



CILEX Level 6 Single Subject Certificate/CILEX Level 6 Professional Higher Diploma in Law and Practice/CILEX Level 6 Graduate Fast-Track Diploma

Unit 2 – Contract Law

Question paper

June 2024

Time allowed: 3 hours and 15 minutes (includes 15 minutes reading time)

Instructions and information

- It is recommended that you take **fifteen** minutes to read through this question paper before you start answering the questions. However, if you wish to, you may start answering the questions immediately.
- There are **two** sections in this question paper — Section A and Section B. Each section has four questions.
- You must answer **four** of the eight questions — at least **one** question must be from **Section A** and at least **one** question must be from **Section B**.
- This question paper is out of 100 marks.
- The marks for each question are shown — use this as a guide as to how much time to spend on each question.
- Write in full sentences — a yes or no answer will earn no marks.
- Full reasoning must be shown in your answers.
- Statutory authorities, decided cases and examples should be used where appropriate.
- You are allowed to make notes on your scrap paper during the examination.
- A basic calculator is provided should you require the use of one.
- You can use your own unmarked copy of the following designated statute book – ***Blackstone’s Statutes on Contract, Tort & Restitution 34th edition, Francis Rose, Oxford University Press, 2023.***
- You must comply with the CILEX Exam Regulations – Online Exams at Accredited Centres/CILEX Exam Regulations – Online Exams with Remote Invigilation.

Turn over

SECTION A

Answer at least one question from this section.

1. Critically assess how easily the doctrine of privity can be circumvented by the various exceptions to the basic rule.

(25 marks)

 2. Critically analyse the requirement for 'strict performance' (or 'entire performance') of a party's obligations under a contract.

(25 marks)

 3. Critically assess how far the provisions of the Consumer Rights Act 2015 extend the protection originally provided to consumers at common law and under the Unfair Contract Terms Act 1977.

(25 marks)

 4. Critically analyse how effectively the law of contract has established clear rules governing:
 - (a) the revocation of a unilateral offer;

(10 marks)

 - (b) the communication of acceptance.

(15 marks)
- (Total: 25 marks)**

SECTION B

Answer at least one question from this section.

Question 1

Akira owns a business, which operates a number of pubs in the Kempston area. After struggling to make a profit in the last few years, Akira has become convinced that the business needs further investment, both to pay off existing debts and to expand.

Akira spoke to Brianna about investing in the business. Akira told Brianna that "annual income last year was more than £1 million" and that "now they're changing the licensing laws I think it will be easier than ever to do late-night events". Akira shared all of the accounts documentation with Brianna electronically but because her computer was not working, Brianna did not check this information.

Brianna agreed to invest £250,000 for a 10% stake in the business.

Akira also asked Clare for investment. He told Clare that he needed £400,000 to fund renovation of the 'Dog & Duck', a pub the business had just purchased. Clare agreed and made the investment but has since found out that Akira used the money to pay off existing debts. Akira is adamant that when he spoke to Clare, he did intend to use the money for renovation but was then forced to use the money to repay debt because of a subsequent legal claim by the creditor.

It transpires that last year, Akira's business had an income of only £950,000, which was clear in the accounts documentation. The proposed change to licensing laws did not come into force. Akira's business is now struggling, and Brianna and Clare are demanding the return of the money they invested.

Advise Akira as to any potential claims against him in misrepresentation.

(25 marks)

Question 2

Ferdinand owns and operates his own barber shop in the town of Kempston. A year ago, he borrowed £100,000 from Gaz to finance setting up the shop. It was agreed that on 22nd May 2024, Ferdinand would repay Gaz the initial £100,000 loan plus 10% interest, for a total of £110,000.

In early May 2024, Gaz and two of his associates visited Ferdinand's shop. They told Ferdinand "Times are hard and business is tough.", before demanding that Ferdinand sign a revised contract agreeing to repay not just the originally agreed amount of £110,000 but also to pay Gaz £10,000 a month for the next four years in exchange for unspecified 'insurance'.

When Ferdinand objected, Gaz's associates smashed two of the windows in Ferdinand's shop front and told him "If you don't sign, accidents like this will keep happening. It would be a shame if your shop burned down, wouldn't it?". Ferdinand felt that he had no alternative and signed the revised contract.

Ferdinand has been using 'Luscious Locks' haircare products in his shop. He has a longstanding agreement with Luscious Locks Limited (LLL), the manufacturer, to supply him with a set order of haircare products for £5,000 every three months. The agreement was expressed to run until 2029.

Last week, LLL informed Ferdinand that it had miscalculated the profit margins on a number of its products. They asked Ferdinand to enter into a new agreement, under which he would pay £10,000 every three months for a very similar selection of products.

When Ferdinand objected, LLL told him "If you don't agree to the new contract, we will start demanding payment in advance for each order.". LLL were entitled to do this under their existing contract with Ferdinand but had been happy to let Ferdinand order on credit.

Ferdinand knew that he did not have the money to buy the products without the credit facility. He also knew that no other company offered the same products that LLL produced and that many of his customers were insistent on using LLL products. He therefore reluctantly agreed to sign the new contract.

Advise Ferdinand as to whether his new contracts with Gaz or LLL can be set aside for duress.

(25 marks)

Question 3

Melanie's Motors (MM) is a large car and van dealership based in the Kempston area. In January 2024, Nish visited MM looking to purchase a new car for his personal use.

Nish told the sales representative at MM that he was looking for a seven-seater SUV with 4x4 (4-wheel drive). He mentioned specifically that he and his family enjoyed caravan holidays in their large caravan and that he needed a vehicle capable of towing the caravan.

The representative told Nish that he should purchase the Z-Axis, a large SUV that she claimed would be ideal for Nish's needs. Nish agreed to purchase the car at a cost of £44,599.

Since January, Nish has been very unhappy with the Z-Axis. The 4x4 drive system has malfunctioned twice and MM have been unable to successfully repair it. Last week, Nish and his family planned to leave on a caravan holiday but found that the Z-Axis is not able to tow the large caravan they own. Nish is also upset that some of the stitching on the leather interior of the car is poorly finished and that the glovebox often sticks when it is opened.

MM also recently contracted with Ophelia to supply her with three 'Autowheeler' X25 vans for her business. They expressly agreed that the vans would be electric powered, that they would each have 'load space sufficient for general commercial purposes' and that they would have a dark-blue stripe painted on the side.

Owing to a supply shortage, MM instead supplied Ophelia with three 'Autowheeler' X11 vans with a different specification. In all other respects the X11 vans are identical to the X25 vans but these X11 vans have petrol engines, have smaller load space and do not have the dark-blue stripe painted on the side. The X11 van has 14 cubic litres of load space, compared to 14.8 cubic litres of load space in a X25 van. It will cost £150 to paint a blue stripe onto each van.

Advise MM as to:

- (a) any relevant statutory implied terms in its contract with Nish and any remedies that might be available;

(10 marks)

- (b) whether each of the express terms breached in the contract to supply the Autowheeler vans to Ophelia is likely to be categorised as a condition, a warranty, or innominate.

(15 marks)

(Total: 25 marks)

Question 4

In 2022, Tina won a large sum of money on the National Lottery. Tina was advised that she should invest the money and so she made a number of diverse investments. Among these investments were the purchase of two properties – a flat in London and a house in Derby where Tina lives, a loan of £150,000 to her friend Ugo's startup company, with an agreement Ugo would repay £200,000 in April 2024 and a sizeable investment in ContractCoin, a digital cryptocurrency (similar to Bitcoin).

Tina let out the London flat to Viktoria for a rent of £2,500 per month until 2025. In January 2023, Viktoria was made redundant. When Viktoria told Tina that she could not afford the rent and might be forced to break her tenancy early, Tina said: "I'm still very wealthy – why don't you pay £1,000 a month until you get a new job?". Viktoria got a new, very well-paid, job in August 2023. In January 2024, Tina heard about this and told Viktoria that she wanted her to resume paying £2,500 from now on. Tina also wants the 'missing' rent that Viktoria did not pay during 2023.

In March 2024, Ugo told Tina that his company had a cashflow problem and he would be unable to pay the £200,000 in April as agreed. Tina asked Ugo what the maximum amount was that he could repay and they agreed that Ugo would pay Tina £160,000 in "full and final settlement" of the debt.

Ugo paid the £160,000 as agreed but Tina has now heard that Ugo's business is doing much better and has demanded the additional £40,000 she was originally owed.

Tina contracted with Waseem to renovate the Derby house. It was a major job and Waseem quoted £35,000 initially for the works. Tina, who knew Waseem was an enthusiastic supporter of cryptocurrency, offered him her holdings of ContractCoin instead. At the time of the contract being made these were worth roughly £40,000. The contract stated that Tina would transfer the ContractCoin at the conclusion of the work in June 2024.

ContractCoin has steadily diminished in value in the intervening period and Tina's entire holdings are now worth around £2,000. Waseem is refusing to accept the ContractCoin as payment for the work he has now completed and is demanding that Tina pay him £35,000 instead.

Advise Tina.

(25 marks)

End of the examination

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