



FIRST SECTION

CASE OF VAVAN LTD v. ARMENIA

(Application no. 50939/10)

JUDGMENT

STRASBOURG

23 September 2021

This judgment is final but it may be subject to editorial revision.

In the case of Vavan Ltd v. Armenia,

The European Court of Human Rights (First Section), sitting as a Committee composed of:

Krzysztof Wojtyczek, *President*,

Armen Harutyunyan,

Ioannis Ktistakis, *judges*,

and Liv Tigerstedt, *Deputy Section Registrar*,

Having regard to:

the application against the Republic of Armenia lodged with the Court under Article 34 of the Convention for the Protection of Human Rights and Fundamental Freedoms (“the Convention”) by a limited liability company incorporated in Armenia, Vavan Ltd (“the applicant company”), on 3 September 2010;

the decision to give notice to the Armenian Government (“the Government”) of the complaints concerning the interference with the applicant company’s right to the peaceful enjoyment of its possessions and the alleged violation of its right to a fair trial and to declare inadmissible the remainder of the application;

the parties’ observations;

Having deliberated in private on 31 August 2021,

Delivers the following judgment, which was adopted on that date:

INTRODUCTION

1. The application concerns the allegedly unlawful termination of a lease agreement concerning a plot of municipal land and the destruction of commercial property situated on it owned by the applicant company. The applicant company relied on Article 1 of Protocol No. 1 to the Convention. The applicant company also complained – relying on Article 6 of the Convention – of the alleged unfairness of the ensuing civil proceedings.

THE FACTS

2. The applicant company was set up in 2001 and has its registered office in Yerevan. It company was represented by Ms C. Vine and Ms N. Gasparyan, lawyers practising in London and Yerevan, respectively.

3. The Government were represented by their Agent, Mr G. Kostanyan, and subsequently by Mr Y. Kirakosyan, Representative of the Republic of Armenia to the European Court of Human Rights.

4. The facts of the case, as submitted by the parties, may be summarised as follows.

5. On 5 June 2000 the Mayor of Yerevan (“the Mayor”) made a decision to allocate a plot of land measuring 300 sq. m to V., a private entrepreneur at that time. The plot of land was situated in front of the Language Institute

of the National Academy of Sciences of the Republic of Armenia (“the Language Institute”), located at the intersection of Sayat-Nova and Abovyan Streets in central Yerevan.

6. On 29 July 2000 a ten-year land lease was concluded between the Mayor and V., stipulating that the land be used for the purpose of building and running an outdoor café. Clause 5.6 of the land lease contract stated that V., as the lessee, was entitled to request compensation from the Mayor (the lessor) in the event of the early termination of the contract if the land were to be taken in order to meet the needs of the State or the public.

7. In 2001 V. founded the applicant company and later became its director.

8. The construction of the café was completed in 2001. It covered an area of 238 sq. m, and also comprised two pavilions measuring an additional 22.3 sq. m. In 2002 a corresponding ownership certificate was issued in respect of the property (that is to say, the pavilions and the café).

9. On 26 November 2001 the applicant company lodged an application with the office of the Mayor of Yerevan (“the Mayor’s Office”) for an extension of the term of the lease.

10. Having taken into consideration the size of the investment that had been made into the reconstruction of the property’s infrastructure and improvements to the surrounding area, on 24 December 2001 the Mayor allowed the applicant company’s application and decided to extend the term of the lease to twenty-five years.

11. The café was popular among the residents of Yerevan and, according to the applicant company, served on average between 800 and 1,000 customers per day.

12. On 13 September 2002 the applicant company signed a new lease contract with the Mayor’s Office. Clause 4.5 of the contract stipulated that the lessee (the applicant company) would be entitled to claim compensation for damage incurred in the event of the premature unilateral termination of the contract. Under clause 20.1, the Mayor’s Office was entitled to terminate the contract prematurely and unilaterally if the applicant company defaulted by more than three months on the payment of rent.

13. On 2 November 2003 the Government (i) adopted Decree no. 1310-N permitting the National Academy of Science to donate the building and the auxiliary structures of the Language Institute to the Armenian Apostolic Church for the purpose of building a patriarchate in Yerevan and (ii) authorised the Mayor to procure the documentation needed for the transfer of the buildings and auxiliary structures and the plots of land that were occupied by them or needed for their maintenance.

14. The applicant company continued operating its café. In the Government’s submission, the operation of the café after the adoption of Government Decree no. 1310-N was not hindered in any way. The applicant

company disputed this, arguing that the demolition work on the Language Institute had had a detrimental impact on the operation of the café.

15. By a letter of 26 August 2008 the Mayor's Office informed the applicant company that, pursuant to Government Decree no. 1310-N, it was necessary for it to cease operating the café, remove the structures erected, and restore the land to its original condition within three days.

16. On 28 August 2008 the Mayor annulled the decision of 5 June 2000 and unilaterally terminated the land lease contract concluded with the applicant company. In doing so, he cited Government Decree no. 1310-N. The Mayor also noted that the applicant company had a considerable amount of outstanding debt arising from unpaid rent and the related penalty charges.

17. By a letter dated 29 August 2008 the Mayor's Office informed the applicant company of the Mayor's decision issued on 28 August 2008 and suggested that the applicant company sign an agreement on the termination of the lease and at the same time cease using the land and vacate it. The letter did not specify a time-limit for performing those actions.

18. On 30 August 2008 police officers and representatives of the Mayor's Office had the café and its fixtures and fittings demolished.

19. On 12 September 2008 the applicant company commenced civil proceedings against the Mayor's Office, lodging a claim for compensation in the amount of the market value of its demolished property. The applicant company based its claim on the argument that the premature termination of the land lease contract had not been carried out in accordance with the Civil Code (under which such a termination could be unilaterally carried out only following a court decision). Subsequently the Ministry of Finance became involved in the proceedings as a co-defendant.

20. On 7 November 2008 Karutsaget Ltd. (a licensed valuation company) produced a valuation report at the applicant company's request. According to the report, the market value of the café, as estimated in the relevant ownership certificate (see paragraph 7 above), was between 185,000,000 drams (AMD) and AMD 215,000,000 (between approximately 470,000 euros (EUR) and EUR 550,000 at the material time). On the basis of that valuation report the applicant company lodged a compensation claim in the amount of AMD 100,000,000 for losses incurred as a result of the termination of the lease.

21. The respondents submitted their objections to the compensation claim, arguing that the lease contract had not been terminated and the property expropriated in order to meet a public need; rather, that had simply been a consequence of the applicant company's failure to pay rent on the property since 2006.

22. On 25 March 2009 the Ministry of Finance lodged additional objections to the applicant company's claim, contesting the admissibility of the valuation report prepared by Karutsaget Ltd. on the grounds that it had

not complied with the legal requirements (for which reason Karutsaget Ltd.'s licence had subsequently been suspended).

23. On 5 June 2009 the Kentron and Nork-Marash District Court of Yerevan (the District Court) dismissed the applicant company's claim. The District Court found it established, *inter alia*, that the real estate valuation licence granted to Karutsaget Ltd. had been suspended by the State Real Estate Registry because an examination of its 7 November 2008 valuation report had revealed that it had been compiled in violation of the relevant legislation and that the property values set out in the report had been overestimated and unrealistic. Accordingly, the District Court could not accept the valuation report as proper evidence.

24. On 3 July 2009 the applicant company appealed against the judgment of the District Court. It argued, in particular, that the valuation report had been drawn up in accordance with the legal requirements and submitted that if the District Court had had doubts regarding the admissibility of that evidence it could have obtained its own expert valuation of the market value of the café. It furthermore argued that by having dismissed its claim without providing any legal grounds or proper reasoning, the District Court had violated its right to property, as guaranteed by the Constitution and the Convention.

25. On 24 December 2009 the Civil Court of Appeal dismissed the applicant company's appeal and upheld the judgment of the District Court in full. It found in particular that (i) the termination of the lease had been implemented in conformity with the law and that the submissions concerning the violation of the applicant company's rights, as guaranteed by the Constitution and the Convention, were consequently ill-founded, (ii) the valuation report prepared by Karutsaget Ltd. had been correctly assessed by the District Court in the light of other evidence in respect of the case in question, and (iii) the District Court had not been under a duty to obtain an alternative expert opinion for the purpose of calculating the applicant company's losses.

26. On 25 January 2010 the applicant company lodged an appeal on points of law.

27. On 3 March 2010 the Court of Cassation declared the applicant company's appeal inadmissible for lack of merit.

RELEVANT LEGAL FRAMEWORK

RELEVANT DOMESTIC LAW

A. The Constitution of 1995 (following the amendments introduced on 27 November 2005, in force as of 6 December 2005)

28. Under Article 19, everyone has the right to a public hearing of his case by an independent and impartial court within a reasonable time, in conditions of equality and with respect for all the requirements of a fair trial, in order to have his violated rights restored and the validity of the charge against him determined.

29. Under Article 31, everyone has the right to dispose of, use, manage and bequeath his property in the way he sees fit. No one can be deprived of his property, save by a court in cases prescribed by law. Property may be expropriated for the needs of society and the State only in exceptional cases of paramount public interest, in a procedure prescribed by law and with prior equivalent compensation.

B. The Civil Code (in force since 1 January 1999)

30. The relevant provisions of the Civil Code provide the following:

Article 466

Grounds for amending and terminating a contract

“1. The amendment and termination of a contract can be carried out by agreement of the parties [concerned], unless otherwise stipulated by law or the contract.

2. A contract may be amended or terminated by a court at the request of one of the parties only in the event of an essential breach of the contract by the other party or in other circumstances provided by law or the contract.

3. ...”

Article 622

Premature termination of a contract at the lessor’s request

“At the lessor’s request the lease contract can be prematurely terminated by a court if the lessee:

1) has used the property while substantially or repeatedly departing from the terms of the contract or the purpose of the property;

2) has substantially worsened the condition of the property;

3) has failed more than twice to pay rent after the expiry of the time-limit for such payment, as established by the contract [in question] ;

4) ...

Under Article 466 § 2 of the present Code, a lease contract may also provide other grounds for the termination of that contract at the lessor's request.”

C. The Land Code (in force since 15 June 2001)

31. Under Article 100 § 2, a land lease or right to use land may be terminated on the grounds provided by law or on the grounds prescribed in the contract governing that lease or such use.

D. The Code of Civil Procedure (in force since 1999)

32. Under Article 60 § 1, in order to clarify issues requiring specialised knowledge that might arise during the examination of a case, a court may order a forensic examination either in response to an application submitted by a party (or parties) or on its own initiative.

E. The Law on the Alienation of Property for the Needs of Society and the State (in force since 30 December 2006)

33. Under Article 13 § 1, if an alienation contract is not entered into within seven days of the relevant compensation sum being deposited in a holding account by the purchaser, or if the property is not alienated in accordance with Article 12 of this law, the purchaser must lodge an alienation claim with a court within one month.

F. Government Decree No. 1310-N of 2 October 2003 on the transfer of a building and auxiliary structures to the Armenian Apostolic Church

34. The above Decree states as follows:

“The Government of the Republic of Armenia hereby resolves:

1. to permit the National Academy of Sciences of the Republic of Armenia to transfer to the Armenian Apostolic Church the building and the auxiliary structures (workshops) of the Language Institute of the National Academy of Sciences of the Republic of Armenia and the Institute of Economics of the National Academy of Sciences of the Republic of Armenia, located at the intersection of Sayat-Nova and Abovyan Streets in the city of Yerevan, for the purpose of building a patriarchate in Yerevan.

2. to entrust the Mayor of Yerevan with the preparation of the documents necessary for the transfer of the building and the auxiliary structures (workshops), as well as the land occupied by them and necessary for their maintenance, located at the intersection of Sayat-Nova and Abovyan Streets.”

THE LAW

I. ALLEGED VIOLATION OF ARTICLE 1 OF PROTOCOL NO. 1 TO THE CONVENTION

35. The applicant company complained that (i) it had been unlawfully deprived of its possessions, since the early termination of the land lease had not been carried out in accordance with the law or for a legitimate purpose, and (ii) the early termination had imposed an excessive burden on it, as no compensation had been awarded. It relied on Article 1 of Protocol No. 1 to the Convention, which reads as follows:

“Every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law.

The preceding provisions shall not, however, in any way impair the right of a State to enforce such laws as it deems necessary to control the use of property in accordance with the general interest or to secure the payment of taxes or other contributions or penalties.”

A. Admissibility

36. The Court notes that this complaint is neither manifestly ill-founded nor inadmissible on any other grounds listed in Article 35 of the Convention. It must therefore be declared admissible.

B. Merits

1. *The parties' submissions*

37. The applicant company submitted that there had been an interference with its possessions. That interference had been incompatible with the guarantees of Article 1 of Protocol No. 1, since the applicant company had been deprived of its possessions and the respondent Government had failed to provide any compensation for them.

38. The Government maintained that there had been no interference with the applicant company's possessions and that the termination of the lease had been in line with the contract and the relevant provisions of domestic law. Furthermore, the termination of the lease had been foreseeable to the applicant company and, given the circumstances, no issue of compensation had arisen. In particular, the applicant company had owed rent, which had constituted valid grounds for the local authority terminating the lease that had previously been granted to it.

2. *The Court's assessment*

(a) **The existence of “possessions” within the meaning of Article 1 of Protocol No. 1**

39. The Court reiterates that, according to the established case-law of the organs of the European Convention, “possessions” can be “existing possessions” or assets (including claims) in respect of which the applicant can argue that he has at least a “legitimate expectation” of obtaining the effective enjoyment of a property right (see, among other authorities, *Pine Valley Developments Ltd and Others v. Ireland*, 29 November 1991, § 51, Series A no. 222).

40. In the present case, the applicant company initially entered into a contract to lease land from the Mayor’s Office for a term of ten years (see paragraph 6 above). By a further agreement dated 13 September 2002 the term of the lease was extended to twenty-five years (see paragraph 12 above). By that time the applicant company had already completed the construction of the café, having made the relevant investments into the development of the municipal land in question (see paragraph 8 above). However, prior to the expiry of the lease (on 26 August 2008) the applicant company was given notice to vacate the land (see paragraph 15 above). Within days the lease was unilaterally terminated by the local authority and the property that the applicant company had erected on the land was demolished (see paragraphs 16 and 18 above).

41. The Court reiterates that in certain cases it has considered a lease to constitute a proprietary interest attracting the protection of Article 1 of Protocol No. 1 (see *Stretch v. the United Kingdom*, no. 44277/98, §§ 32-35, 24 June 2003, and *Di Marco v. Italy*, no. 32521/05, §§ 48-53, 26 April 2011).

42. The Court considers, given the circumstances of this case, that the applicant company, in view of the property rights granted to it by the Mayor’s Office under the lease, must be regarded as having had a property interest eligible for protection under Article 1 of Protocol No. 1.

(b) **Whether there was an interference with the applicant company’s possessions**

43. The Court notes that the Government contended that the Mayor’s Office had been entitled to unilaterally terminate the lease in the event that the applicant company owed a significant amount in rental payments. Therefore, the early termination of the lease could not have amounted to an interference with the applicant company’s possessions. It observes, however, that the letter of 26 August 2008 did not refer to arrears in rent as a reason for the applicant company having to cease the operation of its business on the premises; rather, it referred to the existence of a government decree whereby, *inter alia*, plots of land occupied by the building and the

auxiliary structures of the Language Institute (which apparently included the plot of land leased to the applicant company) were to be transferred to the Armenian Apostolic Church (see paragraphs 13 and 15 above). Furthermore, none of the judicial decisions in the ensuing civil proceedings referred to the delay in paying rent as constituting legal grounds for the termination of the lease (see paragraphs 23 and 25 above). Against this background, the Court is of the view that the premature termination of the applicant company's lease by the Mayor's Office amounted to an interference with its possessions.

44. Whether it is regarded as interference with the peaceful enjoyment of the applicant company's possessions within the meaning of the first sentence of Article 1 or as a deprivation of possessions within the meaning of the second sentence, the same principles apply in the present case and require that the measure be justified, in accordance with requirements of Article 1, as interpreted by the established case-law of the Court (see, among other authorities, *Gasus Dosier- und Fördertechnik GmbH v. the Netherlands*, 23 February 1995, § 55, Series A no. 306-B).

(c) Whether the interference was justified

45. According to the Court's well-established case-law, an interference must comply with the principle of lawfulness and pursue a legitimate aim by means reasonably proportionate to the aim sought to be realised (see, for example, *Beyeler v. Italy* [GC], no. 33202/96, §§ 108-114, ECHR 2000-I).

46. An interference with the peaceful enjoyment of possessions must nevertheless strike a "fair balance" between the demands of the public or general interest of the community and the requirements of the protection of the individual's fundamental rights. The concern to achieve this balance is reflected in the structure of Article 1 as a whole, which is to be read in the light of the general principle enunciated in the first sentence. In particular, there must be a reasonable relationship of proportionality between the means employed and the aim sought to be realised by any measure depriving a person of his possessions or controlling their use. Compensation terms under the relevant legislation are material to the assessment of whether the contested measure respects the requisite fair balance and, notably, whether it does not impose a disproportionate burden on the applicant (see *Former King of Greece and Others v. Greece* [GC], no. 25701/94, § 89, ECHR 2000-XII). In this connection, the taking of property without payment of an amount reasonably related to its value will normally constitute a disproportionate interference that cannot be justified under Article 1 of Protocol No. 1. This provision does not, however, guarantee a right to full compensation in all circumstances, since legitimate objectives of "public interest" may call for reimbursement of less than the full market value (see, in particular, *Papachelas v. Greece* [GC], no. 31423/96, § 48, ECHR 1999-II).

47. The Court notes that it is not in dispute that the applicant company defaulted on its rental payments. The applicant argued, however, that the Mayor's decision to terminate the lease prematurely had been taken in order to give effect to the terms of the Government Decree no. 1310-N. While the discovery of rent arrears could have given the Mayor's Office the right to lodge an application under Articles 466 and 622 of the Civil Code for a court order that the applicant company's lease be terminated, that was not the course taken by the Mayor. Instead, he terminated the lease unilaterally, without recourse to court proceedings (see paragraph 16 above).

48. It is not the Court's task to give a ruling as to whether, under Armenian law, a lease can be validly terminated without a relevant judicial decision – especially in view of the fact that the domestic courts did not pronounce on the issue. Specifically, the District Court did not address the issue (raised by the applicant company in its claim) of the unlawfulness of the premature unilateral termination of the lease – even though the Court of Appeal had made a general statement that the measure had been lawful, without elaborating any further on the issue (see paragraphs 19, 23 and 25 above). The Court can, however, rule on the compatibility with the Convention of the manner in which the applicant company's proprietary interest in the land at issue purportedly came to an end.

49. The Court observes in this respect that the Government issued a decree in November 2003 ordering the transfer of the plots of land occupied by the Language Institute and its auxiliary structures – which apparently included the plot of land measuring 300 sq. m. leased to the applicant company – to the Armenian Apostolic Church (see paragraph 13 above). There is nothing in the case-material to indicate that the applicant company, prior to the letter of 26 August 2008, was officially notified of the authorities' intention to terminate its lease. Notably, the letter of 26 August 2008, which gave the applicant company a three-day time-limit to dismantle the café and vacate the premises, contained no mention of rent arrears (see paragraph 15 above), while there is equally nothing to indicate that the Mayor's Office previously drew the applicant company's attention to the fact that it had fallen into arrears with its rental payments.

Thereafter, even before the expiry of the above three-day time-limit, the Mayor took a decision on 28 August 2008 to terminate unilaterally the lease in the light of, *inter alia*, rent arrears on the part of the applicant company (see paragraph 16 above). The applicant company was informed of that decision by the letter of 29 August 2008, while on 30 August 2008 the café was completely demolished (see paragraphs 17 and 18 above).

50. The Court considers that that manner of proceeding was not an acceptable means of terminating the applicant company's twenty-five-year lease and cannot be said to have respected the rights enshrined in Article 1 of Protocol No. 1 (see *Bruncrona v. Finland*, no. 41673/98, § 86, 16 November 2004).

51. Lastly, the Court notes that the applicant company was not compensated for its financial losses as a result of the premature termination of the lease, even though the contract directly provided such an obligation on the part of the Mayor's Office, as the lessor of the plot of land in question (see 12 above). Notably, the fact that the applicant company was entitled to receive compensation was never refuted by the domestic courts, which nevertheless rejected its claims in that respect, finding that the valuation submitted in support of its compensation claim was invalid (see paragraphs 23 and 25 above). The Court notes, however, that even if the valuation submitted by the applicant company was indeed not admitted and its claims were not found to be ill-founded, the domestic courts did not appoint an expert to carry out an independent valuation – which they were entitled to do under domestic law (see paragraph 32 above) – or provide the applicant company with an opportunity to produce an alternative valuation. As a result, the applicant company's compensation claim was rejected in full.

52. Having regard to those considerations, the Court finds that in this case there was a disproportionate interference with the applicant company's peaceful enjoyment of its possessions and therefore concludes that there has been a violation of Article 1 of Protocol No. 1 to the Convention.

II. ALLEGED VIOLATION OF ARTICLE 6 OF THE CONVENTION

53. The applicant company complained under Article 6 § 1 of the Convention that its right to a fair trial had not been respected since the District Court had not accepted the valuation report submitted by it, and neither had it ordered an expert valuation or otherwise determined the amount of compensation to be awarded to it. The relevant parts of Article 6 § 1 read as follows:

“In the determination of his civil rights and obligations ... everyone is entitled to a fair ... hearing.”

54. The Court notes that the issues raised under this Article are similar to those examined above under Article 1 of Protocol No. 1 to the Convention (see paragraph 51 above). Having regard to its finding under that Article (see paragraph 52 above), the Court considers that it is not necessary to examine whether, in this case, there has also been a violation of Article 6 of the Convention.

III. APPLICATION OF ARTICLE 41 OF THE CONVENTION

55. Article 41 of the Convention provides:

“If the Court finds that there has been a violation of the Convention or the Protocols thereto, and if the internal law of the High Contracting Party concerned allows only partial reparation to be made, the Court shall, if necessary, afford just satisfaction to the injured party.”

A. Damage

56. The applicant company claimed AMD 100,000,000 (approximately EUR 177,000) in respect of pecuniary damage. The claimed amount was to compensate it for the financial losses directly incurred as a result of the premature termination of its lease – that is to say the value of the outdoor café and the two pavilions. In support of its claim, the applicant company submitted valuation letters provided by two real estate valuation companies that confirmed that the market value of the café and pavilions at the material time had been between AMD 180,000,000 and AMD 220,000,000 (approximately EUR 318,000 and EUR 389,000). The applicant company also submitted that it claimed the same amount that it had claimed before the domestic courts (see paragraph 20 above).

57. The Government submitted that no pecuniary award should be made. However, in the event that the Court found a violation and decided to make a pecuniary award, the amount of compensation should be reduced, since the applicant company’s claims were excessive.

The Government questioned the validity of the valuation reports provided by the applicant company in support of its claims, stating that they were simply information letters and not expert valuation reports that could be considered to constitute admissible evidence under domestic law for the purpose of determining the potential market value of the property. In addition, the estimates contained in those letters were similar to the estimate made by Karutsaget Ltd., which was considered to have been excessive at the relevant time.

58. The Court’s case-law establishes that there must be a clear causal connection between damage claimed by an applicant and the cited violation of the Convention (see, amongst other authorities, *Stretch*, cited above, § 47). The Court observes in this connection that the café and the two pavilions owned by the applicant company had been demolished by the local authorities as a consequence of their decision to terminate the lease. The Court considers therefore that the applicant company can claim to have suffered a loss in that connection.

59. Nonetheless, the Court considers that the sums claimed by the applicant are too high and finds merit in the Government’s criticisms regarding the estimates provided by the applicant company. In particular, the two valuation letters submitted by the applicant company in support of its claims contained roughly the same estimate as that provided at the material time by Karutsaget Ltd., which had been considered excessive (see paragraphs 20 and 23 above). Even though the Court is not bound by the

legal requirements of domestic law, the Court cannot fail to observe that the relevant letters from the two companies in question contained estimates of the probable market value of the property that were based, *inter alia*, on V.'s statement concerning the investments made into the café, the expenses arising from it and the income that had accrued from it – none of which was supported by any documentary evidence in that respect. Furthermore, those letters did not contain a detailed expert valuation report that included details concerning the methodology used or any references to previous specialist opinions or to any other data relied on, except that provided by the applicant company (see *Maharramov v. Azerbaijan* (just satisfaction), no. 5046/07, § 17, 9 May 2019). Accordingly, the Court considers that the valuation letters produced by the applicant company cannot be accepted as fully reliable (see, *mutatis mutandis*, *Vardanyan v. Armenia* (just satisfaction), 8001/07, § 35, 25 July 2019).

60. That said, the Court observes that the Government in their turn failed to submit a valuation report estimating the potential market value of the applicant company's property at the material time. Accordingly, in determining the appropriate amount of compensation, the Court will have to make an assessment on an equitable basis (see, *mutatis mutandis*, *Former King of Greece and Others v. Greece* (just satisfaction) [GC], no. 25701/94, § 79, 28 November 2002).

61. Making an overall assessment of the relevant considerations, the Court deems it equitable to award the applicant company a lump sum of EUR 100,000, plus any tax that may be chargeable on that amount, as compensation for the pecuniary damage sustained.

B. Costs and expenses

62. The applicant company claimed 16,750 euros (EUR) and 15,210 pounds sterling (GBP) in respect of legal costs incurred before the Court. The applicant company submitted time sheets stating the hourly rates charged by its domestic and foreign-based lawyers.

63. The Government submitted that the claims in respect of the domestic and foreign-based lawyers had not been duly substantiated with documentary proof, since the applicant company had failed to produce any contracts certifying that there had been an agreement with those lawyers for them to provide legal services. Furthermore, the applicant company had used the services of an excessive number of lawyers.

64. According to the Court's established case-law, costs and expenses will not be awarded under Article 41 unless it is established that they were actually incurred, were necessarily incurred and were also reasonable as to quantum (see *Iatridis v. Greece* (just satisfaction) [GC], no. 31107/96, § 54, ECHR 2000-XI). In the present case the applicant company was represented by several lawyers. In view of the material before it, the Court considers

that not all the legal costs claimed were necessarily and reasonably incurred; for example, there was a significant duplication in the work carried out by the applicant company's domestic and foreign representatives, as set out in the relevant time sheets. Therefore, the claim cannot be allowed in full and a considerable reduction must be applied. Accordingly, the Court awards the applicant company EUR 1,500 in respect of costs and expenses, plus any tax that may be chargeable to the applicant company.

C. Default interest

65. The Court considers it appropriate that the default interest rate should be based on the marginal lending rate of the European Central Bank, to which should be added three percentage points.

FOR THESE REASONS, THE COURT, UNANIMOUSLY,

1. *Declares* the application admissible;
2. *Holds* that there has been a violation of Article 1 of Protocol No. 1 to the Convention;
3. *Holds* that there is no need to rule separately on the applicant company's complaint under Article 6 of the Convention;
4. *Holds*
 - (a) that the respondent State is to pay the applicant company, within three months, the following amounts, to be converted into the currency of the respondent State at the rate applicable at the date of settlement:
 - (i) EUR 100,000 (one hundred thousand euros), plus any tax that may be chargeable, in respect of pecuniary damage;
 - (ii) EUR 1,500 (one thousand five hundred euros), plus any tax that may be chargeable to the applicant company, in respect of costs and expenses;
 - (b) that from the expiry of the above-mentioned three months until settlement simple interest shall be payable on the above amounts at a rate equal to the marginal lending rate of the European Central Bank during the default period, plus three percentage points;
5. *Dismisses* the remainder of the applicant company's claim for just satisfaction.

VAVAN LTD v. ARMENIA JUDGMENT

Done in English, and notified in writing on 23 September 2021, pursuant to Rule 77 §§ 2 and 3 of the Rules of Court.

Liv Tigerstedt
Deputy Registrar

Krzysztof Wojtyczek
President