community benefit and sustainable development. If the Panel concludes that there will be a net community benefit and sustainable development it should recommend the variation or removal of the covenant.¹³⁹
141. Here an applicant runs an entirely different risk. To succeed, an application will need the support of the local council *and* the relevant Minister at the time the amendment is both

¹³⁸ Calderbank offers are named after the case of [Calderbank v Calderbank](#) [1975] 3 All ER 333.

¹³⁹ *Mornington Peninsula C46 Panel Report* (Panel Report, April 2004) 25.

prepared and adopted. In the worst-case scenario, the period between these two events may be many months and punctuated by Council elections, adding a further element of political risk.

142. An example of this process being successfully employed was the approval of a Place of Assembly (museum) at 217 And 219 Cotham Road, Kew as part of [Amendment C143](#) to the Boroondara Planning Scheme. This proposal involved the conversion of two dwellings into a contemporary museum with a liquor licence and on-site parking spaces, contrary to a restrictive covenant that prevented the use of the land for anything other than dwellings.
143. Arguably, there would have been no prospect that such an ambitious project would have been approved under section 84 of the *Property Law Act 1958* (Vic), but the project received Council backing at both ends of the process and a highly favourable planning panel report.



Removing or modifying a covenant--88(1AC) of the *Transfer of Land Act 1958*

144. A restrictive covenant can be removed or modified by consent. [Section 88\(1AC\)](#) of the *Transfer of Land Act 1958* (Vic) provides:
 - A recording on a folio of a restrictive covenant that was created or authorised in any way other than by—
 - (a) a plan of subdivision or consolidation; or
 - (b) a planning scheme or permit under the Planning and Environment Act 1987—

- (c) may be deleted or amended by the Registrar if the restrictive covenant is released or varied by—
...
- (d) the agreement of all of the registered proprietors of all land affected by the covenant; ...

145. If the proposed modification or removal is not controversial and/or the number of beneficiaries is not large, this may be the most efficient means of proceeding.

Removing a covenant at the direction of the Registrar — 106(1)(c) of the *Transfer of Land Act 1958*

146. Finally, a covenant may be removed at the direction of the Registrar of Titles pursuant to section 106(1)(c) of the *Transfer of Land Act 1958* (Vic). This provides:

- (1) The Registrar—
 - (c) if it is proved to his satisfaction that any encumbrance recorded in the Register has been fully satisfied extinguished or otherwise determined and no longer affects the land, may make a recording to that effect in the Register;

147. This provision can be used for covenants that do not define the land to which the benefit is affixed or where the benefit of the covenant might be said to have not passed to subsequent successors or transferees. Covenants of this nature were discussed in *Prowse v Johnstone*¹⁴⁰ at [62] and *Re Hunt*¹⁴¹. However, the Registrar will often rely on this power in the clearest of cases and is quick to refer applicants to the Supreme Court for clarification of the covenant's enforceability under section 84(2) of the *Property Law Act 1958*.

Restrictions on title under the *Subdivision Act 1988*

148. The above discussion has largely focused on restrictive covenants in equity and it is generally accepted that the Supreme Court's section 84 jurisdiction extends to modifying or removing restrictions on a plan of subdivision. However, the appropriateness of this is not free from doubt. As explained in the VLRC Report:

- 6.14 Restrictive covenants need to be distinguished from covenants in statutory agreements and restrictions in a registered plan (statutory restrictions).
- 6.15 'Restrictive covenant' is a well-defined legal term and its legal consequences are fully specified in case law. It belongs in the realm of property law. Its clarity is being marred by legislation that extends the legal tests and procedures that apply to restrictive covenants to statutory agreements and uses the term 'restrictive covenant' to define restrictions.
...
- 6.40 It is commonly assumed that a restriction created by registration of a plan is a restrictive covenant and that all lot owners in the subdivision have the benefit of it. The idea is likely to have been fostered by the inclusion of 'restrictive covenant' in the definition of 'restriction' in the Subdivision Act. It also finds some support from administrative

¹⁴⁰ *Prowse v Johnstone* [2015] VSC 621.

¹⁴¹ *Re Hunt* [2017] VSC 779.

provisions recently inserted into the Transfer of Land Act, which refer to a ‘restrictive covenant created by plan’¹⁴²

- 6.41 We disagree with this assumption. A restriction created in a plan is not one that equity would recognise or enforce, as the restriction is not created for the benefit of specified land. Equity has strict requirements about identifying the benefited land.¹⁴³
- 6.42 In order for a restriction in a plan to operate as a restrictive covenant, the legislation would need to expressly give it that effect and confer the benefit of the covenant on other land.¹⁴⁴ Section 24(2)(d) of the Subdivision Act does not deem a restriction in a plan to be enforceable as if it were a restrictive covenant or provide for the benefit to be attached to other land. Nor does anything in the Transfer of Land Act give a restriction created under the Subdivision Act the effect of a restrictive covenant.
- ...
- 8.4 Section 84(1) of the *Property Law Act* gives the court power to remove or vary ‘any restriction arising under covenant or otherwise as to the user [of land] or any building thereon’. This phrase is unchanged from the *Real Property Act 1918* (Vic), and as such was never intended to refer to restrictions created under the *Subdivision Act 1988* (Vic) (Subdivision Act). ‘Restriction’ is used in its functional sense, to refer to the effect of the covenant on the use of the land.
- 8.5 The phrase ‘any restriction arising under covenant *or otherwise*’ (our italics) has generated discussion about the scope of the English equivalent of section 84. In Victoria, section 84 has only been applied to restrictive covenants⁷ and the extent to which it applies to restrictions arising ‘otherwise’ has yet to be considered by a court.¹⁴⁵

149. To add to the confusion, restrictions on plans can be expressed as equitable restrictions, notwithstanding the arguably misleading nomenclature of “Land to Benefit”:¹⁴⁶

	<u>CREATION OF RESTRICTION.</u>	
	UPON REGISTRATION OF THIS PLAN THE FOLLOWING RESTRICTION IS CREATED:	
	LAND TO BENEFIT: LOTS 1 TO 14 (ALL INCLUSIVE)	
	LAND TO BE BURDENED: LOTS 1 TO 14 (ALL INCLUSIVE)]
<u>DESCRIPTION OF RESTRICTION.</u>		
	1. THE OWNERS OF LOTS 1 TO 14 (ALL INCLUSIVE) SHALL NOT ALLOW THE ERECTION OF MORE THAN ONE DWELLING ON ANY SINGLE LOT OR FURTHER SUBDIVISION OF ANY LOT.	
	2. THE OWNERS OF LOTS 1 TO 14 (ALL INCLUSIVE) SHALL NOT DEVELOP THE LAND OTHER THAN IN ACCORDANCE WITH AN APPROVED NEIGHBOURHOOD DESIGN PLAN PURSUANT TO PLANNING PERMIT No.1057/97.	

¹⁴² Ibid, 78. For example, Transfer of Land Act 1958 (Vic) s 88(1AA)–(1A); Subdivision Act 1988 (Vic) s 4(4), s 37(3)(c)(iv)(D).

¹⁴³ See, e.g., *Re Dennerstein* [1963] VR 688, 696; *Fitt v Luxury Developments Pty Ltd* (2000) VSC 258, [100]–[106]; *Morgan v Yarra Ranges SC* (2009) VCAT 701, [14] citing *Thornton v Hobsons Bay CC* (2004) VCAT 383, [10]; *Bradbrook and Neave*, [13.39]–[13.41].

¹⁴⁴ An example of how this could be done is section 88B(3) of the *Conveyancing Act 1919* (NSW).

¹⁴⁵ Footnotes omitted.

¹⁴⁶ See the discussion of a similar restriction in *Manderson v Wright* [2016] VSC 677.

CONSTRUING A RESTRICTIVE COVENANT

150. Derham AsJ restated the principles of construing a restrictive covenant in [*Clare & Ors v Bedelis*](#).¹⁴⁷
151. Critically, the objective of construction is to ascertain the intention of the parties at the time the covenant was created. That should be done principally by reference to the terms of the covenant itself — and not as commonly occurs, by reference to a contemporary dictionary or modern legislative terms:

The Construction of Restrictive Covenants

- 31 A review of the authorities reveals the following principles of interpretation are applicable to restrictive covenants:
- (a) subject to the qualifications mentioned below, the ordinary principles of interpretation of written documents apply.¹⁴⁸ The object of interpretation is to discover the intention of the parties as revealed by the language of the document in question;¹⁴⁹
 - (b) the words of a restrictive covenant:
 - (i) should generally be given their ordinary and everyday meaning and not be interpreted using a technical or legal approach.¹⁵⁰ Evidence may be admitted, however, as to the meaning of technical engineering, building or surveying terms and abbreviations;¹⁵¹
 - (ii) must always be construed in their context, upon a reading of the whole of the instrument,¹⁵² and having regard to the purpose or object of the restriction;¹⁵³
 - (c) importantly, the words of a restrictive covenant should be given the meaning that a reasonable reader would attribute to them.¹⁵⁴ The reasonable reader may have knowledge of such of the surrounding circumstances as are available.¹⁵⁵ These circumstances may be limited to the most obvious circumstances having regard to the operation of the Torrens system and the fact that the covenant is recorded in the register kept by the Registrar of Titles.¹⁵⁶ As the High Court held in *Westfield*:

The third party who inspects the Register cannot be expected, consistently with the scheme of the Torrens system, to look further for extrinsic material which

¹⁴⁷ *Clare v Bedelis* [2016] VSC 381.

¹⁴⁸ Bradbrook and Neave's *Easements and Restrictive Covenants*, AJ Bradbrook and SV MacCallum, 3rd Ed, [15.3].

¹⁴⁹ Bradbrook & Neave; But see *Prowse v Johnston & Ors* [2012] VSC 4,[55]–[58].

¹⁵⁰ *Re Marshall and Scott's Contract* [1938] VLR 98, 99; *Ferella v Otvosi* (2005) 64 NSWLR 101, 107; *Ex parte High Standard Constructions Limited* (1928) 29 SR (NSW) 274, 278; *Prowse* [52].

¹⁵¹ *Phoenix Commercial Enterprises Pty Ltd v City of Canada Bay Council* [2010] NSWCA 64,[157]–[158]; *Westfield Management Limited v Perpetual Trustee Company Limited* (2007) 233 CLR 528, [44].

¹⁵² *Ferella* 107; *High Standard* 278; *Prowse* [52].

¹⁵³ *Pacific Carriers Ltd v BNP Paribas* (2004) 218 CLR 451,462 [22] per Gleeson CJ, Gummow, Hayne, Callinan and Heydon JJ); *Phoenix* [148]–[149].

¹⁵⁴ *Phoenix* [157]–[158].

¹⁵⁵ These are limited by the decision in *Westfield* and subsequent decisions: see *Sertari Pty Ltd v Nimba Developments Pty Ltd* [2007] NSWCA 324; *Berryman v Sonnenschein* [2008] NSWSC 213; *Shelbina Pty Ltd v Richards* [2009] NSWSC 1449; *Neighbourhood Association DP No 285220 v Moffat* [2008] NSWSC 54; *Fermora Pty Ltd v Kelvedon Pty Ltd* [2011] WASC 281, [33]–[34]; *Prowse*, [58].

¹⁵⁶ *Westfield* [37]–[42]; *Sertari* [15]; *Phoenix* [148]–[158].

might establish facts or circumstances existing at the time of the creation of the registered dealing and placing the third party (or any court later seized of a dispute) in the situation of the grantee ...¹⁵⁷

- (d) the words of the covenant should be construed not in the abstract but by reference to the location and the physical characteristics of the properties which are affected by it,¹⁵⁸ and having regard to the plan of subdivision and, depending on the evidence, possibly having regard to corresponding covenants affecting other lots in the estate;¹⁵⁹
- (e) because the meaning of particular words depends upon their context
(including the purpose or object of the restriction in a covenant) cases that consider similar words provide no more than persuasive authority as to the meaning of words in a different document.¹⁶⁰ Further, the decisions upon an expression in one instrument are of very dubious utility in relation to another;¹⁶¹
- (f) the rules of evidence assisting the construction of contracts *inter partes*, of the nature explained by *Codelfa Constructions Pty Ltd v State Rail Authority of New South Wales*,¹⁶² do not apply to the construction of easements and covenants;¹⁶³
- (g) if the meaning remains in doubt after other rules of interpretation have been applied, as a last resort or 'very late resort,' the covenant should be construed *contra proferentem*, that is, against the covenantor;¹⁶⁴
- (h) whether a covenant has been breached or not is a question of fact to be determined according to the facts of the case and in the light of the actual language in which the restrictive covenant is framed;¹⁶⁵ and
- (i) generally speaking, the proper construction of an instrument intended to have legal effect is a question of law, not fact.¹⁶⁶ On the other hand, the meaning of a particular word or expression in such an instrument may be a question of fact, particularly where the Court has already determined as a matter of construction that the word or expression is used in its ordinary and natural meaning.¹⁶⁷ [*Footnotes from original*].

152. A key principle of the Torrens system is that a person need look no further than the register to understand attributes of and encumbrances on the land.¹⁶⁸

¹⁵⁷ *Westfield*, [39].

¹⁵⁸ *Richard van Brugge v Hare* [2011] NSWSC 1364, [36]; *Big River Paradise Ltd v Congreve* [2008] NZCA 78, [23].

¹⁵⁹ *Sertari Pty Ltd v Nirimba Developments Pty Ltd* [2007] NSWCA 324, [16]; See *Fermora Pty Ltd v Kelvedon Pty Ltd* [2011] WASC 281, [33]; *Prowse*, [58].

¹⁶⁰ *Bradbrook & Neave*, [15.4] citing *Christie & Purdon v Dalco Holdings Pty Ltd* [1964] Tas SR 34, 41.

¹⁶¹ *Ferella*, [17]; *In Re Marshall and Scott's Contract* [1938] VLR 98, , 100 where Mann CJ observed that small differences of language can be of great importance and that the decision often turns on them; *Prowse*, [54].

¹⁶² (1982) 149 CLR 337.

¹⁶³ *Westfield*; *Ryan v Sutherland* [2011] NSWSC 1397, [10]; *Prowse*, [57].

¹⁶⁴ *Ferella*, [21]; *Bradbrook & Neave's*, [15.6].

¹⁶⁵ Per Herring CJ in *In Re Bishop and Lynch's Contract* [1957] VLR 179, 181; *Prowse*, [53].

¹⁶⁶ See, in relation to statutes, *S v Crimes Compensation Tribunal* [1998] 1 VR 83, 88 (J D Phillips JA). See, in relation to written contracts, *FAI Insurance Co Ltd v Savoy Pty Ltd* [1993] 2 VR 343, 351 (Brooking J); *O'Neill v Vero Insurance Ltd* [2008] VSC 364, [10] (Beach J); *Prowse*, [53].

¹⁶⁷ See *S v Crimes Compensation Tribunal* [1998] 1 VR 83, 88; cf *Phoenix*, [158]; *Prowse*, [53].

¹⁶⁸ [*Breskvar v Wall* \(1971\) 126 CLR 376](#).

153. Hence, reliance on extrinsic documents to aid construction, such as communications between the covenanting parties; contracts of sale; diary entries; or other documents intended to shed light on the subjective intention of the parties is impermissible. See [*Westfield Management Limited v Perpetual Trustee Company Limited*](#).¹⁶⁹
- 35 In going on to allow the appeal, Hodgson JA (again correctly) remarked that the decision of the primary judge appeared to be the product of an error in preparedness to look for the intention or contemplation of the parties to the grant of the Easement outside what was manifested by the terms of the grant. Extensive evidence of that nature had been led by Westfield on affidavit with supporting documentation.
- 36 In this Court, counsel for Perpetual submitted that some but not all of the extrinsic evidence had been admissible; in particular, the evidence said to supply part of the "factual matrix" but which post-dated a deed dated 26 February 1988 containing a covenant to grant the Easement was inadmissible. So also was said to be evidence of the subjective intention of the then owner of Glasshouse which had not been communicated to the then owner of Skygarden. Perpetual accepted that what had been admissible was evidence of a preceding oral agreement between those parties: this had been to the effect that the Easement was to permit access to Skygarden via Glasshouse.
- 37 However, in the course of oral argument in this Court it became apparent that what was engaged by the submissions respecting the use of extrinsic evidence of any of those descriptions, as an aid in construction of the terms of the grant, were more fundamental considerations. These concern the operation of the Torrens system of title by registration, with the maintenance of a publicly accessible register containing the terms of the dealings with land under that system. To put the matter shortly, rules of evidence assisting the construction of contracts *inter partes*, of the nature explained by authorities such as *Codelfa Construction Pty Ltd v State Rail Authority of NSW*¹⁷⁰, did not apply to the construction of the Easement.
- 38 Recent decisions, including *Halloran v Minister Administering National Parks and Wildlife Act 1974*,¹⁷¹ *Farah Constructions Pty Ltd v Say-Dee Pty Ltd*,¹⁷² and *Black v Garnock*,¹⁷³ have stressed the importance in litigation respecting title to land under the Torrens system of the principle of indefeasibility expounded in particular by this Court in *Breskvar v Wall*.¹⁷⁴
- 39 The importance this has for the construction of the terms in which easements are granted has been remarked by Gillard J in *Riley v Penttila*¹⁷⁵ and by Everett J in *Pearce v City of Hobart*.¹⁷⁶ The statement by McHugh J in *Gallagher v Rainbow*,¹⁷⁷ that:

"[t]he principles of construction that have been adopted in respect of the grant of an easement at common law ... are equally applicable to the grant of an easement in respect of land under the Torrens system",

¹⁶⁹ *Westfield Management Limited v Perpetual Trustee Company Limited* [2007] HCA 45 (Emphasis added).

¹⁷⁰ *Codelfa Construction Pty Ltd v State Rail Authority of NSW* (1982) 149 CLR 337, 350–2.

¹⁷¹ *Halloran v Minister Administering National Parks and Wildlife Act 1974* (2006) 80 ALJR 519, 526 [35]; 224 ALR 79, 88.

¹⁷² *Farah Constructions Pty Ltd v Say-Dee Pty Ltd* (2007) 81 ALJR 1107, 1150–1152 [190]–[198]; 236 ALR 209, 266–9.

¹⁷³ *Black v Garnock* (2007) 237 ALR 1, 4 [10].

¹⁷⁴ *Breskvar v Wall* (1971) 126 CLR 376. See also *Figgins Holdings Pty Ltd v SEAA Enterprises Pty Ltd* (1999) 196 CLR 245, 264 [26]–[27].

¹⁷⁵ *Riley v Penttila* [1974] VR 547, 573.

¹⁷⁶ *Pearce v City of Hobart* [1981] Tas R 334, 349–50.

¹⁷⁷ *Gallagher v Rainbow* (1994) 179 CLR 624, 639–40.

is too widely expressed. The third party who inspects the Register cannot be expected, consistently with the scheme of the Torrens system, to look further for extrinsic material which might establish facts or circumstances existing at the time of the creation of the registered dealing and placing the third party (or any court later seized of a dispute) in the situation of the grantee.¹⁷⁸

154. A common error of construction is to refer to a contemporary dictionary or planning scheme definition to construe a covenant, without trying to determine its underlying purpose.
155. For instance, in *City of Stonnington v Wallish & Ors*,¹⁷⁹ Ierodiaconou AsJ found that a covenant preventing excavation should not be construed literally, but should be construed in its proper context:

49 I do not accept that the word ‘excavate’ should be read literally such that it would apply to any digging on the relevant lots whatsoever. Instead, read in context, the restriction on ‘excavat[ing] carry[ing] away or remov[ing] ... earth marl stone clay gravel or sand’ is directed towards the quarrying of the lots for those resources.

156. In *Barport Pty Ltd v Baum*,¹⁸⁰ the Victoria Supreme Court of Appeal held that the judge had erroneously approached the construction of a restrictive covenant by defining a term according to dictionary definitions without regard to context:

88 In our opinion, the respondents were correct in submitting that the judge had erroneously approached the construction of the Covenant by attempting to define the phrase ‘height limitation’ by reference to dictionary definitions and divorced from its context. The expression is clearly capable of bearing different meanings depending upon the context in which it is used. A height limitation is not necessarily confined to a maximum allowable height beyond which the thing is not permitted. That was the meaning given by the judge. However, it is also apt to describe a height limit as the point at which the building or hangar becomes liable to be regulated under the MOS.

157. The Court of Appeal emphasised that the text of the covenant is ‘critical’ and must be construed by reference to the context of the instrument as a whole:

68 It is not necessary to dwell on the constructional principles that apply to construing a restrictive covenant on title. Plainly, the text of the covenant is crucial. As with any constructional exercise, context plays a role and the words should be construed by reference to the instrument as a whole and not in the abstract, but by reference to the location of the physical characteristics of the properties which are affected by it. However, context may not be used to ascertain or elucidate the subjective intentions or expectations of the covenantor. The purpose of the covenant will be important in so far as it can fairly be discerned from the instrument as a whole.

BUILDING SCHEMES

158. The best contemporary discussion of buildings schemes can be found in *Randell v Uhl*, in which Derham AsJ explained:

¹⁷⁸ Cf. *Proprietors Strata Plan No 9,968 v Proprietors Strata Plan No 11,173* [1979] 2 NSWLR 605, 610–612.

¹⁷⁹ *City of Stonnington v Wallish & Ors* [2021] VSC 84.

¹⁸⁰ *Barport Pty Ltd v Baum* [2019] VSCA 167.

58 Where the lots in a subdivision of land are all (or substantially all) sold subject to a restrictive covenant, the Court may find that there has been a building scheme. Where a building scheme is established, all purchasers and their assigns are bound by, and entitled to the benefit of, the restrictive covenant.¹⁸¹

59 In *Elliston v Reacher*¹⁸² Parker J stated the requirements in terms ‘that have since been universally accepted’,¹⁸³ as follows:

[I]t must be proved (1) that both the plaintiffs and defendants derive title under a common vendor; (2) that previously to selling the lands to which the plaintiffs and defendants are respectively entitled the vendor laid out his estate, or a defined portion thereof (including the lands purchased by the plaintiffs and defendants respectively), for sale in lots subject to restrictions intended to be imposed on all the lots, and which, though varying in details as to particular lots, are consistent and consistent only with some general scheme of development; (3) that these restrictions were intended by the common vendor to be and were for the benefit of all the lots intended to be sold, whether or not they were also intended to be and were for the benefit of other land retained by the vendor; and (4) that both the plaintiffs and the defendants, or their predecessors in title, purchased their lots from the common vendor upon the footing that the restrictions subject to which the purchases were made were to enure for the benefit of the other lots included in the general scheme whether or not they were also to enure for the benefit of other lands retained by the vendors. If these four points be established, I think that the plaintiffs would in equity be entitled to enforce the restrictive covenants entered into by the defendants or their predecessors with the common vendor irrespective of the dates of the respective purchases.¹⁸⁴

60 Counsel for the defendants pointed out, quite correctly, that there is an additional requirement that almost goes without saying, namely, that the area to which the building scheme extends must be defined.¹⁸⁵

61 In addition, because the Land is under the operation of the *TLA*, the decision in *Re Dennerstein*¹⁸⁶ establishes, as Hargrave J put it in *Vrakas v Mills*, that:

...in order to bind a transferee of land registered under the *Transfer of Land Act* with a restrictive covenant arising under a scheme of development, it is necessary for the notification in the Register to give notice of:

- (1) the existence of the scheme;
- (2) the nature of the restrictive covenant; and
- (3) the identity of the lands affected by the scheme, both as to the benefit and the burden of the restriction.

¹⁸¹ *Fitt v Luxury Developments Pty Ltd* [2000] VSC 258, [249]-[254].

¹⁸² *Elliston v Reacher* [1908] 2 Ch 374.

¹⁸³ *Re Dennerstein* [1963] VR 688, 692 (Hudson J). The principles stated by Parker J have been cited with approval in many Australian cases, including *Cobbold v Abraham* [1933] VLR 385, 391; *Langdale v Sollas* (1959) VR 637, 641; *Cousin v Grant* (1991) 103 FLR 236; *Fitt v Luxury Developments Pty Ltd* [2000] VSC 258, [255]; *Vrakas v Mills* [2006] VSC 463, [28].

¹⁸⁴ *Elliston v Reacher* [1908] 2 Ch 374, 384.

¹⁸⁵ *Reid v Bickerstaff* [1909] 2 Ch 305, 323; *Dennerstein* [1963] VR 688, 693; *Fitt v Luxury Developments Pty Ltd* [2000] VSC 258, [144].

¹⁸⁶ *Re Dennerstein* [1963] VR 688.

Further, it is necessary that this notice is given in the certificate of title, either directly or by reference to some instrument or other document to which a person searching the Register has access.¹⁸⁷

159. Derham AsJ explained, there is often only limited circumstantial evidence available to assist in establishing the existence of a building scheme:

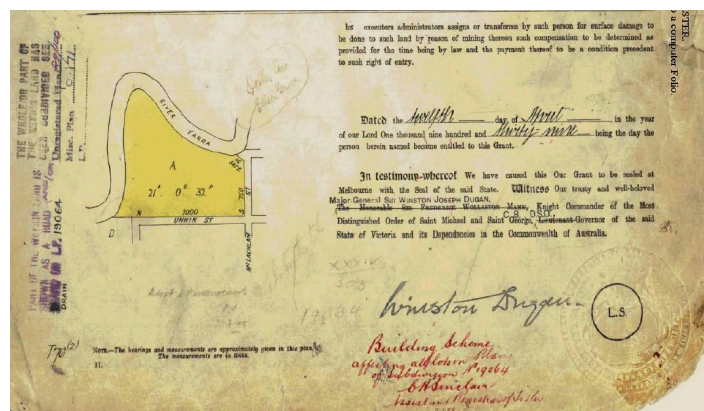
63 ... Sometimes there is evidence of an auction of many or most of the lots in a subdivision and of a contract that is the source of the covenant in question, as was the case in *Dennerstein*. On other occasions there is little more than the registered instruments and what may be inferred from the terms of the covenant.¹⁸⁸ Nevertheless the court can draw the inference from the documentation and will readily do so where it is proven that there was a large subdivision of building blocks and which were sold over a relatively short period by a common vendor and a common form of restrictive covenant.¹⁸⁹

160. However, in *Randell*, despite the existence of the building scheme being discoverable from an examination of documents on the register of titles, Derham AsJ found that a purchaser should *not* be obliged to make inquiries beyond those documents disclosed on a simple register search — a document typically provided in a section 32 statement¹⁹⁰:

82 ... If it were sufficient notice that the Head Title in this case bears the notification of a building scheme, it would require a person interested in purchasing the Land to search the Register further than the title search indicated and to go back to the Head Title and the original, or first edition, of the Subdivision. That would render conveyancing a hazardous and cumbersome operation beyond what is reasonable to expect.

83 In summary, I am satisfied that a building scheme was established but the notification of it was not sufficient to give notice of it to the plaintiffs because a search of the title of the Land by the plaintiffs did not, and would not, reveal the existence of the scheme either directly, or indirectly by reference to any instrument referred to in the search of the title.¹⁹¹

161. The head title or Grandparent Title from *Randell*, is shown below:



¹⁸⁷ *Vrakas v Mills* [2006] VSC 463, [45].

¹⁸⁸ *Re Dolphin's Conveyance* [1970] Ch 654; *Re Texaco Antilles Ltd v Kernochan* [1973] AC 609; See *Fitt v Luxury Developments Pty Ltd* [2000] VSC 258, [146].

¹⁸⁹ *Fitt v Luxury Developments Pty Ltd* [2000] VSC 258, [146]-[148]; *Vrakas v Mills* [2006] VSC 463, [29].

¹⁹⁰ A section 32 statement is a document prepared by the vendor to prospective buyers. The statement outlines relevant caveats and covenants on the land, as well as providing zoning and building permit information.

¹⁹¹ *Randell v Uhl* [2019] VSC 668.

ATTEMPTS AT REFORM

162. In 2011, the Victorian Law Reform Commission published an extensive [review of the law in relation to restrictive covenants and easements](#). It found the most appropriate approach for reform was the regulation of covenants by planning legislation (be it state or local/municipal planning policies). Crucially, this change would mean that planning legislation would modify the operation of covenants, but would not permit their removal.¹⁹²

- 7.127 We propose a new model, in which covenants are regulated rather than removed by planning legislation. The key elements of this model arose from submissions in response to our consultation paper and from our subsequent consultations and deliberations.
- 7.128 As the model was not suggested as an option for reform in our consultation paper, stakeholders and the wider public have not yet had an adequate opportunity to comment on it. For this reason, we put the model forward as a set of proposals for further consultation rather than as a recommendation.
- 7.129 The following proposals give effect to the principle that regulatory easements and restrictions created by operation of statute for public planning purposes should be removed or varied by planning processes, while restrictive covenants and private easements attached to benefited or dominant land should be removed or varied under property law processes.
- 7.130 We propose that the provisions in section 23 of the Subdivision Act and in the Planning and Environment Act for the removal and variation of easements and restrictions should no longer apply to restrictive covenants. The provisions would be retained for easements and statutory restrictions only.
- 7.131 Responsible authorities would no longer be able to grant a permit to remove or vary a restrictive covenant. The removal or variation of restrictive covenants without the consent of benefited owners would require an order under section 84(1) of the Property Law Act.
- 7.132 New provisions in the Planning and Environment Act would provide that:
 - a planning scheme may specify forms of use or development of land that cannot be prevented by a restrictive covenant.
 - a restrictive covenant cannot be enforced to the extent that it is inconsistent with such a specification.¹⁹³
- 7.133 The effect of these amendments would be that a specification in a planning scheme could affect the operation of a covenant but not authorise its removal or variation.
- 7.134 We do not recommend that the specification should have the effect of suspending the covenant, as in section 28 of the EPAA. The concept of suspension is unnecessary and confusing. It creates uncertainty by suggesting that the effect on the covenant is temporary.
- 7.135 A planning scheme specification would be an amendment to a planning scheme. It could apply either to all existing restrictive covenants, or only to covenants created after the commencement of the relevant amendment. There would be no need for the amendment to identify the specific covenants or the lots affected by them.

¹⁹² Victorian Law Reform Commission, *Easements and Covenants: Final Report* (Victorian Law Reform Commission 2011), 110.

¹⁹³ This would require amendments to ss 6(g) and 6A of the *Planning and Environment Act 1987* (Vic).

- 7.136 Specifications that are intended to operate state-wide would be included in the Victorian Planning Provisions, which incorporate the State Planning Policy framework.¹⁹⁴ A specification that is intended to operate only within a municipal district, or within a particular zone, could be included in the local provisions of the planning scheme.
- 7.137 As the specification of a use or development would require an amendment to a planning scheme, benefited owners would be able to make submissions about the proposed amendment.¹⁹⁵
- 7.138 Although owners corporation rules are outside our terms of reference, we suggest that the same mechanism could be used to restrict the operation of rules that impede the implementation of planning policies.¹⁹⁶
- 7.139 There would be no need to amend the recording of a covenant in the register to show that its operation is restricted by a planning scheme specification. The register does not generally show the effect of land use regulation on property rights.¹⁹⁷ Since covenants are merely recorded, not registered, there is no question of inconsistency with the indefeasibility provision in section 42 of the *Transfer of Land Act 1958* (Vic).

163. Significantly, the VLRC found that newly created covenants should have a mandated limited life:

- 36. A restrictive covenant that is recorded by the Registrar after a specified date must be for a defined period of time not exceeding 20 years.

164. The VLRC found that planning schemes should be relieved of their powers to remove covenants:

Regulation as an alternative to removal

- 38. We propose the following set of reforms to planning legislation and recommend further public consultation regarding their implementation:
 - a. It should no longer be possible to remove a restrictive covenant by registration of a plan under section 23 of the *Subdivision Act 1988* (Vic). Consequential amendments should be made to the *Planning and Environment Act 1987* and the *Subdivision Act 1988* to omit provisions that enable restrictive covenants to be removed or varied by or under a planning scheme.
 - b. In determining an application for a planning permit, a responsible authority should not be expressly required to have regard to any restrictive covenant.
 - c. The *Planning and Environment Act 1987* (Vic) should provide that:
 - i) The Victorian Planning Provisions may specify forms of use or development of land that cannot be prevented or restricted by a restrictive covenant.
 - ii) A planning scheme may, in respect of a zone or a planning scheme area, specify forms of permitted use or development of land that cannot be prevented or restricted by a restrictive covenant.

¹⁹⁴ Moreland Energy Foundation, Submission 30. 2, said that the suspension process should be able to be initiated by residents, local government or the Minister.

¹⁹⁵ Section 21 of the *Planning and Environment Act 1987* (Vic) provides that any person may make a submission.

¹⁹⁶ Moreland Energy Foundation, Submission 30, 1–2, where the Foundation points out that both owners corporation rules and covenants can impede sustainability measures.

¹⁹⁷ Zoning and overlays are shown in planning certificates issued under the *Planning and Environment Act 1987* (Vic) s 199 and the *Planning and Environment Regulations 2005* s 57.

- iii) A restrictive covenant is unenforceable to the extent it is inconsistent with such a specification.

165. The report also recommended that the Supreme Court, the County Court, the Magistrates' Court and VCAT should have concurrent jurisdiction to hear applications under section 84 of the *Property Law Act 1958* (Vic):

Forum and costs

- 43. The Supreme Court, the County Court, the Magistrates' Court and VCAT should have concurrent jurisdiction to hear and determine applications under sections 84(1) and (2) of the *Property Law Act 1958*.
- 44. Schedule 1 of the *Victorian Civil and Administrative Tribunal Act 1998* (Vic) should provide that, for the purpose of hearing an application under section 84 of the *Property Law Act 1958* (Vic), VCAT must be constituted by or include a member who in the opinion of the President has knowledge of or experience in property law matters.
- 45. In an application under section 84 of the *Property Law Act 1958*, the court or VCAT should apply the following principles to the award of costs:
 - a. Where the application is unsuccessful, the applicant should normally pay the costs of any respondent entitled to the benefit of the easement or restriction.
 - b. Where the application is successful, the applicant should normally pay the costs of the respondent incurred prior to the point in time at which, in the opinion of the court or of VCAT, the respondent has had a full opportunity to assess the merits of the application. The respondent should normally bear his or her own costs incurred after that point, but not the costs of the successful applicant.

166. The VLRC also recommended a new set of conditions that would replace the existing criteria in section 84(1)(a)–(c) of the *Property Law Act 1958* — a helpful expansion of the criteria over the essentially present test of “substantial injury”:

Relevant considerations

- 46. The conditions in section 84(1)(a)–(c) of the *Property Law Act 1958* (Vic) should be removed. Instead, the court or VCAT should be required to consider the following matters in deciding whether to grant an application for the discharge or modification of an easement or restrictive covenant:
 - a. the relevant planning scheme
 - b. the purpose of the easement or restrictive covenant
 - c. any changes in circumstances since the easement or restrictive covenant was created (including any change in the character of the dominant or benefited land or the servient or burdened land or the neighbourhood)
 - d. any increased burden of the easement on the servient land resulting from changes to the dominant land or its mode of use
 - e. the extent to which the removal or variation of the easement or a restrictive covenant would cause material detriment to a person who has the benefit of the easement or restrictive covenant
 - f. the extent to which a person who has the benefit of an easement or a restrictive covenant can be adequately compensated for its loss
 - g. acquiescence by the owner of the dominant land in a breach of the restrictive covenant

- h. delay by the dominant owner in commencing legal proceedings to restrain a breach of the restrictive covenant
- i. abandonment of the easement by acts or omissions
- j. non-use of the easement (other than an easement in gross) for 15 years
- k. any other factor the court or VCAT considers to be material.

167. Notwithstanding the rigour and extent of substantive issues identified by the VLRC, the state government was unmoved by its recommendations, and few recommendations of the report were adopted:

Restrictive Covenants		
26	As a first step, remove the legislative block (section 61(4) of the Act) to the grant of a planning permit until a restrictive covenant is varied	Not agree
27	Further examine the recommendations of the Victorian Law Reform Commission in its report on easements and covenants (Final Report 22)	Not agree

CONCLUSION

168. Restrictive covenants were initially conceived as a rudimentary form of planning control. Over time, restrictive covenants have been replaced by comprehensive and sophisticated planning schemes that have proven effective at controlling the use and development of land.
169. Since 2000, the effect of section 61(4) of the *Planning and Environment Act 1987* has meant that planning permits cannot be granted where they authorise the breach of a restrictive covenant.
170. Given the difficulty of satisfying the tests in sections 60(2) and 60(5) of the *Planning and Environment Act 1987*, the Supreme Court of Victoria now bears a large part of the burden of reviewing restrictive covenants on land prior to the commencement of the planning permit process.
171. Yet the Supreme Court's jurisdiction established by section 84 of the *Property Law Act 1958* predates the modern planning system and is, for all practical purposes, limited to a simple test, namely whether the proposed discharge or modification of the restrictive covenant will substantially injure the persons entitled to the benefit of the restriction.
172. As Mukhtar AsJ observed in [*Re DVC Management & Consulting Pty Ltd*](#),¹⁹⁸ the court in section 84 applications is only concerned with impacts on private rights:
- Recent decisions of this Court have it that town planning principles and considerations are not relevant to the Court's consideration of whether an applicant has established a ground under s 84: see *Vrakas v Registrar of Titles*¹⁹⁹ and *Prowse v Johnstone*.²⁰⁰
173. This is an uncontroversial expression of the law in Victoria.

¹⁹⁸ *Re DVC Management & Consulting Pty Ltd* [2018] VSC 814.

¹⁹⁹ *Vrakas v Registrar of Titles* [2008] VSC 281.

²⁰⁰ *Prowse v Johnstone* [2012] VSC 4.

174. From a public policy perspective, however, although there may be some residual benefit played by restrictive covenants in establishing neighbourhood character, in practice, they represent a private agreement to opt out of the framework for planning the use, development and protection of land in the present and long-term interests of all Victorians.²⁰¹ The end result is that those urban precincts without those contractual protections are left to carry an additional burden of the amenity compromises inherent in urban consolidation.

Matthew Townsend²⁰²
Owen Dixon Chambers

²⁰¹ *Planning and Environment Act 1987*, section 1.

²⁰² With thanks to Thomas Polhill, Eren Ozenir, Ioana Sabau, Claire Tucker-Morison, Lachlan Paterson and John Hajek.