

**ADVANCED GCE
LAW**

Law of Contract

MONDAY 16 JUNE 2008

G145

Morning
Time: 2 hours

Additional materials (enclosed): Answer Booklet (16 page)

Additional materials (required):
None



INSTRUCTIONS TO CANDIDATES

- Write your name in capital letters, your Centre Number and Candidate Number in the spaces provided on the Answer Booklet.
- Write your answers, in blue or black ink, in the Answer Booklet provided.
- Read each question carefully and make sure you know what you have to do before starting your answer.
- Answer **three** questions, **one** from Section A, **one** from Section B and **one** from Section C.
- Write the numbers of the questions you answer on the front of your Answer Booklet.
- If you use additional sheets of paper, fasten these securely to the Answer Booklet.

INFORMATION FOR CANDIDATES

- The number of marks for each question is given in brackets [] at the end of each question.
- The total number of marks for this paper is **120**.
- **Quality of Written Communication (QWC)**

Candidates are reminded of the need to write in continuous prose where appropriate. You will be assessed on your written communication and your use of appropriate legal terminology.

This document consists of **4** printed pages.

Answer **three** questions.

Answer **one** from Section A, **one** from Section B and **one** from Section C.

You are advised to spend 50 minutes on Section A, 50 minutes on Section B and 20 minutes on Section C.

SECTION A

Answer only **one** question from this section.

- 1 'The courts were right to leave substantial reform of the rule of privity of contract to Parliament.'

Discuss the exceptions to the rule of privity at common law and the reforms made by statute, in the light of the above statement. [50]

- 2 'The desire to achieve a just outcome in a particular case has often led to change and development of the law on consideration, particularly in the area of enforcing a second promise to pay for an existing contractual or public duty.'

Discuss the circumstances when a second promise to pay for an existing duty will be enforceable, in the light of the above statement. [50]

- 3 'Just as there are good reasons to limit contract terms that restrain trade, there are often good reasons to allow them as well.'

Consider the circumstances when a term to restrain trade will be allowed by the courts, in the light of the above statement. [50]

SECTION B

Answer only **one** question from this section.

- 4 Richard owns a furniture factory. One of his suppliers is Dan who has just written to Richard to offer him a delivery of teak wood. Richard writes back immediately to accept the offer. The day after posting the letter he hears that Dan has died in an accident.

Another supplier is Shelly who emails Richard to offer to sell him a batch of oak wood. Richard decides to buy the wood and writes a letter to Shelly to accept; he posts the letter at 9.00 am the next morning. At 11.00 am the same morning Shelly phones Richard to say she is no longer able to supply the oak.

Richard is disappointed at this but remembers that Sukie, another supplier, wrote to him four months previously to offer him some oak wood as well. He has now written a letter to Sukie to accept her offer.

Advise Richard whether he has a binding contract with Dan, Shelly or Sukie. [50]

- 5 Bella owns a garage which sells sports cars. Omar visits the garage and is interested in a Ferrari car, which both he and Bella believe was once owned by a famous racing driver. Although the price is high for this particular car he decides it is worth it because of its history. He buys the car but is disappointed to find out some time later that the car was not in fact owned by the famous driver and is worth a lot less than he paid for it.

Josh visits the garage and says he would like to buy a Porsche car on credit. Bella arranges for a finance company to give Josh a finance deal after he produces a passport for identification. It turns out the passport was forged. Josh has since sold the car to Bob, a third party, for cash.

Advise Bella whether she has to give Omar back his money, and advise Bob whether he will be able to keep the Porsche car. [50]

- 6 Danny is a decorator who also does maintenance jobs for people. He has a contract with Lydia to perform various jobs on her house. He has to paint three bedrooms. For this work they have agreed a price for each room. He also has to repair a large garden shed. Lydia has said this work must be done by 1st June when she is having a garden party. Finally he has to repair and paint all her garden fences.

Danny completes two of the bedrooms but forgets to do any work at all on the third. He arrives at the house on 30th May to repair the shed but Lydia will not let him in to do the work as she is getting the garden ready for the party. He has repaired and painted all the fences except for one loose panel which needs two extra nails to fix it in firmly.

Advise Lydia whether she has any contractual obligation to pay any money to Danny. [50]

SECTION C

Answer only **one** question from this section.

- 7 Janet owns a house which she rents to university students for £700 per month. During the last month of the term the students are finding it difficult to pay the rent and so Janet promises to reduce the rent to £500 to help them for that month. They are still unable to pay so the mother of one of the students offers £400 to settle the rent for that month. One of the students alternatively offers to do some repairs in exchange for half the rent.

Evaluate the accuracy of **each** of the four statements A, B, C and D individually, as they apply to the facts in the above scenario.

Statement A: If the students had been able to pay £500 in response to Janet's promise, that would have been good consideration for the whole rent that month.

Statement B: If the students had been able to pay £500, Janet would have been prevented from claiming the extra £200 under the doctrine of promissory estoppel.

Statement C: If Janet accepts the £400 from the mother she can still sue the students for the remaining £300.

Statement D: If Janet accepts half the rent and the repairs, it does not matter how much the repairs are actually worth.

[20]

- 8 Rafay is considering buying a car from Leela. Leela tells him that the car has been serviced regularly. Leela has only owned the car for five months and is relying on what she was told by the person who sold her the car. Rafay tells Leela that he wants the car so that he can tow his new caravan. Rafay buys the car. However, it breaks down within the first week. He takes it to a mechanic who discovers that the car has never been serviced. When Rafay tries to tow his caravan, three months later, he finds the car is not powerful enough.

Evaluate the accuracy of **each** of the four statements A, B, C and D individually, as they apply to the facts in the above scenario.

Statement A: Leela is not liable under misrepresentation for the statements about the car being serviced as she has been misled herself.

Statement B: Leela is liable for misrepresentation for not telling Rafay that the car is unsuitable to tow a caravan.

Statement C: Rafay will be able to rescind the contract.

Statement D: The statement that the car has been serviced has also become a term of Leela's contract with Rafay and he can sue for breach of contract.

[20]

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