

Family Expectations, Unjust Enrichment, and Beneficial Ownership: Lessons from the Family Farm

Litigation & Dispute Resolution | Real Estate | Real Property Limitations Act

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Landowners may have their properties registered “in trust” to try and avoid certain legal consequences such as land merger or income tax. But does the registration of a property “in trust” reflect an intention of the owner to divest themselves of their beneficial interest?

In *Laberge Gareau v. Laberge Gareau*, 2026 ONSC 4669, the Ontario Superior Court of Justice addressed an unfortunate dispute between a mother and her two daughters over ownership of the family farm. The court found that the mother remained the beneficial owner of the property when she registered it in trust for her daughters and that she never intended to give up beneficial ownership. One of the daughters was nevertheless awarded compensation for unjust enrichment in recognition of her “sweat equity” over the years.

Background

The dispute involved an intergenerational family farm in Verner, Ontario. The mother bought the original farm in 1979 and has lived there since. In 1996, she purchased an adjoining parcel of land and title was registered in trust for her two daughters, who were then 12 and 10 years old.

Nearly 30 years later, a dispute arose over ownership of that property. The mother sued for a declaration that she was the beneficial owner, maintaining that, although legal title had been registered in trust for her daughters, she never intended to give them beneficial ownership of the property. One of the daughters (Joanne) claimed an interest in the land based on her years of work on the farm and her mother's repeated assurances that one day the farm would be hers.

The Limitation Issue

A preliminary issue was Joanne's position that her mother's claim was statute-barred by the 10-year limitation period under section 4 of the Ontario *Real Property Limitations Act* (“RPLA”).

However, under section 5(1) of the RPLA, the commencement of a limitation period is postponed where a claimant has been in possession of the land. In the circumstances, the mother's claim was not statute-barred since she remained in continuous possession of the property, continuously received profits through farming, hay sales, and rental income, and had never been dispossessed of the land.

Alternatively, the trial judge found based on the discoverability principle, the limitation period did not begin to run until the mother knew, or reasonably ought to have known, that she had suffered a loss and that a legal claim was an appropriate means to remedy it. In the circumstances, the mother's claim was only discoverable in 2017, when the mother learned that the trust structure limited her ownership rights. Accordingly, it was not statute-barred at the time the action was commenced.

The Law of Resulting Trust

Turning to beneficial ownership, the trial judge applied the well-established principles from *Pecore v. Pecore*, 2007 SCC 17. A gratuitous transfer of property is presumed to create a resulting trust unless the evidence shows that the transferor intended to make a gift. However, transfers from a parent to a minor child are treated differently. In those cases, the presumption of advancement applies, and the law presumes that the transfer was intended as a gift.

The court looked at the mother's intention at the time of the transfer and found that she had rebutted the presumption of advancement. Her evidence, which was accepted, was that she did not place the property in trust to make a gift to her daughters but because of concerns about a potential merger of title with her adjoining property.

Further, the trial judge considered the mother's conduct after the transfer. Among other things, she did not sign a contemplated trust agreement, paid the purchase price and mortgage herself, and continued to use and manage the property as her own for decades. In addition, a 1996 reporting letter from her lawyer stated that, because the land titles system did not recognize a trust, title was registered in the mother's name "as the beneficial owner." The lawyer's letter supported the mother's evidence that she intended to retain beneficial ownership of the property.

Proprietary Estoppel

Joanne further argued that her claim should succeed on the basis of the equitable doctrine of proprietary estoppel, which prevents a person from reneging on a promise relating to land. To succeed, a claimant must show that: (i) a representation or assurance gave rise to an expectation of a property interest or benefit; (ii) the claimant reasonably relied on that expectation; and (iii) the claimant suffered a detriment as a result, such that it would be unfair to allow the promisor to depart from the assurance: *Cowper-Smith v. Morgan*, 2017 SCC 61, at paragraph 15.

Joanne's proprietary estoppel claim failed. Although her mother had repeatedly stated that the farm would one day belong to her daughters, the trial judge found those statements too vague to amount to a clear promise. There was no certainty as to what property would be transferred, when any transfer would occur, or on what terms. The trial judge also noted that Joanne had taken steps over the years to formalize her arrangements with her mother, undermining her claim that she relied on those statements as a definite promise of ownership interest.

Claim for Unjust Enrichment Based Upon "Sweat Equity"

While Joanne's claim for an ownership interest in the property failed, the trial judge nevertheless reasoned that she was entitled to compensation based upon the doctrine of unjust enrichment, which prevents a property owner from unfairly retaining a benefit at another's expense. In a family property context, this can arise where a family member provides unpaid labour, improvements, or other contributions based on the expectation that they will share in or inherit the property.

The evidence at trial showed that Joanne had spent many years working on the farm, assisting with calving, haying, plowing, and other farm operations. The trial judge found that the mother had been unjustly enriched by Joanne's labour and that she was entitled to monetary compensation calculated on *aquantum meruit* basis.

Quantum meruit is the "value received" or "fee-for-services" approach: *Kerr v. Baranow*, 2011 SCC 10, at paragraph 49. A claim in *quantum meruit* allows a person to recover compensation for services provided with a reasonable expectation of compensation where they have not been paid for their work. To succeed, the claimant must generally show that the services were requested or accepted by the recipient.

In the circumstances, while her mother was declared to be the sole owner of the disputed farm property, Joanne was awarded \$170,881.16 on the basis of *quantum meruit* to compensate her for the value of her contributions to the farming operation. The value of benefits Joanne had received, including years of free room and board, was deducted from \$264,481.16.

Conversely, the other daughter's contributions to the property were found to be voluntary gifts to her mother, made without any expectation of compensation, and were not significant enough to support a claim for unjust enrichment.

Conclusion & Takeaways

The decision reaffirms that where the evidence rebuts the presumption that a parent intended to make a gift to a child, beneficial ownership may remain with the parent under a resulting trust. The focus is on the transferor's intention at the time of the transfer.

The case also provides guidance on limitation periods under the *RPLA*. A claim will not necessarily be statute-barred simply because many years have passed. Where a claimant remains in possession of the property or continues to receive its profits, the limitation period may not begin to run, and the discoverability principle may apply.



Contributions to family property, without a clear connection to the acquisition, preservation, maintenance, or improvement of the property itself, may support only a monetary award for unjust enrichment rather than an ownership interest in the land.

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