

Unjust Enrichment: PRASA Corporate Real Estate Solutions v Community Property Company Ltd and Other

(384/2023) [2024] ZASCA 35 (28 March 2024)

INTRODUCTION

“Unjustified enrichment” is a legal principle in which one person gains wealth at the expense of another in a way that is considered unfair or unjust. Governed by common law, this remedy attempts to prohibit an individual from gaining an unfair or unjust advantage at the expense of another.

The Supreme Court of Appeal (“the SCA”) in *PRASA v. Community Property Company (Pty) Ltd and Another (384/2023) [2024] ZASCA 35* explained how it is insufficient to merely assert the four fundamental elements for enrichment, without citing a particular enrichment claim which has already been acknowledged by our legal system. This case analysis will focus on the legal claim of unjustified enrichment which the court used to explain how simply pleading the four general enrichment requirements without basing it on a “specific” claim is insufficient.

BACKGROUND

PRASA (Passenger Rail Agency of South Africa) entered into a property development agreement with Community Property Company Ltd (CPC). The agreement aimed to develop certain properties to enhance PRASA’s real estate portfolio. CPC alleged that PRASA was indebted to CPC for electricity consumption based on an alleged agreement purportedly made during the course of their interactions. Disputes arose when CPC claimed certain electrical consumption charges from PRASA which, CPC alleged, either arose by virtue of an agreement between it and PRASA alternatively resulted in PRASA being unjustly enriched at CPC’s expense.

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COURT HELD

In determining this case, the High Court examined the nature of the contractual relationship between the parties and stated that the parties had not reached an agreement regarding the R3,413,539.53 for the alleged electricity charges. The High Court decided in CPC’s favour regarding its contractual claim but held that the claim had prescribed for the sums accrued between October 2013 and June 2014. The High Court ordered PRASA to make payment to CPC in the sum of R2 607 472.05 plus interest and costs. The high court has granted leave to PRASA to appeal the decision.

Furthermore, CPC advanced a claim based on unjustified enrichment, arguing that PRASA had benefited at their expense without a legal basis. For a successful unjustified enrichment claim under South African law, the claimant must establish five general elements namely: enrichment, impoverishment, a connection between the enrichment and impoverishment, the absence of a legal justification for the enrichment, and the inability to claim restitution through another legal remedy. These elements are in addition to the elements forming the part of the specified enrichment claims recognised in our law.

PRASA appealed the decision of the High Court to the Supreme Court of Appeal (SCA). The SCA upheld the appeal, and instead found that there was no contractual relationship between PRASA and CPC. The Coordination Agreement’s clause 17 was an agreement between Crowie Projects and PRASA, and CPC had not acquired these rights through cession or any other means. In addition, the SCA held the unjustified enrichment claim did not meet the necessary legal standards and decided that while unjustified enrichment can be grounds for a claim, the specifics of this case required a thorough examination of the contractual obligations and the conduct of both parties within the agreement.

In quoting another SCA judgment, *McCarthy Retail Ltd v Shortdistance Carriers CC* (“McCarthy”), the SCA clarified that, while a general enrichment claim based just on the four general conditions might someday be formed, this would only happen in exceptional circumstances. The SCA held the CPC’s claim premised on unjustified enrichment could not succeed as it failed to prove that it was impoverished and, the SCA was of the view that the necessary elements of a specified claim in unjustified enrichment were not proven by CPC. The SCA emphasised that the four general prerequisites for enrichment, cannot be relied upon alone.

Moreover, a plaintiff (the party instituting the proceedings) cannot only try to meet the four basic enrichment requirements without additionally meeting the conditions of a recognized enrichment action where a claim is covered by a specific recognized enrichment action. This is because South African law does not, at least not yet, recognize a general enrichment claim based on these four elements. The SCA accordingly upheld the appeal, set aside the high court order, and replaced it with an order dismissing CPC’s application with costs.

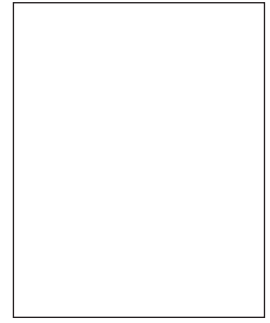
CONCLUSION

This case underscores the importance of clearly establishing the existence and terms of contractual agreements in commercial dealings, as well as the stringent requirements for claims based on unjustified enrichment in South African law. The SCA decided that the notion that a plaintiff can only use the four general enrichment standards to support an unjustified enrichment claim is not supported by the *McCarthy* decision which only accepts the possibility of a general enrichment claim being recognised. Thus, plaintiffs are not exempt from filing particular enrichment actions; rather, their claim should be accommodated by extending an enrichment action.

Please note: Each matter must be dealt with on a case-by-case basis, and you should consult an attorney before taking any action contemplated herein.



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