Examination Period 3: 2017/18

LAW100118NA

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 out of six questions; one from Section A, one from Section B and one from either section.
- Students are permitted to bring an unannotated copy of the FD Rose, Blackstone’s Statutes on Contract, Tort & Restitution into the examination and/or an unannotated copy of the previously circulated extract into the examination. Highlighted text and index tabs/strips within the texts are permitted.

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Answer **three** questions: **one** from **Section A**, **one** from **Section B** and **one** from **either** section.

**Section A**

1. “Innominate (or intermediate) terms provide a balanced solution to the tension between the desirability of preserving the contract, and allowing the innocent party to terminate because of a breach by the other party.”

   Explain to what extent, if any, you agree with this statement using relevant case law to illustrate your answer.

2. Explain the rules on consideration and discuss any difficulties, if any, which may arise in applying those rules.

3. Explain the remedies available for misrepresentation, using the relevant case law and statutes to illustrate your answer.

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End of Section A
Section B follows overleaf
Section B

4. Adam wanted to sell his childhood stamp collection, which included a valuable British Penny Red stamp. He placed an advertisement on an auction website, which described his stamp collection and had photographs of the stamps. He also showed his address, phone and fax number and email address and stated “First offer over £200,000 for the entire collection including the Penny Red will be accepted.”

On Monday afternoon at 2.00 pm he phoned Betty, a well-known stamp dealer. Betty was not in but Adam left a message with Betty’s assistant, Connie, to ask Betty if she wanted to buy the collection, including the Penny Red, ‘as seen’ for a total price of £200,000. He said that he must receive an answer by 12.00 noon on Tuesday.

On Monday afternoon Adam also phoned his friend Darren, a leading stamp collector, and asked him if he wanted to buy the Penny Red for £190,000. Ben said he was interested, but he was in negotiations about buying another Penny Red at a lower price and would contact Adam if he wanted to buy his stamp.

Connie told Betty about Adam’s message at 4.00 pm on Monday. Betty was very interested in getting hold of a rare Penny Red and immediately phoned Adam. Betty left a message on Adam’s answer-phone, saying she was very interested in acquiring the entire stamp collection and asking about the condition of the Penny Red.

On his return home Adam listened to Betty’s answer-phone message but decided not to respond immediately.

Betty decided that she wanted to buy Adam’s stamp collection. Not having heard from him, she sent him an email on Tuesday at 11.00 am, saying that she wanted to buy his entire stamp collection ‘as seen’ and would pay £200,000. There was a problem with the internet connection and Adam did not receive Betty’s email until 2.00 pm on Tuesday.

At 12.00 noon on Tuesday, Edward saw Adam’s advertisement and immediately phoned him but Adam did not hear the telephone. Edward sent Adam a fax, saying that he would buy his entire stamp collection for £250,000. Adam received Edward’s fax when he remembered to check his fax machine at 2.00 pm on Tuesday.

In the meantime, Francis phoned Adam at 12.30 pm and said he wanted to buy his stamp collection for £180,000.

Advise Betty, Darren and Edward whether they have made a contract with Adam.

Section B continues overleaf
5. Crags Ltd makes car components in their Northampton factory and has a thriving export trade with EU countries. Recently the EU Commission has proposed the imposition of import duties on UK car components. Consequently, the business is threatened with closure. Jim, the Managing Director, wanted to send 100 employees to Brussels to protest against the proposal.

He contacted Sunny 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 9.00 am on May 1 and "time was of the essence". On May 1 the coach was 4 hours late, but the party from Crags eventually boarded.

By the time that the coach reached the Dover ferry it was announced, over the radio, that the EU Commission had agreed to withdraw its proposal to impose import duties on UK car components.

Jim decided that it was pointless in continuing with the journey. The coach driver insisted that he had to continue to Brussels.

After a mobile phone call to the lawyer acting for Crags Ltd, Jim told the driver that the "contract had been frustrated" and that the Crags Ltd group would take the train home.

Advise Sunny Coaches whether:-

a. The contract is frustrated

and/or

b. Whether Crags Ltd is in breach of contract

In both instances explain the legal consequences of your findings.

Section B continues overleaf
6. Karin owns a small coffee and bookshop in Northampton. She wanted to arrange the renovation of her shop and storeroom.

In February 2017, she contacted Lee, a local builder, and agreed a price of £10,000 for the work on the shop. The contract for the work on the shop required a 10% deposit the remainder of the price on completion. In March 2017 she paid Lee £1,000 in March 2017.

Lee also quoted £7,000 for the separate work on the adjoining storeroom, but Karin wished to wait to see how the finished shop looked like before going ahead with the works on the storeroom.

All went well and Lee had nearly completed all the works on the shop, except for putting in the new windows. In May Karin said to Lee that she was having some financial troubles and would not be able to pay the remaining £9,000 on completion as agreed.

Reluctantly Lee agreed that Karin could pay the remainder in instalments over six months, with no interest.

The new shop was a success. Karin was able to repay the debt by instalments as agreed.

In August 2017, Karin decided to ask Lee to renovate the storeroom. They agreed for the work on the storeroom to be completed by the end of October at a total price of £7,000 quoted.

During the work, Lee found himself in financial difficulties. Karin agreed to pay Lee an extra £2,000 bonus ‘in consideration of the favour you did me in May’. However, when the work was completed Karin refused to pay the additional amount.

**Advise Lee, as to whether he could recover:**

a. Interest for the late payment of the balance due £9,000 under the contract to renovate the shop

   and/or

b. The £2,000 ‘bonus’ promised by Karin

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End of Section B

End of Paper