

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 the 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 PRACTICE** and **LEVEL 3 PROFESSIONAL DIPLOMA IN LAW AND PRACTICE**

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SECTION A**(Answer ALL questions in Section A)**

1. (a) What is the legal effect of the acceptance of an offer?
(b) What is the postal rule?
(1 mark)
(1 mark)
(Total: 2 marks)
2. Identify the doctrine that prevents a third party from suing on a contract, and the legislation applicable to this situation.
(2 marks)
3. Identify **four** ways in which an offer can be terminated.
(4 marks)
4. Identify **three** rules of consideration, using case law to support your answer.
(5 marks)
5. State the effect of an 'honour clause' in a commercial agreement.
(2 marks)
6. What is meant by an express term in a contract?
(1 mark)
7. Explain the effect of:
(a) a breach of warranty; and
(b) a breach of condition.
(2 marks)
(3 marks)
(Total: 5 marks)
8. Define misrepresentation.
(3 marks)
9. Identify **four** ways in which a contract may be discharged.
(4 marks)
10. Identify the **two** equitable remedies available for a breach of contract.
(2 marks)

(Total Marks for Section A: 30 marks)

SECTION B

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

Scenario 1

Rose wants to buy a new caravan for her family. She and her husband saw the following advertisement in the Caravan Clubbing Magazine.

Alahan's Caravans

Special offer! Promotional price of £8,000

Starlight caravan
Sleeps 4

For one week only from 1 to 7 July 2011.

Special features:

- Built-in cooker, microwave and fridge-freezer
- shower-room with toilet and sink
- one bedroom with double-bed
- settee in lounge area which converts into two single beds

Rose went along to Des Alahan's showrooms on 1 July 2011 to view the caravan. She was shown around by Des, who took her to view the Starlight demonstration model.

She was shown the built-in microwave and fridge-freezer, and how the settee converted into two single beds for her teenaged son and daughter. Rose stressed the importance of having separate beds for each of her children.

Rose asked Des whether her 1400cc car was powerful enough to tow this caravan. Des was desperate to secure the sale and knew that her car was not suitable but lied and said that it was. He did, however, suggest that she should check this for herself in the brochure. She did not bother to do so. The brochure clearly stated that a 1600cc car was the minimum required. Rose was satisfied with what Des said and then decided to buy a Starlight caravan.

Des then took her into the office to sign the paperwork for the purchase of the new caravan. Rose paid a £1000 deposit. She planned to collect the caravan in four weeks time on 28 July, just in time for their family holiday.

Rose and her family collected the caravan on 28 July and went on holiday later that day. When they arrived at their camp-site, they discovered that there was no microwave in the caravan. They also discovered that the settee in the lounge converted into a double bed instead of two single beds and that the toilet leaked.

The weight of the caravan had damaged the car, as the engine was not powerful enough to tow it.

Scenario 1 Questions

1. Explain to Rose whether the advertisement in the Caravan Club Magazine is an invitation to treat or an offer.
(5 marks)
2. Explain to Rose whether each of the following would be a breach of condition or a breach of warranty and the remedies available.
 - (a) The microwave not being in the caravan.
(5 marks)
 - (b) The settee not converting into single beds.
(6 marks)**(Total: 11 marks)**
3. Explain the sections of the Sale of Goods Act 1979 upon which Rose will be able to rely if she brings a claim in respect of the leaking toilet.
(5 marks)
4. (a) Explain to Rose if she is likely to be successful in a claim for misrepresentation against Des in respect of the suitability of her car to tow the caravan.
(6 marks)
(b) What remedies are available for the above misrepresentation?
(3 marks)
(Total: 9 marks)
5. If Rose's caravan had been destroyed in an accidental fire at Des' showroom the night before she was due to collect it and there are no other suitable caravans available this summer:
 - (a) Explain to Rose what effect this would have on her contract with Des.
(6 marks)
 - (b) Explain whether or not Rose can recover her deposit.
(4 marks)**(Total: 10 marks)**

(Total Marks for Scenario 1: 40 marks)

Scenario 2

Ben and Gurpal share a house together. The bathroom needs improvement. Gurpal offers to fit a new shower and re-paint the walls. Gurpal is keen for this to be done and agrees to pay Ben £250 to cover the cost of materials and labour.

Whilst Gurpal is away for the weekend, Ben starts work on the bathroom and decides that it needs new tiles behind the sink and new flooring. He wishes to surprise Gurpal and buys new tiles and a roll of floor covering. Ben fits the new shower and tiles, paints the walls and lays the floor covering in time for Gurpal's return.

Ben proudly shows Gurpal the new bathroom and Gurpal is delighted. He offers Ben an additional £100 for the tiles and the floor covering, when he gets paid at the end of the month.

Gurpal later refuses to pay Ben any money (neither the £250 nor the £100) and claims that he never asked him to do the work.

Ben is a swimming instructor. Sue has paid Ben for 20 weekly group swimming classes. Sue tells Ben she wishes to enter a swimming competition in a month's time and she asks Ben if he can stay longer to give her extra one to one tuition.

For the next month Ben stays on longer to help Sue. Ben asks Sue for an additional £60 for the extra one to one tuition. Sue refuses to pay him.

Ben enters into a contract with Floats R Us for the supply of 10 swimming floats but when the parcel arrives it only contains eight floats.

Scenario 2 Questions

1. (a) Identify the **four** essential requirements for a valid contract.
(4 marks)
- (b) Explain to Ben whether he has a valid contract with Gurpal in relation to fitting the shower and re-painting the walls.
(6 marks)
(Total: 10 marks)
2. (a) Define consideration.
(2 marks)
- (b) Explain to Ben whether he has provided valid consideration in order to claim:
- (i) £250 for the shower and re-painting the walls;
(5 marks)
- (ii) £100 for the tiles and floor covering.
(5 marks)
(Total: 12 marks)
3. Regarding the one to one extra tuition that Ben has provided for Sue:
- (a) Explain to Ben whether or not he is entitled to the additional £60.
(7 marks)
- (b) Explain the remedy which would be available to Ben because Sue has refused to pay him the additional £60.
(5 marks)
(Total: 12 marks)
4. Explain to Ben whether or not Floats R Us has discharged its contractual obligations to him.
(6 marks)

(Total Marks for Scenario 2: 40 marks)

Scenario 3

Johnny is a car dealer and places the following advertisement in his newspaper.

<p style="text-align: center;">Car for sale 1100cc Aqua green One careful lady owner 1999 Registration Only 39,000 miles Plus many extras Bargain! £1,000 Telephone 01111 212212</p>
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Ann is the first to call Johnny, and arranges to go to his showroom to view the car. When she arrives she looks at the car and Johnny, who is keen for a quick sale, offers to sell it to her for £950. Ann offers £875. Johnny says he will think about it.

Later the same day Ellis also views the car and offers £900 to Johnny who accepts her offer.

In the meantime Ann decides she really wants the car and calls Johnny back and says she will give him the £950 he originally offered to sell it for. Johnny says he is really tempted by her offer. Seeing this as a good sign Ann says that if she hears nothing more from Johnny she will assume it is hers and pay for and collect it tomorrow.

Johnny decides he would rather accept Ann's offer and calls Ellis to tell her that the car is no longer available to her. Ellis is furious, as she is sure she should be entitled to buy the car!

Ann and Ellis are friends. When Ellis tells Ann that Johnny has refused to sell Ellis the car, Ann decides to withdraw her offer.

The next day Imran comes into Johnny's showroom, and informs him that he needs to buy a seven seater car with air-conditioning.

Johnny explains that he has just the car for him but it is currently being serviced. Johnny shows him a similar type of car in the showroom. Imran agrees to buy the car being serviced as he believes it has all the features he needs. He pays a deposit and agrees to return to collect the car the next day.

When Imran returns the next day he discovers that the car is only a five seater. Furthermore it has a sun-roof and not air-conditioning. Imran refuses to pay the balance and demands his deposit back.

Scenario 3 Questions

1. Explain to Johnny whether he will incur any contractual liability as a result of his advertisement.

(6 marks)

2. (a) Explain the effect of Ann's offer of £875.

(5 marks)

- (b) Explain Ann's legal position as a result of her stating that if she hears nothing more from Johnny she will assume the car is hers.

(5 marks)

- (c) Explain whether Ann can withdraw her offer of £950 for the car.

(6 marks)

(Total: 16 marks)

3. (a) Explain to Johnny whether there is an agreement to sell the car to Ellis.

(5 marks)

- (b) Explain what remedy, if any, may be available to Ellis that would compel Johnny to hand over the car to her.

(6 marks)

(Total: 11 marks)

4. In relation to Imran and Johnny:

- (a) Identify whether the following are conditions or warranties:

- (i) the seating capacity of the car;

(1 mark)

and

- (ii) the air-conditioning.

(1 mark)

- (b) What would be the consequences of a breach of each of the above terms?

(5 marks)

(Total: 7 marks)

(Total Marks for Scenario 3: 40 marks)

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