

**OXFORD CAMBRIDGE AND RSA EXAMINATIONS**

**Advanced GCE**

**LAW**

**2575**

Law of Contract 2

Monday            **20 JUNE 2005**            Afternoon            1 hour 30 minutes

Additional materials:  
16-page Answer Book

**TIME**    1 hour 30 minutes

**INSTRUCTIONS TO CANDIDATES**

- Write your name, Centre number and candidate number in the spaces provided on the answer paper/answer booklet.
- Answer **two** questions, one from Section A and one from Section B.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- If you use additional sheets of paper, fasten these securely to the answer booklet.

**INFORMATION FOR CANDIDATES**

- The number of marks is given in brackets [ ] at the end of each question or part question.
- The total number of marks for this paper is 100.
- **All questions should be answered in continuous prose. You are reminded, therefore, that you will be assessed on your ability to organise and present information and arguments logically and coherently, and to communicate clearly and accurately, taking into account grammar, punctuation and spelling.**

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**This question paper consists of 2 printed pages.**

Answer two questions, one from Section A and one from Section B .

### Section A

- 1 Discuss the difficulty the Courts have in deciding how mistake as to identity should affect the validity of a contract. [50]
- 2 'The Contract (Rights of Third Parties) Act 1999 did not abolish the privity rule. The rule is still needed along with its exceptions.'
- Discuss the accuracy of this statement. [50]

### Section B

- 3 Brown & Co. agree to lease a factory from Quickbuild for ten years to manufacture and distribute a sugar rich soft drink. The main ingredient in the drink is a sugar syrup imported from the USA. In order to secure a reliable supply of the sugar syrup Brown & Co. signs a five year agreement with an American supplier, Sugarsweet.
- After six months the British government bans the import of sugar syrup. At the same time the local authority closes the only access road to the factory as the adjoining buildings are dangerous and liable to collapse. This means that Brown & Co. cannot gain access to the factory.
- Advise Brown & Co. whether the contracts with Quickbuild and Sugarsweet could be regarded as frustrated and how losses might be apportioned. [50]
- 4 John and his wife Ruth are joint owners of their home. In order to finance his latest scheme, John wishes to raise money on the security of their house. Ruth is worried that failure to pay back the loan, which would be secured on their house, might result in the loss of her home. John arranges a meeting with the local bank manager to explain the financial arrangements. John tells Ruth that the loan is for only £50,000.
- The bank manager tells Ruth that she need not worry as she will not lose her home. On the strength of these representations Ruth signs the document without properly reading it because the bank manager tells her that he has checked it for her.
- Ruth now discovers that the loan is for £100,000 and that the house could be sold to repay the loan.
- Advise Ruth whether she could avoid the liability created in the document by claiming misrepresentation or non est factum (this is not my deed). [50]