Elements of the Law of Contract

Thursday 22 May 2014: 10.00 – 13.15

Candidates will have fifteen minutes during which they may read the paper and make rough notes ONLY in their answer books. They then have the remaining THREE HOURS in which to answer the questions.

Candidates should answer FOUR of the following EIGHT questions.

Candidates should answer all parts of a question unless otherwise stated.
1. On 1st May Aga decides to sell her collection of pots. She places an advert in the local paper, ‘Beautiful Arden pot for Sale. £500 or nearest offer.’ She includes her telephone number, email address and postal address on the advert. On 2nd May Beatrice emails Aga saying, ‘I will buy the pot for £450.’ Aga replies saying, ‘I will take £475 but please let me know by 5pm today as another customer is calling to see the pot tomorrow.’ Beatrice immediately emails back asking if Aga will accept payment by cheque. By 4.30pm she has not heard from Aga so sends a further email to say she will buy the pot for £475. Aga’s internet connection is lost that afternoon and Aga does not get this email until it is reconnected on 5th May. On 3rd May Chad calls Aga and says he will buy the pot for £400 but Aga says she would not take less than £475. Chad says he will think about this. Later that day Chad writes to Aga saying he will pay £475 but the letter is misaddressed and never arrives. On 4th May Aga sells the pot to Didier for £500. Didier, a friend of Beatrice, meets her on 5th May and tells her of his luck in getting the pot. Beatrice is upset as the pot would complete her Arden Collection.

Advertise Aga.

2. ‘The Contract (Rights of Third Parties) Act 1999 is a success in theory but a failure in practice.’

Discuss.

3. Bob, a specialist toy seller, wishes to maximise his toy sales during the busy Christmas period and therefore decides to improve the website for his online toy store. He reads an advertisement in the local paper in which Scoop offers ‘professional web design services’. Bob calls Scoop who tells him that, if he opts for Scoop’s premium web design service, the number of potential customers clicking on his website will increase by 400,000. Bob is impressed by this, as well as Scoop’s reasonable hourly rates. He therefore decides to contract with Scoop. However, Scoop is only a trainee web designer and makes little improvement to the website. The visitors to Bob’s online store do not increase and instead customers prefer to shop with Bob’s competitors. Bob is furious because he believes he would have made £30,000 in pre-Christmas profits had he got 400,000 more customers. Furthermore, he is now unable to pay the rent on his High Street shop and he is evicted from the premises.

Advertise Bob.
4. Hassan is planning a high profile charity event; the highlight will be the performance of a ballet, which requires a special stage to be installed. Hassan contracts with 'Better Staging' to install the required stage for a price of £2,000. They promise to have this in place a week before the event so that the dancers can practise before the performance. Better Staging call Hassan two weeks before the event to say they cannot install the staging, as they have lost the required spanners which cost £300 to replace. As Hassan is desperate to make the event a success he promises to pay for the replacement spanners. The staging is then erected as promised, Better Staging also provide an extra area for the dancers to prepare off stage and practise their dance steps.

Hassan is delighted with this area and tells Better Staging he will pay them an extra £100 for this as it has enhanced the dancers' performance. The event is a great success and Hassan receives very positive press coverage which leads to him being hired for further event management ventures.

Hassan had allowed Crab Apple to rent a pitch at the event for £1,000. Crab Apple made little profit and, at the end of the day, could not pay the £1,000. Hassan said to Crab Apple “Don’t worry, it’s been a fantastic day for me, £200 will do”. Hassan now regrets saying this and has asked Crab Apple to pay the balance of the £1,000.

Hassan is now refusing to pay Better Staging for the spanners and the extra staging.

Advise Hasan.
5. The University of Bloomsbury booked the Treaty String Quartet to perform at their Graduation Ceremony on 20th August 2013. They promised to pay £10,000 for this performance. They paid £1,000 on 1st June 2013 and promised to pay a further £3,000 on 1st July 2013 (although this was not in fact paid) and the balance on the day of the ceremony. On 30th June 2013 the Treaty String Quartet bought their plane tickets (costing £2,000).

On 1st March 2013 Hamid rents a flat for six months, to cover the period of the revision, exams which end on 30th May and graduation in August, so he can focus on his studies then really be ready for graduation celebration. The lease requires the deposit to be paid on 1st March then monthly payments on the first of each month.

Advise the parties on their rights and liabilities (if any) in the following alternative situations.

   a) On 2nd July a series of strikes means that the graduation is cancelled for security reasons.

   b) On 2nd July the graduation is cancelled because the University has decided it is too expensive and they tell the Treaty String Quartet not to arrive.

6. Julie provides exclusive make-up, many of the transactions being over the internet to international clients. Mildred has been in e-mail contact with Julie showing interest in the Whole Bodycare Range. Mildred claims to be a famous body-double actress (Hellie Wainrite) who needs the makeup for her new blockbuster film part. Julie thinks this will be good marketing for her products and after research on the internet realises this could be very good for her business. Mildred arranges by telephone to visit Julie’s showroom saying she wants to buy every item in her Whole Bodycare Range at a total cost of £8,000. When Mildred arrives, she offers to pay by credit card. The name printed on the credit card is Hellie Wainrite. Mildred explains to Julie that she is near her credit limit and so pays a deposit of £3,000 by credit card and promises to pay the outstanding amount later that day. Keen to make the sale, Julie lets Mildred take the makeup with her in its large presentation box. Unknown to both, the presentation box actually contains the Male Beauty Kit.

Mildred then takes the unopened box to Noor, a local beauty shop, and sells it to her for £2,000 and disappears.

The credit card is later declined by the bank as it was reported stolen and Julie has seen the presentation box on display at Noor’s shop.

Advise Julie on any claims he may have against Noor.
7. ‘The traditional approach in English contract law is to award damages for non-pecuniary losses very reluctantly. Recent case law, however, reveals a more generous attitude towards the recovery of this type of loss. It is difficult to justify this latter approach.’

Discuss.

8. Terence wishes to hire a bicycle for the day from Rides Ltd, a bicycle hire company that supplies bicycles at various docking stations across London. He arrives at a docking station and carefully reads the instructions written on the docking station’s screen. He is asked to insert his credit card and on doing so the machine prints out a ticket. Terence is then asked to confirm the hire charge of £20. Terence confirms this hire charge and the machine returns the credit card. On one side of the ticket is a code which unlocks the bicycle from the docking station. On the other side of the ticket is a term that states: ‘Rides Ltd limit liability for any damage whatsoever and howsoever caused during the operation of their bikes to the daily hire charge of £20.’

Terence is enjoying his ride across London when suddenly the brakes on the bicycle fail and he falls into a canal. Terence injures his right arm and needs physiotherapy. He also ruins his £2,000 laptop that he was carrying at the time of the accident.

Advise Terence.

END OF PAPER