Examination Period 3: 2016/17

LAW100117N

Module Title: Law of Contract
Level: Four
Time Allowed: Two hours

Instructions to students:

- Enter your student number not your name on all answer books.
- Answer three questions: one from Section A, one from Section B and one question from either section.
- All questions are equally weighted.

No. of Pages: 5
No. of Questions: 6
Answer **three** questions: **one** from **Section A**, **one** from **Section B** and **one** question from **either** section

**Section A**

1. Evaluate the extent to which the doctrine of consideration serves a useful purpose in both the formation and modification of a contract.

2. With reference to relevant case law, explain the application of the ‘postal rule’ in the formation of a contract. Does it have any place in today’s digital world?

3. The purpose of implying terms into contracts, either by the courts or by Parliament is to protect weaker parties to a contract. Discuss, with reference to the case law, the extent to which you agree with this statement.

*End of Section A
Section B follows overleaf*
Section B

4. Mark, a builder, had 2000 roof tiles left over from a previous job that he wanted to sell. He placed an advertisement on a website specialising in the sale of building materials. It gave details of the tiles and Mark’s office phone and fax numbers and email address, and stated: “First offer over £600 accepted.”

On Wednesday at 3.00 pm he phoned Lauren, another builder to ask if she wanted to buy the tiles for a total price of £600. Lauren was not in when Mark phoned and so Mark left a message on Lauren’s answer-phone, saying that he must receive an answer by 11.00am the next day (Thursday).

On the same afternoon Mark also phoned his friend Ben, who Mark knew was renovating his house, and asked him if he wanted to buy the tiles at a special price of £500. Ben said he was not sure whether he needed the tiles but would get in contact with Mark if he wanted to buy them.

Lauren heard Mark’s message at 4.00pm on Wednesday and immediately phoned him. Mark was not in and so Lauren left a message on his answer-phone, asking whether there was any flexibility in the price that he had given.

Mark received the answer-phone message when he returned to the office but decided not to respond immediately.

On Thursday, not having heard from Mark, Lauren decided that she did want the tiles and sent an email to Mark at 10.00am, saying that she would pay £600 for them. Mark did not receive her email until 3.00pm on Thursday because a fault with Lauren’s internet service provider (ISP) delayed the message.

At 11.00am on Thursday, Kim saw Mark’s advertisement and immediately phoned his office number. Mark was out so Kim sent Mark a fax, saying that she would buy the tiles for £650. Mark received Kim’s fax when he remembered to check his fax machine at 2.00pm on Thursday.

In the meantime, Ben phoned Mark at 11.30am and said he wanted to buy the tiles for £450.

Advise Lauren, Ben and Kim whether they have made a contract with Mark.
5. Sarah has inherited some money and wants to buy a house to renovate and resell at a profit. She visits one house and is shown around by the estate agent, Alex.

Sarah is impressed with the house and she asks Alex whether this is a quiet residential street and tells him that she will only consider buying a house in a quiet location. Alex says that, as far as he is aware, it is a quiet location.

In fact, the police have been called out eight times to deal with complaints about a neighbour who has been playing loud music late at night. She also asks Alex how much, in his professional opinion, the house would sell for when renovated.

Alex tells her that a similar house in the same road has recently sold for £350,000. In fact, this was the asking price but the property actually sold for £275,000.

Sarah arranges a second viewing of the house and this time she is shown around by the owner, Jane. She asks Jane what Council Tax band the house comes within. Jane tells her that it is in Band D.

This was true but the Council recently wrote to Jane, telling her that the house has been re-designated into Band E, meaning an increase in Council Tax of approximately £500 per year.

Jane has been out of the country for a month and has not yet opened and read all her post.

Sarah could have checked with the Council concerning the Council Tax band but did not do so.

Sarah went ahead and bought the house from Jane for £300,000 and spent a further £25,000 renovating it. However, she now discovers that the house is only worth £275,000.

**Advise Sarah whether she has claims in contract law against Alex and Jane.**
6. Fags Ltd ran a Northampton tobacco factory, which was threatened with closure as a result of an EU Commission proposal to ban the export of cigarettes. Jill, the Managing Director of Fags, wanted to send 100 employees to Brussels to protest against the proposal.

She contacted Buddies Coaches who agreed to provide a coach for a return trip to Brussels at a fee of £5,000. It was agreed that £1,000 would be paid in advance and the remainder when the coach party returned. The coach was to arrive at 9.00am on May 1 and “time was of the essence”. On May 1 the coach was 4 hours late, but the party from Fags eventually boarded.

By the time that the coach reached the Dover ferry ready to cross, it was announced over the radio that the EU Commission had agreed to withdraw its proposal completely.

Jill decided that it was pointless in continuing with the journey, although the coach driver insisted that he had to continue to Brussels. After a mobile phone call to Fags’ lawyer, she told the driver that the “contract had been frustrated” and that the party would take the train home.

You are asked by Buddies Coaches whether you agree that the contract is frustrated or whether Fags are in breach. In either case, state what the possible legal consequences are.