



THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES

UNIT 1 – 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 two 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 following CILEx qualifications: **LEVEL 4 DIPLOMA IN COMMERCIAL LITIGATION** and **LEVEL 4 DIPLOMA IN DEBT RECOVERY AND INSOLVENCY**

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SECTION A

(Answer ALL questions in Section A)

1. Identify how an offeree accepts a unilateral offer and how an offeree accepts a bilateral offer.
(2 marks)
2. Explain how the presumption that a contract is not intended to be legally binding when formed in a commercial context may be rebutted.
(3 marks)
3. Explain whether part-payment of a debt can be satisfaction for the whole.
(4 marks)
4. Identify **two** statutes which govern exemption clauses.
(2 marks)
5. Define an 'innominate term'.
(4 marks)
6. Explain the remedies for a fraudulent misrepresentation.
(4 marks)
7. Identify **two** factors relevant to establishing economic duress.
(2 marks)
8. Explain what is required for a contract to be frustrated.
(4 marks)
9. Identify **two** equitable remedies that may be awarded in contract law.
(2 marks)
10. Explain when damages for non-pecuniary loss may be awarded.
(3 marks)

(Total Marks for Section A: 30 marks)

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SECTION B

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

Scenario 1

Amir is president of the University of Kempston Student Union. It is his responsibility to organise entertainment for students at the university. Amir decided in April 2018 to post out a letter to local musicians which stated:

'Want to get paid and attract new fans? Then come and play at Kempston Student Union. We are looking to hire bands to play Friday or Saturday nights in May. Pay: £500 per gig, willing to negotiate.'

Bobbi, the lead singer of a local band, replied to Amir, stating that she was happy to agree on those terms, and that her band would play on Friday 18 May. On receiving Bobbi's letter, Amir researched her band and found a number of bad reviews. Amir decided not to book Bobbi and did not respond to her letter.

Cory, a guitarist, also received Amir's letter and replied via post, telling Amir that he would be willing to play at the Union on Saturday 26 May. He went on to say that, as he was well-known locally, his fee would be £750. Amir sent a letter to Cory on 1 May agreeing to those terms.

On 12 May, Amir found out that DJ Dave, a famous DJ, was available on Saturday 26 May. Amir agreed with DJ Dave that he would play a three-hour session at the Student Union on the 26 May, in exchange for £1,500. Amir had forgotten that he had invited Cory to play that night.

On 18 May, Bobbi arrived at the Student Union ready to play. Amir told her to leave as they 'had no contract'.

On 26 May, both DJ Dave and Cory arrived at the Student Union. Amir told Cory that his services were not required. He did pay him his £750 fee. Despite this, Cory was angry, as he had planned to sell CDs of his new album after the show. He had expected to make around £500 from doing this.

DJ Dave, who was embarrassed by the mix-up, did play a set for the students, but only performed for two hours rather than three. After DJ Dave left, Amir asked his friend Ellie to perform her regular stand-up comedy routine. The next day, Amir told Ellie he was so grateful he would give her £250.

Amir is refusing to pay DJ Dave anything at all, as he played for less time than agreed, and has yet to give Ellie the £250.

Scenario 1 Questions

1. Advise Amir whether a contract was formed with Bobbi.
(8 marks)

2. Advise Cory:
 - (a) as to whether a contract was formed with Amir;
(8 marks)

 - (b) if so, whether he may claim for the £500 he could have earned by selling CDs.
(6 marks)**(Total: 14 marks)**

3. Advise Amir whether he is legally obliged to pay DJ Dave anything for his performance.
(8 marks)

4. Advise Ellie whether:
 - (a) her agreement with Amir was intended to create legal relations;
(4 marks)

 - (b) there was valid consideration for Amir's promise to pay £250.
(6 marks)**(Total: 10 marks)**

(Total Marks for Scenario 1: 40 marks)

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Scenario 2

Mikhail runs a business trading in sports memorabilia. He specialises in selling items which were used by, and subsequently signed by, famous sporting celebrities. Mikhail sells his merchandise both online and in his shop in Kempston.

Naveen is a keen football fan and a supporter of Thames Valley FC. Looking for memorabilia relating to the club, he visited Mikhail's shop and immediately spotted an old Thames Valley shirt for sale. Naveen asked Mikhail about the shirt, and Mikhail told him that it had been worn in a famous Cup Final by Jim Kenna, one of Thames Valley's most famous former players. Mikhail based this on the fact that when he had bought the shirt, he was provided with a 'certificate of authenticity' by the seller, stating this to be the case. The shirt was already framed to hang on the wall.

Naveen was unsure about the £2,500 price that Mikhail was asking, and so he left the shop without purchasing the shirt. However, two weeks later he returned to the shop and said to Mikhail 'I can't live without that piece of history', and then purchased the shirt.

Last week, Naveen decided to reframe the shirt he had purchased. On removing it from the frame, he realised that there was a major tear in the front of the shirt, which had been hidden by the framing. When he took the shirt to a specialist repairer, he was angry to find out that in fact the shirt was from a later season and could not have been worn by Jim Kenna, as Mikhail had claimed.

Looking to get rid of older, less popular stock, Mikhail also began a new service that he called 'the signature subscription'. In exchange for an annual payment of £1,000, he promised to send subscribers an item signed by a famous sports person every month. Olly decided to purchase this package as a 21st birthday present for his son Pete, who was fanatical about sport. Olly agreed with Mikhail that the items would be sent directly to Pete. While Pete was delighted with the first three items sent, Mikhail has failed to send an item for the last three months. The reason for this is that Mikhail is suffering financial problems.

In a bid to increase his income, Mikhail offered his grandfather, Roman, a share in the business. Roman, who is elderly and in poor health, was unsure about investing his small savings in the shop. Mikhail visited Roman with a contract for sale already drafted and spent three hours telling him that it was in his best interests to agree. Roman finally signed the contract.

Roman has now discovered how badly the business is doing and regrets agreeing to take on a share of the business.

Scenario 2 Questions

1. (a) Explain how the court will decide if a statement is a term or a representation.

(6 marks)

- (b) Advise Naveen whether Mikhail's statement that the shirt had been worn in a Cup Final by Jim Kenna is a term or a representation.

(5 marks)

(Total: 11 marks)

2. Explain whether the rip in the front of the shirt could give rise to an actionable misrepresentation.

(7 marks)

3. Explain whether 'the signature subscription' contract could be enforced by Olly through specific performance.

(4 marks)

4. Explain whether, and if so how, 'the signature subscription' contract between Olly and Mikhail could be enforced by Pete.

(8 marks)

5. Advise Roman as to whether he can set aside the contract with Mikhail to purchase a share in the business.

(10 marks)

(Total Marks for Scenario 2: 40 marks)

End of Examination Paper

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