

Study on the Protection Mechanism of Reliance Interests Within the Framework of Administrative Compensation

Pengfei Bao^{1*}

¹ Dalian Ocean University, Liaoning, China

* Correspondence: okaybpf@163.com

<https://doi.org/10.53104/curr.res.law.pract.2025.07003>

Received: 2 July 2025

Revised: 21 July 2025

Accepted: 25 July 2025

Published: 11 August 2025

Citation: Bao, P. (2025). Study on the Protection Mechanism of Reliance Interests Within the Framework of Administrative Compensation. *Current Research in Law & Practice*, 3(1), 32-40.

Copyright: © 2025 by the authors. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

Abstract: In modern rule-of-law societies, the administrative compensation system serves as an essential legal means to safeguard the legitimate rights and interests of citizens, legal persons, and other organizations. The improvement of this system is directly linked to the realization of social fairness and justice. The protection of reliance interests, as one of the core concepts in the field of administrative compensation, has rich connotations and a broad scope. It concerns the legality and rationality of administrative actions, as well as the reasonable trust that citizens place in such actions. In administrative compensation cases, whether reliance interests are protected is not only related to whether the damaged parties can obtain adequate and reasonable compensation but also to the establishment and maintenance of government credibility and the advancement of building a government based on the rule of law.

Keywords: protection of reliance interests; administrative compensation; protection mechanism

1. Research Background

At present, there are still many deficiencies in the protection mechanism of reliance interests in the field of administrative compensation in China. On the one hand, the relevant laws and regulations do not clearly define reliance interests, resulting in a lack of unified standards and basis for determining which reliance interests should be protected and how to define the scope of reliance interests in practice. For example, although the “State Compensation Law” mentions administrative compensation, it does not provide detailed provisions on the specific connotation and constituent elements of reliance interests. This makes it difficult for courts to accurately grasp the

recognition standards of reliance interests when hearing administrative compensation cases involving reliance interests in judicial practice, thereby affecting the determination of compensation liability and the calculation of compensation amounts. On the other hand, the administrative compensation procedure pays insufficient attention to the protection of reliance interests. In the stages of application, acceptance, and trial of administrative compensation, there is a lack of effective procedural provisions and safeguard measures for the investigation, recognition, and protection of reliance interests. For example, in the application stage of administrative compensation, applicants may fail to fully and accurately state the

damage to their reliance interests due to a lack of professional legal guidance, resulting in administrative organs or courts failing to fully recognize the existence and importance of reliance interests. In the trial stage, there are also no clear rules for the allocation of the burden of proof and the examination of evidence regarding reliance interests, making the protection of reliance interests procedurally difficult. In addition, from a social perspective, the public's understanding and awareness of the protection of reliance interests are also insufficient. Some citizens, legal persons, and other organizations fail to fully realize the reliance interests they possess when facing administrative actions, and that they can seek relief through administrative compensation when their reliance interests are damaged by illegal or improper administrative actions. This lack of awareness not only causes some damaged parties to miss the opportunity to protect their legitimate rights and interests, but also affects the effective implementation of the protection mechanism of reliance interests and the public's trust in the administrative compensation system.

Based on the above background, exploring the protection mechanism of reliance interests in the field of administrative compensation has important practical significance. By in-depth research on the connotation, constituent elements, and protection mechanism of reliance interests, we can not only provide theoretical support and practical guidance for the improvement of China's administrative compensation system, but also better protect the legitimate rights and interests of citizens, legal persons, and other organizations, and maintain social fairness and justice. At the same time, it will also help to improve the level of law-based administration of the government, enhance government credibility, promote the construction of a rule-of-law government, and drive the harmonious and stable development of society.

2. Theoretical Basis of the Protection of Reliance Interests

Concept of Reliance Interests: Reliance interests refer to the interests that one party generates based on a reasonable trust that the other party will enter into a contract or administrative action with them. In law, reliance interests are usually manifested as losses suffered due to a change in one's situation because of trust in the other party's actions. For example, in contract law, if one party incurs expenses or misses other opportunities due to trust in the other party's promise, and the other party fails to fulfill the promise, then the losses suffered by that party due to trust are considered reliance interests. The principle of reliance protection originated in Germany in the 1950s and aims to address the relationship between public power and private rights, ensuring that the legitimate interests formed by citizens' reasonable arrangements based on good faith trust in the legal status are recognized and protected by law. In administrative law, if an administrative action is invalid or revoked, and the relative party suffers losses due to trust in that action, such losses also fall within the scope of reliance interests. Administrative organs play an important role in the development of the principle of reliance protection, but they have long been neglected by academia. The "behavioral repetitiveness review standard" and the "subjective fault review standard" can be extracted from administrative experience to enrich the theoretical connotation of the principle of reliance protection and provide specific standards for judicial review. These standards can serve as institutional templates in future administrative procedural codes. (Wang Zichen, 2021)

2.1 Characteristics of Reliance Interests

Transactional: Reliance interests typically arise in the course of transactions, with the purpose of safeguarding transactional security.

Staged: Reliance interests mainly occur during the stages before a contractual relationship is established or after it has been terminated.

Statutory: The occurrence and remedies for reliance interests are explicitly stipulated by law.

Inherent and Cost-related: Reliance interests are part of the existing interests of the parties involved and involve the necessary costs incurred due to trust.

Dual Nature: Reliance interests can be both property-related and may involve personal aspects.

2.2 Theoretical Foundations of Reliance Interest Protection

2.2.1 Principle of Good Faith

The principle of good faith is the most direct theoretical source of reliance interest protection. In civil law, the principle of good faith requires that civil subjects follow the principle of honesty and integrity when engaging in civil activities and must not engage in fraudulent or concealing behaviors. In the field of administrative law, this principle is equally applicable, requiring administrative authorities to act in good faith and not to arbitrarily change, revoke, or abolish administrative actions already made. The principle of reliance protection is based on the principle of good faith, emphasizing that the reasonable trust of administrative counterparts in administrative actions should be protected.

2.2.2 Principle of Legal Stability

The principle of legal stability is another important theoretical basis for the protection of reliance interests. This principle requires the stability of legal relations to maintain social order and the authority of the law. When administrative counterparts place trust in an administrative action, the administrative authority must not arbitrarily change the action, otherwise it will disrupt the stability of legal relations and damage the legitimate rights and interests of administrative counterparts. The principle of reliance protection safeguards the reliance interests of administrative counterparts to maintain the stability of the legal order.

2.2.3 Principle of Fundamental Rights

Although the principle of reliance protection itself does not belong to the category of fundamental rights,

it is closely related to citizens' fundamental rights. The implementation of the principle of reliance protection helps to protect the legitimate rights and interests of citizens that are damaged by improper administrative actions, thereby indirectly safeguarding citizens' fundamental rights. For example, in the field of administrative licensing, the principle of reliance protection can prevent administrative authorities from arbitrarily revoking or changing administrative licenses, thereby protecting the property rights, business rights, and other fundamental rights of administrative counterparts.

2.2.4 Principle of Balancing Interests

The principle of reliance protection also involves the balancing of interests. In the process of changing or revoking administrative actions, it is necessary to weigh the reliance interests of administrative counterparts against the public interest. When the reliance interests of administrative counterparts are significantly greater than the public interest, administrative authorities must not arbitrarily change or revoke administrative actions. Conversely, if the public interest is significantly greater than the reliance interests, administrative authorities may change or revoke administrative actions, but they must compensate for the losses of reliance interests suffered by administrative counterparts. This mechanism of interest balancing aims to achieve a balance between public and private interests.

2.2.5 International Influence of the Principle of Reliance Protection

The principle of reliance protection has been widely applied and developed in continental law countries such as Germany. Based on the principles of legal stability and good faith in civil law, German administrative courts have gradually established the principle of reliance protection and incorporated it into the basic principles of administrative law. The establishment of this principle has had an important impact on the development of administrative law in other countries and regions, and many countries have also introduced the principle of reliance protection into their administrative law.

2.3 A Framework of Administrative Rationality–Reliance Stability Tension in China

The old ideas of good faith and legal stability help explain why we need to protect reliance interests. But they do not fully show the built-in conflict. This conflict is between administrative rationality and reliance stability. It is a key part of China's legal system.

China's way of governing now puts more focus on flexible policies and quick administrative changes. This often means officials need to rethink or take back permissions they gave before. They do this to serve public interests that are changing. This kind of flexible governing makes things very unpredictable. It can hurt the stability of what people can fairly expect. It can also damage the trust between citizens and the state.

So, this paper offers a new way to analyze the issue. It is called the "administrative rationality–reliance stability tension." The idea is this: to understand reliance interests in China, we need to check two things about administrative decisions. These decisions change rights or interests that were already set. We need to see if they are balanced and if there is a good reason for them. Under this framework, courts should look at certain things when they review decisions. They should check if the officials' use of their power has enough reasoning. They should see if it is clear and open. They should make sure it fits with the public interest being talked about. At the same time, they need to think about how much people's reliance interests are harmed.

2.4 Comparative Insights: Divergent Doctrinal Approaches in Germany and China

Looking at other countries helps show how different legal cultures shape the rules for protecting reliance interests. In Germany, reliance interests are part of the Rechtsstaat tradition. This tradition stresses that the law must be clear. It also says the state should not act randomly—individuals must be protected from that. German administrative courts always use a strict proportionality test. This test directly balances public interests against two things: how predictable private

reliance is, and how strong it is. China's approach is different. It is not as clearly written in laws. It also leaves more room for officials to decide things on their own. Courts in China often care more about making administration easy or meeting policy goals. They pay less attention to private reliance. This difference shows that China needs clearer rules for courts to follow. This would stop things from varying too much. It would also make the use of reliance protection in administrative compensation cases more predictable.

In Germany, reliance interest protection is firmly anchored in administrative law. It is based on the codified principles of legitimate expectation (Vertrauensschutz) and proportionality (Verhältnismäßigkeit). The Administrative Procedure Act (§48 and §49 VwVfG) clearly says this: if an unlawful administrative act is revoked, the affected party must get compensation. This is true if they relied on the act in good faith and suffered economic or personal loss. German courts use a structured proportionality test. It makes authorities balance private reliance against very important public interest. Compensation is set by looking at actual spending, lost profits, and sometimes extra damages that follow. China's legal framework does not have such clear written rules or obvious procedural duties. The German model shows that reliance interests can be protected consistently. This is done by combining written rules and detailed procedural safeguards. But using these approaches in China has some limits. China's administrative compensation system has always put state discretion and policy flexibility above private expectations. Also, there are no uniform standards for balancing public and private interests. This makes reform harder. The German proportionality test focus on procedural fairness offer useful lessons. This difference shows that China needs clearer rules for courts to follow. This would stop things from varying too much. It would also make the use of reliance protection in administrative compensation cases more predictable.

3. Current Practice of Reliance Interest Protection in Administrative Compensation

3.1 Legislative Status

Legal Basis: In China, although the principle of reliance interest protection has been widely discussed in academia, it has not been explicitly stipulated in legislation. However, Article 8 and Article 69 of the “Administrative Licensing Law” are regarded as the legal basis for the substantial establishment of the principle of reliance interest protection. These provisions stipulate that if an administrative authority revokes or changes an administrative license and causes property losses to the administrative counterpart, it shall provide compensation in accordance with the law. The academic community’s attention to the practice of this principle in China is still insufficient, as scholars often focus on whether it meets the requirements of foreign theories rather than paying attention to the specific requirements or characteristics of its practice in China. (Chen Lu, 2024)

Scope of Application: Although the principle of reliance interest protection is clearly reflected in the field of administrative licensing, its application in other administrative fields, such as administrative promises, administrative agreements, administrative guidance, and the determination of illegal buildings, is not unified. Courts and parties also cite the principle of reliance interest protection for reasoning in these cases, but there is a lack of clear legal basis.

3.2 Challenges in Judicial Practice

Lack of Unified Criteria: Due to legislative deficiencies, there is no unified standard for the recognition of reliance interests in judicial practice. Different regions and levels of courts have differences in the recognition of reliance interests, leading to different outcomes in similar cases.

Inadequate Compensation System: The current administrative compensation system in China mainly compensates for the actual objective losses caused by administrative authorities, but lacks provisions for compensation for mental losses. At the same time, there are no clear regulations on the scope, standards,

and procedures for compensation for reliance interest losses, resulting in a lack of operability and fairness in the compensation process.

Difficulties in Balancing Interests: Balancing public interests and reliance interests in administrative compensation is a challenge. Administrative authorities often need to consider public interests when exercising their powers, but there may be deficiencies in protecting reliance interests. In addition, the criteria for weighing public interests and reliance interests are not clear, making it difficult to make fair decisions in practice.

3.2.1 Judicial Case Illustrations

In administratively compelled demolition cases, Chinese courts have begun to acknowledge the importance of protecting reliance interests. A notable example is the Laizhou Nursery Case, adjudicated by the Laizhou People’s Court (2013) Laizhou Xing Chu No.6. The court ruled that “administrative demolition in violation of reliance interest protection requires compensation at least equivalent to the market value of the demolished structure”. The plaintiff had invested over 4.2 million RMB to build a greenhouse and nursery, believing in the legality of her investment. When the local land bureau demolished her facility unilaterally, the court recognized not only the illegality of the demolition but also the plaintiff’s reliance interest. But it did not go into detail about the exact way to calculate compensation, except to mention market value. This leaves courts and administrative bodies without set procedural guidelines. Judicial statistics show that in similar demolition disputes, courts generally uphold reliance-based compensation. But the amounts granted vary and are not consistent. This is because there are no set criteria. This lack of uniformity in legal practice shows that more concrete statutory norms are needed. These should cover evidentiary rules, valuation benchmarks, and procedural safeguards.

In July 2020, the Supreme People’s Court issued a ruling regarding Tianrui Aluminium Company v. Shanxian County Natural Resources Bureau (2019) ZuiGaoFa Xing Shen No.6862. It affirmed that Tianrui Aluminium held legitimate reliance interests. This

was true even though it had not yet signed a formal state-owned land-use contract. This conclusion was based on a fact that Tianrui had entered into two successive land acquisition agreements with the Industrial Park Management Committee. It had made partial payments and received official confirmation from the Municipal Government. The court emphasized that despite the absence of a formal grant contract, such actions—including financial investment and preparatory development—showed a reasonable expectation of obtaining land rights. So, it upheld all lower-court findings of administrative illegality. It also rejected the subsequent appeals by the local government.

This landmark decision is significant for several reasons. First, it expands the scope of reliance interest beyond formal administrative approvals. It includes preparatory acts based on government representations. Second, the court's reasoning changes legal practice. It makes clear that investment and expectation based on administrative behavior should be protected. This is true even if procedural formalities are not complete. But finally, the judgment does not provide a clear method for calculating compensation. It also does not specify procedural criteria for proving reliance. This leaves practical guidance for courts and stakeholders somewhat unclear.

3.3 Suggestions for Improvement

Improve Legislation: It is suggested to clarify the status and scope of application of the principle of reliance interest protection in legislation to provide a clear legal basis for judicial practice. At the same time, the successful experience of other countries and regions can be drawn upon to formulate a more comprehensive system for the protection of reliance interests.

Unify Criteria for Recognition: Through judicial interpretations or guiding cases, unify the criteria for the recognition of reliance interests to ensure fair handling of similar cases. At the same time, strengthen the training and education of judges to improve their ability and level in recognizing reliance interests.

Improve Compensation System: Establish a more comprehensive administrative compensation system, clarify the scope, standards, and procedures for compensation for reliance interest losses. At the same time, consider including mental losses in the scope of compensation to more comprehensively protect the legitimate rights and interests of administrative counterparts.

Enhance Interest Balancing: In administrative compensation, fully consider the balance between public interests and reliance interests. Establish an interest-balancing mechanism to objectively assess public interests and reliance interests to ensure the fairness and rationality of decisions.

In summary, the current practice of reliance interest protection in administrative compensation faces problems such as legislative deficiencies and judicial challenges. To improve this situation, efforts are needed in improving legislation, unifying criteria for recognition, improving the compensation system, and enhancing interest balancing.

4. Measures to Improve the Protection of Reliance Interests in Administrative Compensation

4.1 Improve Legislative Provisions

Clarify the Principle of Reliance Interest Protection: Clearly define the status and scope of application of the principle of reliance interest protection in relevant laws and regulations to provide a clear legal basis for administrative compensation. Formulate a special administrative compensation law or related provisions to refine the specific regulations on reliance interest protection, including the scope, standards, and procedures for compensation.

Unify Criteria for Recognition: Through judicial interpretations or guiding cases, unify the criteria for the recognition of reliance interests to ensure fair handling of similar cases. Establish the constitutional status of the principle of reliance interest protection in the Constitution. (Wu Wenyue, 2023) Clarify the constituent elements of reliance interest damage, such as the actions of administrative authorities, the

reasonable expectations and trust of administrative counterparts, and the fact of reliance interest damage.

4.2 Strengthen Protection in Judicial Practice

Expand Scope of Application: Apply the principle of reliance interest protection to a wider range of administrative fields, such as administrative promises, administrative agreements, and administrative guidance, to ensure the full protection of the legitimate rights and interests of administrative counterparts.

Improve Compensation System: Establish a more comprehensive administrative compensation system, clarify the scope, standards, and procedures for compensation for reliance interest losses. The scope of compensation should include direct and indirect losses, as well as possible mental losses. Determine reasonable compensation standards to ensure that the compensation amount can fully compensate for the losses suffered by administrative counterparts due to reliance interest damage.

Enhance Interest Balancing: Fully consider the balance between public interests and reliance interests in administrative compensation. Establish an interest-balancing mechanism to objectively assess public interests and reliance interests to ensure the fairness and rationality of decisions. When public interests are significantly greater than reliance interests, administrative authorities have the right to make decisions in favor of public interests in accordance with legal procedures, but they should provide reasonable compensation to administrative counterparts.

4.3 Enhance the Integrity and Sense of Responsibility of Administrative Authorities

Strengthen Integrity Building: Administrative authorities should establish a sense of integrity, abide by laws and regulations, and keep their commitments to ensure the stability and predictability of administrative actions. Strengthen supervision and management of administrative authorities to prevent their abuse of power and illegal administrative actions from damaging the reliance interests of administrative counterparts.

Improve Decision-making Procedures: Before making administrative actions, administrative authorities should fully listen to the opinions and suggestions of administrative counterparts to enhance the acceptability and trustworthiness of their actions.

Establish and Improve Decision-making Procedures and Supervision Mechanisms: Ensure the legality and propriety of administrative actions.

4.4 Enhance Public Education and Participation

Improve Public Legal Awareness: Strengthen legal education and publicity to improve the public's understanding and awareness of administrative compensation and the protection of reliance interests. Encourage the public to actively participate in administrative activities, supervise the actions of administrative authorities, and protect their legitimate rights and interests.

Establish Consultation Mechanisms: Build consultation mechanisms involving all parties in administrative compensation legal relationships, specifying consultation times, methods, organizers, participants, etc., to promptly resolve administrative compensation disputes. Expand channels and methods for public participation, such as establishing information-sharing platforms, to increase the transparency and fairness of administrative compensation.

In summary, improving the protection of reliance interests in administrative compensation requires efforts from multiple aspects, including legislation, judicial practice, the integrity and sense of responsibility of administrative authorities, and public education and participation. The implementation of these measures will help protect the legitimate rights and interests of administrative counterparts, maintain social fairness and justice, and promote social harmony and stability.

4.5 Implementation Pathways and Institutional Responsibilities

To effectively realize the improvements proposed in this paper, it is essential to establish a phased and coordinated implementation strategy. In the

legislative domain, reform should begin with targeted amendments to the State Compensation Law and the Administrative Procedure Law, clarifying the status and scope of reliance interest protection as well as procedural guarantees for affected parties. The Standing Committee of the National People's Congress can initiate specialized legislative research and solicit public opinions to build consensus. Parallel to statutory reforms, the Supreme People's Court should issue judicial interpretations and guiding cases to provide clear standards for courts when recognizing and measuring reliance interests, particularly in situations involving administrative revocation or modification of approvals.

From an institutional perspective, the Ministry of Justice should work with provincial justice departments and local governments. They should set up test programs to try new compensation procedures and rules for evidence. The tests can focus on areas where reliance-based disputes happen a lot. Such as land use, construction permits, and environmental approvals. The phased implementation can follow a sequence of legislative clarification, localized experimentation, and gradual national rollout based on assessment of pilot outcomes. There may be problems with the reforms. One is that administrative agencies may resist. They might worry about having more responsibility. Another is that it may be hard to balance public interests and private reliance in sensitive policy areas. To deal with these, we need a group that includes different departments. It should have the Ministry of Justice, the Supreme People's Court and the State Council's Legislative Affairs Office. This group will make sure reform measures work well together. It will solve problems between central orders and local action. We also need to involve people affected. This means consultation with industries that could be affected, legal scholars and civil society. This will help make the new system legitimate and gain public trust.

5. Conclusion

This paper explores the protection mechanism of reliance interests in the field of administrative compensation, revealing the importance and urgency

of reliance interest protection in modern administrative law. As a basic principle of administrative law, the core of the principle of reliance interest protection lies in safeguarding the reasonable trust of administrative counterparts in administrative actions and protecting their legitimate rights and interests from improper infringement. In practice, the application of the principle of reliance interest protection helps to balance public and private interests, promote government integrity, and improve administrative efficiency. However, there are still many deficiencies in the protection of reliance interests in China, such as unclear legislative provisions, non-unified judicial application criteria, and an imperfect compensation mechanism. These problems not only affect the full protection of the legitimate rights and interests of administrative counterparts but also restrict the effective implementation of the principle of reliance interest protection in the field of administrative compensation. The principle of reliance interest protection is still a new phenomenon in the field of law in China, lacking comprehensive theoretical research and being in the initial stage of practice. (Yang Haikun, 2007) To improve the protection mechanism of reliance interests, this paper proposes several suggestions, including strengthening legislative construction, unifying judicial standards, and improving the compensation system. The implementation of these measures will help build a more scientific and rational system for the protection of reliance interests and promote the further development of China's administrative compensation system. At the same time, the improvement of reliance interest protection will also provide strong support for the construction of a rule-of-law government and promote the realization of social fairness and justice.

In conclusion, the improvement of the protection mechanism for reliance interests is a systematic project that requires the joint efforts of legislation, judiciary, and administration. In the future, with the continuous improvement of relevant systems and the continuous exploration of practice, the principle of reliance interest protection will play a more important role in the field of administrative compensation, making

greater contributions to the protection of citizens' legitimate rights and interests and the construction of a rule-of-law society.

References

- Chen Lu. (2024). The Current Application and Improvement Path of the Principle of Reliance Interest Protection in China's Administrative Law. *Legal System and Society*, (15), 34-36.
- Wang Zichen. (2021). On the Principle of Reliance Protection in Administrative Context. *Jiangxi Social Sciences*, 41(11), 189-199.
- Wu Wenyue. (2023). The Application Dilemmas and Improvement Suggestions of the Principle of Reliance Interest Protection in Administrative Law. *Journal of Social Sciences of Jiamusi University*, 41(04), 47-51.
- Yang Haikun. (2007). The Principle of Administrative Reliance Protection and Human Rights Protection. *Journal of Nanjing Xiaozhuang University*, (04), 45-52.

Disclaimer/Publisher's Note: The statements, opinions and data contained in all publications are solely those of the individual author(s) and contributor(s) and not of Brilliance Publishing Limited and/or the editor(s). Brilliance Publishing Limited and/or the editor(s) disclaim responsibility for any injury to people or property resulting from any ideas, methods, instructions or products referred to in the content.