

INSTITUTE OF LEGAL EXECUTIVES

UNIT 2 – CONTRACT LAW*

Time allowed: 1 hour and 30 minutes plus 15 minutes reading time

Instructions to Candidates

- You have **FIFTEEN** minutes to read through this question paper before the start of the examination.
- **It is strongly recommended that you use the reading time to read the question paper fully.** However, you may make notes on the question paper or in your answer booklet during this time, if you wish.
- **The question paper is divided into TWO sections. You must answer ALL the questions from Section A. There are three scenarios in Section B. You must answer the questions relating to ONE of the scenarios in Section B ONLY.**
- Write in full sentences – a yes or no answer will earn no marks.
- Candidates must comply with ILEX Examination Regulations.
- Full reasoning must be shown in answers. Statutory authorities, decided cases and examples should be used where appropriate.

Information for Candidates

- The mark allocation for each question and part question is given and you are advised to take this into account in planning your work.
- Write in blue or black ink or ball point pen.
- Attention should be paid to clear, neat handwriting and tidy alterations.
- Complete all rough work in your answer booklet. Cross through any work you do not want marked.

Do not turn over this page until instructed by the Invigilator.

*This unit is a component of the following ILEX qualifications: **LEVEL 3 CERTIFICATE IN LAW AND**

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SECTION A

(Answer ALL questions in Section A)

1. Name **five** ways in which an offer may be ended.
(5 marks)
2. (a) Define 'consideration'.
(2 marks)
(b) Explain what is meant by 'consideration need not be adequate'.
(2 marks)
(Total: 4 marks)
3. In what circumstances does a third party to a contract have a right to sue under the Contracts (Rights of Third Parties) Act 1999.
(2 marks)
4. Explain the presumption in commercial contracts that there is an intention to create a legally binding relationship.
(2 marks)
5. (a) Explain the difference between an express term and an implied term.
(2 marks)
(b) State the **three** ways in which terms can be implied into a contract.
(3 marks)
(Total: 5 marks)
6. Explain what is meant by an innominate term.
(2 marks)
7. Distinguish between negligent misrepresentation and fraudulent misrepresentation.
(5 marks)
8. Explain the remedies available to the innocent party where a condition of a contract has been breached.
(3 marks)
9. Explain the main purpose of awarding damages in contract.
(2 marks)

(Total Marks for Section A: 30 marks)

SECTION B

(There are three scenarios in Section B. Answer the questions relating to **ONE** of the scenarios **ONLY**)

Scenario 1

Jan saw the following advertisement in her local newspaper.

'Kitchens 4 U'

Special offer !

A set of four high quality saucepans, made from the best quality stainless steel and to the highest standards.

These saucepans are probably the best you can buy. They should never wear out with normal use, but if they do we will replace them free of charge.

Special Sale price of £15 per set

Jan visited the shop, went to the kitchen department and saw the saucepans on display. Next to the saucepans was a notice which read the same as the advertisement in the local newspaper. Jan inspected the saucepans and bought a set.

After two months of use the pans began to rust and it became obvious to Jan that they were not stainless steel. She then noticed some small writing engraved into the base of each saucepan stating '**Chrome plated - made in China**'. Jan was very upset when she realised that she had been deceived.

She returned to Kitchens 4 U and complained to the manager about the quality of the saucepans, and about the fact that they were not stainless steel but chrome plated.

The manager replied that, when the pans were advertised, he believed them to be made of stainless steel. He said that anyway they were still good saucepans and a bargain for £15. He also said that most saucepans were over three times that price!

Scenario 1 Questions

1. (a) Explain whether the advertisement in the local newspaper is an offer or an invitation to treat.

(5 marks)

- (b) Explain whether or not the words 'probably the best you can buy' amount to a contractual term.

(6 marks)

(Total: 11 marks)

2. The advertisement in the local newspaper states: 'They should never wear out with normal use, but if they do we will replace them free of charge.'

- (a) Explain the factors a court will consider to assist it in distinguishing between representations and terms.

(4 marks)

- (b) If Jan only bought the saucepans because of the above statement, explain how this would affect the decision of the court.

(4 marks)

(Total: 8 marks)

3. Jan was very upset to find that the saucepans were chrome plated and not stainless steel.

- (a) What terms can be implied into the contract by statute?

(2 marks)

- (b) Explain whether or not the statement that the saucepans were stainless steel could be a misrepresentation and, if so, what type of misrepresentation.

(10 marks)

(Total: 12 marks)

4. (a) Explain the remedies that may be available to Jan in this case.

(6 marks)

- (b) If the saucepans were bought for Jan by her mother as a gift, explain whether these remedies would be available to Jan.

(3 marks)

(Total: 9 marks)

(Total Marks for Scenario 1: 40 marks)

Scenario 2

Ali has a business building outdoor swimming pools. Ali and Bashir were school friends. Bashir asked Ali to quote for a swimming pool at his home. Ali quoted £30,000 to build a swimming pool. Bashir accepted Ali's quotation on 2 March.

It was agreed at Bashir's insistence that the tiles in the pool must be dark blue. Ali could not find tiles of that colour and so, without consulting Bashir, he used light green tiles.

Ali ran into extra unexpected expense and telephoned Bashir to explain that he had under-quoted to do the job, and he needed another £500. Bashir agreed to pay Ali the extra £500.

In June Bashir went to his holiday home to see how Ali was getting on. He was horrified to see that Ali had used different colour tiles. He was also annoyed to see that the pool was a long way from being finished. Ali pointed out that no date had been agreed for completion of the swimming pool. Ali said he was very busy as he had other swimming pools to complete and he would finish Bashir's pool when he could.

Ali finally finished the pool on 1 October. Bashir paid him the £30,000, but refused to pay the extra £500.

Bashir now wishes he had not paid him any money, as no-one likes the colour of the tiles.

Bashir and his family are also disappointed not to have had the use of the swimming pool over the summer holidays.

Scenario 2 Questions

1. Explain to Bashir, whether the fact that he and Ali are friends has any effect on them having a contract.
(8 marks)
2. If Bashir does have a contract with Ali, explain to Bashir:
 - (a) Whether he can obtain damages, and on what basis.
(8 marks)
 - (b) Whether he can force Ali to take off the green tiles and replace them with the agreed blue ones.
(5 marks)**(Total: 13 marks)**
3. As there was not an express term for the completion date of the swimming pool, explain how statute will solve this problem.
(4 marks)
4. Explain whether the following can claim for damages for disappointment:
 - (a) Bashir;
(2 marks)
 - (b) his family.
(6 marks)**(Total: 8 marks)**
5. Assume that Ali had used the correct colour tiles and finished the swimming pool in time for the summer holidays.

Explain whether or not Ali would be entitled to the extra £500.
(7 marks)

(Total Marks for Scenario 2: 40 marks)

Scenario 3

Rashid has a window cleaning business. He makes the following four contracts.

Contract one is with Tessa. Their written contract provides that Rashid will clean Tessa's windows every Monday and she will pay him £100 at the end of each month. The contract also provides that Tessa will only pay Rashid if the windows are cleaned thoroughly. During the first weeks of the contract Tessa was pleased with Rashid's work. However, after the last time he cleaned them she noticed that they were still dirty and she has refused to pay him anything.

Contract two is with Vikki, who sells greenhouses, and needs the glass to be cleaned on a regular basis. Rashid agrees to clean the greenhouse windows for the next year, but they do not agree a fee. They do agree that they should be cleaned on Sundays when the business is closed.

The first Sunday Rashid cleans the greenhouses' windows, and because he was rushing he broke two panes of glass.

Rashid sends Vikki a bill for £200 which is far more than she is expecting.

Contract three is with Jasmine who imports specialist window cleaning detergent from Poland. Rashid has ordered two containers from Jasmine for £300, and is so pleased when she delivers them early, that he promises to send her an extra £20 in the post.

Contract four is with Uri who lives in a third floor apartment. Rashid realises that he needs to buy a longer ladder and he tells Uri. Rashid agrees to clean Uri's windows ready for his birthday party on Tuesday, and Uri pays him £15 in advance. On Monday, Rashid breaks his wrist and as a result he cannot climb ladders, so tells Uri that he is sorry but he will not now be able to clean his windows. Uri demands his money back, but Rashid tells him he wants to keep some money for the ladder he bought specially for the job.

Scenario 3 Questions

1. In contract one:

- (a) Explain the strict rule of complete performance of a contract and the exceptions to that rule.

(3 marks)

- (b) Explain to Tessa if any of the exceptions apply in her situation.

(6 marks)

(Total: 9 marks)

2. In contract two:

- (a) Explain to Vikki, whether she can establish that Rashid is in breach of the contract, and therefore claim damages.

(6 marks)

- (b) Explain to Vikki whether she is entitled to terminate her contract with Rashid.

(4 marks)

- (c) If Rashid is not in breach of contract, explain whether he can claim the £200.

(3 marks)

(Total: 13 marks)

3. In contract three, explain whether Jasmine can claim the extra £20, if Rashid refuses to pay her.

(6 marks)

4. In contract four, explain to Rashid whether:

- (a) He has any grounds for claiming money for the longer ladder he bought.

(6 marks)

- (b) He must return the advance payment of £15 to Uri.

(6 marks)

(Total: 12 marks)

(Total Marks for Scenario 3: 40 marks)

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