

## THE CHARTERED 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 this question paper fully.** However, you may make notes on this question paper or in your answer booklet during this time, if you wish.
- **This 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 from Section B ONLY.**
- Write in full sentences – a yes or no answer will earn no marks.
- Candidates must comply with the CILEx 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 ballpoint 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 **CILEx LEVEL 3 PROFESSIONAL QUALIFICATIONS** and **LEVEL 3 LEGAL SERVICES KNOWLEDGE QUALIFICATIONS**

## **SECTION A**

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

1. Explain the legal requirements for the formation of an enforceable contract.  
**(3 marks)**
2. Identify the statute which creates a general exception to the rule of privity of contract.  
**(1 mark)**
3. Distinguish an offer from an invitation to treat.  
**(4 marks)**
4. Distinguish a request for information from a counter-offer.  
**(4 marks)**
5. Define 'consideration'.  
**(2 marks)**
6. Explain the presumption as to legal relations which applies to agreements made in social situations.  
**(3 marks)**
7. Explain how terms may be implied by the courts.  
**(4 marks)**
8. Identify the type of contractual term which gives only the right to claim damages, if breached.  
**(1 mark)**
9. Explain what is meant by a 'half-truth' in misrepresentation.  
**(2 marks)**
10. Identify **three** examples of ways in which a contract may be frustrated.  
**(3 marks)**
11. Explain the purpose of damages in contract.  
**(3 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**

In February, Dina purchased new cafe premises and entered into several contracts to refurbish them.

One contract was with Sparkies, to fit electrical cabling in the kitchen. The contract included the following terms:

'It is a condition of this contract that the work must be completed by the end of February. The fee of £20,000 is payable on completion.'

However, by the end of February, Sparkies had barely started the work, so Dina ended the contract.

Another contract was with Wallfit. This contract was in two parts. The first part involved fitting kitchen cupboards, for a fee of £15,000. This work was to be done in March. The second part was to tile the walls, for £10,000, to be done in April.

Wallfit fitted the kitchen cupboards in March in accordance with the contract.

In the first week of April, Wallfit carried out half of the tiling, but then Dina decided she wanted the electrical cabling completing first. She told Wallfit to stop work and to come back in June. Wallfit complained that they had other work to do in June, so Dina sacked them.

Dina next employed Voltamp to complete the electrical cabling, for a fee of £18,000. Voltamp completed it in accordance with the contract. Dina was impressed with their work, so she asked if they could fit an additional ten plug fittings. When they had fitted these, Dina promised to pay them an extra £500.

Finally, Dina employed Ben to finish tiling the walls, for £5,000. Ben completed the tiling perfectly, but Dina did not have enough to pay him in full. After discussing the matter with Dina, Ben agreed to accept £4,000 if he could have free breakfasts for a year. However, after a month of breakfasts, he changed his mind and sent Dina an invoice for the full £5,000.

## Scenario 1 Questions

1. (a) Identify the remedies available for breach of a condition of a contract and the circumstances in which they are available.

**(3 marks)**

- (b) Explain whether Dina was entitled to end the contract with Sparkies.

**(3 marks)**

**(Total: 6 marks)**

2. (a) Explain the 'complete performance' rule (or 'entire performance' rule) and identify **two** exceptions to that rule.

**(4 marks)**

- (b) Explain whether Wallfit is entitled to payment for the first part of the contract with Dina.

**(3 marks)**

- (c) Explain whether Wallfit is entitled to payment for the second part of the contract with Dina or has any other remedy in respect of it.

**(7 marks)**

**(Total: 14 marks)**

3. (a) Explain the rule of past consideration and the exception to the rule.

**(5 marks)**

- (b) Explain whether Voltamp can enforce Dina's promise to pay an extra £500 for the plug fittings.

**(6 marks)**

**(Total: 11 marks)**

4. (a) State the Rule in Pinnel's Case (1602).

**(3 marks)**

- (b) Identify **two** exceptions to the Rule in Pinnel's Case (1602).

**(2 marks)**

- (c) Explain whether or not Ben can claim the full £5,000 from Dina.

**(4 marks)**

**(Total: 9 marks)**

**(Total Marks for Scenario 1: 40 marks)**

## Scenario 2

Marvin is a plumber. Zelda rang Marvin when she needed new washers fitting to her taps, to stop them dripping. Marvin came and fixed the taps. The standard fee recommended by the Plumbing Society for fitting tap washers is £175, so Zelda was shocked to receive a bill from Marvin for £2,000.

Quentin's taps were also dripping. Marvin agreed to fit new washers to Quentin's taps for a fee of £175. The work involved the provision of both goods and services. Marvin used the correct washers, but as he did not fit them tightly enough, Quentin's taps continued to drip. Unfortunately, Quentin left the plug in his sink when he went out, and the sink overflowed. Quentin now wishes to claim compensation for damage to his floor caused by the sink overflowing.

Three weeks ago, Marvin entered into an arrangement with Harris Hotels, which included the following terms:

'Harris Hotels will use Marvin for all of their emergency plumbing for the next year. The fee for each call-out will be £150. Liability of Harris Hotels to pay shall only arise when call-outs have been fulfilled, but in all other respects this arrangement shall be binding in honour only.'

Marvin fulfilled two emergency calls-outs in the first week of the arrangement. Two weeks later, Marvin complained that he had not yet been paid. Harris Hotels then told him that they would not pay him anything, and that they would not use him for emergency plumbing for the remainder of the year.

Marvin has recently had problems with customers trying to re-arrange appointments at the last minute. To try to prevent this problem, he has put the following clause, in red ink and a large font, in a leaflet he sends with all of his quotations for work:

'Customers wishing to re-arrange appointments may only do so by giving fourteen days' notice in writing.'

## Scenario 2 Questions

1. (a) Identify what is meant by a 'trader' and by a 'consumer' under the Consumer Rights Act 2015.  
**(2 marks)**  
  
(b) Explain how the price payable under the contract between Marvin and Zelda will be determined.  
**(4 marks)**  
**(Total: 6 marks)**
2. (a) Identify **three** terms relating to the goods used which will be implied into the contract between Marvin and Quentin.  
**(3 marks)**  
  
(b) Explain which term of the contract has been breached by Marvin.  
**(3 marks)**  
  
(c) Explain **three** remedies, whether under the Consumer Rights Act 2015 or at common law, which Quentin may be entitled to as a result of Marvin's failure to fix his taps properly.  
**(6 marks)**  
  
(d) Explain whether Quentin can claim compensation for the damage to his floor.  
**(3 marks)**  
**(Total: 15 marks)**
3. (a) Identify the presumption as to whether commercial agreements are intended to give rise to legal relations.  
**(2 marks)**  
  
(b) Explain whether Marvin has any legal rights against Harris Hotels:
  - (i) in respect of the two emergency call-outs he fulfilled;  
**(4 marks)**
  - (ii) in respect of Harris Hotels' refusal to use his plumbing services for the remainder of the year.  
**(4 marks)****(Total: 10 marks)**
4. Explain whether the clause in the leaflets sent with quotations is incorporated into any contract with customers who accept the quotations.  
**(9 marks)**

**(Total Marks for Scenario 2: 40 marks)**

### Scenario 3

Ravi runs a shipping firm. Ravi was contacted by Seanut, which was looking to charter a ship to transport a cargo of peanuts from the United States to England. Seanut said that it was essential that the ship could carry 5,000 tons of peanuts, as it needed to move a cargo of that size in one load. Ravi said that he had a ship available called the Satay Supreme, which could carry that cargo. He said that to the best of his knowledge, it had been built in 2013, and he invited Seanut to check its logbook if it wanted to be sure. The negotiations between Ravi and Seanut continued for several weeks. The contract was eventually agreed over the phone.

Aquadata contacted Ravi about chartering a ship, the Fruti Freta, to urgently transport a cargo of 2,000 tons of dates from Lebanon to Scotland. Ravi told Aquadata that the Fruti Freta had a capacity of 3,200 tons, as a result of which Aquadata agreed to charter it. Ravi based that figure on his recollection of the Fruti Freta's logbook. Unfortunately, he had accidentally got the figures muddled, and its true capacity was only 2,300 tons.

Aquadata chartered the Fruti Freta for £75,000. It entered a written contract, which did not mention the capacity of the Fruti Freta. Only after the charter was over did Aquadata discover Ravi's error. Aquadata says that it could have got a ship with a capacity of 2,300 tons for £20,000 less. It is refusing to pay Ravi the full £75,000.

Three months ago, Oceanlime chartered a ship, the Citrus Express, from Ravi for a six-month period, for £200,000. The terms of the charter included a clause which provided as follows:

'3.1 Ravi will keep the Citrus Express maintained with a crew of thirty and in a seaworthy state for the duration of the charter.'

Unfortunately, two of the thirty crew members were off sick last week. Oceanlime paid an extra £2,000 to other crew members to work overtime. Oceanlime no longer needs the Citrus Express and wishes to end the charter if possible.

### Scenario 3 Questions

1. (a) Explain what is meant by a 'representation'.  
**(2 marks)**
- (b) Explain whether the following are terms of the contract or mere representations:
- (i) Ravi's statement that the Satay Supreme could carry 5,000 tons of peanuts;  
**(5 marks)**
- (ii) Ravi's statement that to the best of his knowledge, the Satay Supreme had been built in 2013.  
**(5 marks)**  
**(Total: 12 marks)**
2. (a) Identify the different types of misrepresentation.  
**(3 marks)**
- (b) Assuming that Ravi's statement that 'the Fruti Freta had a capacity of 3,200 tons' is a misrepresentation, explain what type of misrepresentation it is.  
**(7 marks)**  
**(Total: 10 marks)**
3. (a) Identify **two** remedies which may be available for misrepresentation.  
**(2 marks)**
- (b) Explain whether or not those remedies are available to Aquadate.  
**(7 marks)**  
**(Total: 9 marks)**
4. (a) Explain what is meant by an 'innominate term'.  
**(4 marks)**
- (b) Explain whether Oceanlime can terminate the charter because of Ravi's breach of clause 3.1.  
**(5 marks)**  
**(Total: 9 marks)**

**(Total Marks for Scenario 3: 40 marks)**

**End of Examination Paper**

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