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When Farming Partnership Accounts don't mean what they say

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Wild v Wild – another proprietary estoppel dispute down on the farm

Wild v Wild saw a bitter farming family dispute over who owned Beard Hall Farm in Derbyshire. It pitted Gregory against his brother Malcolm, his mother Jean, and his sister-in-law Abigail.

The farm was in Jean's name as widow of Ben Wild (Gregory and Malcolm's father). But Gregory claimed she held it on trust for the farming partnership – in which the two partners were Gregory and Malcolm.

The farm included a bungalow where Malcolm and Abigail live. So they issued a 'defensive' claim in proprietary estoppel to at least keep hold of the bungalow.

And finally, Malcolm claimed that Gregory's milk round was also a farming partnership asset.

The judge described the partnership as acrimonious. Malcolm had a fairly recent conviction for common assault on Gregory. Remarkably the entire trial only took four days.

Who owned the farm?

Gregory's first argument was that the farm had simply become a partnership asset. His father had *'brought the farm into the partnership stock'* by virtue of allowing the farming partnership to use the farm. That argument was roundly rejected. A partnership can function perfectly well when one partner allows the other partner(s) use of his or her premises or land without those premises or land being converted into an asset of the partnership. That of course is an important principle. Farming partnerships could be fatally damaged if such cooperation led to property being 'appropriated' by the partnership.

However, Gregory's primary case rested on the fact that the partnership accounts, the earliest of which in evidence dated back to 1990, included reference to *'property: £40,750'.* He said that was a reference to the farm.

Malcolm attempted to argue that the entry referred to other assets. That argument in the judge's view lacked any credibility. So Gregory succeeded in showing that the farm had been treated for accounting and tax purposes as a partnership asset.

But that turned out to be a pyrrhic victory.

However, despite concluding that the farm had been shown as an asset in the accounts for many years, the judge held that the accounts, having been settled and signed, could be reopened. The true position is that an account is not conclusive as to whether or not a particular asset is partnership property.

There was evidence of instructions being taken for a will which demonstrated that Ben Wild saw the farm as his property rather than belonging to the partnership.

Critically, the judge thought it inherently unlikely that Ben would have ceded control over the farm when making Gregory a partner at the tender age of 16.

So the judge concluded that the farm was never intended to be in truth an asset of the partnership and therefore belonged to Jean.

Proprietary estoppel

The finding that the farm belonged to Jean meant that the fate of the bungalow was no longer criticised.

Malcolm and Abigail claimed on the basis of proprietary estoppel. In essence they had to establish that Ben had made assurances to them that they would have the bungalow, that they had reasonably relied on those assurances, and that they had done so to their detriment. Even then they still had to establish that it would be reasonable for the bungalow to be transferred to them rather than some alternative remedy.

The judge felt that it was appropriate for the 'equity' to be satisfied by transferring the bungalow to Malcolm and Abigail outright.

The milk round

There was one final argument to be had as to whether Gregory's milk round was an asset of the farming partnership.

The partnership by this stage had been dissolved but even before dissolution the two brothers had operated separate milk rounds, selling milk produced by the partnership dairy herd and accounting to the partnership for income generated.

That arrangement had broken down, perhaps not surprisingly. Gregory claimed that Malcolm had sabotaged his round by supplying milk that was contaminated or had gone off. Malcolm denied 'deliberate sabotage' and said that Gregory's milk round was a continuation of one operated before dissolution of the partnership and therefore it was a partnership asset.

The judge held that despite a change of milk supplier the round was a continuation of that operated before dissolution and the goodwill was a partnership asset. Thus he had to bring in to the partnership account a little over £50,000 before setting off a little over £20,000 expenditure.

Conclusion

If nothing else, Wild v Wild demonstrates the dangers of failing to record accurately how farming assets are owned. Transparency before Ben died might well have avoided many of the difficulties but so might recognition that siblings who cannot abide each other are unlikely to make effective business partners in the long term.

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