Trustee Disputes: When Beneficiaries and Trustees Disagree Over Trust Administration

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A trust is supposed to make things easier. It can keep assets out of probate, protect family privacy, and provide for loved ones over time. When the person who created the trust dies or becomes incapacitated, control passes to a trustee, and the beneficiaries must rely on that person to follow the trust's terms. When the trust holds significant assets, such as investment portfolios, closely held businesses, or family real estate, disagreements can arise and escalate quickly.

Trustee disputes can be among the most emotional forms of estate litigation, especially when they pit siblings or other relatives against one another. This information is for South Carolina beneficiaries who have concerns about how a trust is being managed, and for trustees facing questions or accusations about their decisions. It covers common sources of conflict, the duties South Carolina law places on trustees, and the ways these disputes can be resolved, whether in Charleston or elsewhere in the state.

Common Sources of Conflict

Most trustee disputes fall into a few familiar categories:

- **Distributions:** A beneficiary believes the trustee is withholding money the trust allows, or a trustee believes a requested distribution goes beyond what the trust permits.
- **Investments:** Beneficiaries question whether the trustee is managing assets wisely, particularly when a portfolio loses value or sits in low-return holdings.
- **Lack of information:** Beneficiaries cannot get statements, accountings, or straight answers about what the trust owns.
- **Conflicts of interest:** The trustee is also a beneficiary, a family member, or a business partner, and their decisions appear to benefit themselves.
- **Family property:** Disagreements over whether to sell, keep, or rent a family home, beach property, or land that has been in the family for generations.
- **Fees and delays:** Beneficiaries believe the trustee is charging too much or taking too long to administer the trust.

What South Carolina Law Requires of Trustees

The South Carolina Trust Code, found in Title 62, Article 7 of the South Carolina Code, sets out the duties every trustee owes. Among the most important:

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- **Duty to administer in good faith:** A trustee must follow the trust's terms and purposes and act in the interests of the beneficiaries (§ 62-7-801).
- **Duty of loyalty:** A trustee must administer the trust solely in the interests of the beneficiaries. Transactions involving a conflict between the trustee's personal interests and the trust's interests are generally voidable by an affected beneficiary (§ 62-7-802).
- **Duty of impartiality:** When a trust has more than one beneficiary, the trustee must treat them fairly, considering their different interests (§ 62-7-803).
- **Duty of prudent administration:** A trustee must use reasonable care, skill, and caution (§ 62-7-804). South Carolina's Uniform Prudent Investor Act (§ 62-7-933) also governs how trust assets are invested.
- **Duty to inform and report:** A trustee must keep qualified beneficiaries reasonably informed about the trust and its administration and respond to reasonable requests for information (§ 62-7-813).

Not Every Disagreement Is a Breach

Many trusts give the trustee discretion over distributions, investments, or the sale of property. A beneficiary's frustration with a trustee's decision does not automatically mean the trustee did something wrong. South Carolina law requires discretionary powers to be exercised in good faith and in line with the trust's terms and purposes, but courts generally do not second-guess a trustee's reasonable judgment.

The key question is usually whether the trustee acted reasonably, honestly, and within the authority the trust provides. Self-dealing, ignoring the trust's terms, refusing to provide information, or mismanaging assets through carelessness are different matters.

How Trustee Disputes Can Be Resolved

Many disputes can be resolved without a lawsuit. A formal written request for an accounting or other trust documents often clarifies what is happening. If it does not, negotiation or mediation may lead to a solution.

When those efforts fail, the matter may go to court. In South Carolina, the probate court generally has jurisdiction over trust matters, though some cases can be moved to circuit court. A court has broad power to address a breach of trust. Under § 62-7-1001, remedies can include:

- Ordering the trustee to perform their duties
- Stopping the trustee from taking a harmful action
- Requiring the trustee to repay losses to the trust
- Reducing or denying the trustee's compensation
- Voiding an improper transaction
- Appointing a special fiduciary to take over trust property
- Suspending or removing the trustee

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Removal is available under § 62-7-706 for reasons such as a serious breach of trust, unfitness, or a persistent failure to administer the trust effectively. A court may also remove a trustee when circumstances have substantially changed or when all qualified beneficiaries request it. In those situations, removal must serve the interests of all beneficiaries, must not be inconsistent with a material purpose of the trust, and requires a suitable replacement to be available.

Deadlines Apply

Beneficiaries do not have unlimited time to take action. Under § 62-7-1005, if a trustee sends a report that adequately discloses a potential claim and explains the time limit for bringing it, the beneficiary may have as little as one year to file. If no such report is sent, a claim generally must be brought within three years after the first of these events:

- The trustee's removal, resignation, or death
- The end of the beneficiary's interest in the trust
- The termination of the trust

A beneficiary who suspects a problem should not wait to get advice.

Guidance for Trustees

Trustees face real risk in these disputes, too. Serving as a trustee for family members can put a person in a difficult position, especially when siblings or other relatives disagree about what the trust's creator wanted. Trustees can protect themselves by:

- Keeping detailed records of every decision and the reasons for it
- Providing regular, clear reports to beneficiaries
- Hiring qualified investment, tax, and valuation professionals when needed
- Avoiding any transaction that benefits them personally
- Asking the court for instructions when the trust's terms are unclear

A trustee who acted in good faith may be able to have legal fees paid from the trust, but that is not guaranteed.

Speak With Charleston Trust and Estate Litigation Attorneys

Trustee disputes often involve family relationships, significant assets, and strict legal standards. Whether you are a beneficiary concerned about how a trust is being handled or a trustee facing accusations, you need counsel who understands both the law and the people involved.

Rosen Hagood has served South Carolina clients for more than 75 years. Our firm combines the personal attention of a small practice with the experience to handle complex probate,

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