



## THE CHARTERED INSTITUTE OF LEGAL EXECUTIVES

### UNIT 2 – CONTRACT LAW\*

**Time allowed: 3 hours 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.
- **All questions carry 25 marks. Answer FOUR only of the following EIGHT questions. This question paper is divided into TWO sections. You MUST answer at least ONE question from Section A and at least ONE question from Section B.**
- Write in full sentences – a yes or no answer will earn no marks.
- **Candidates may use in the examination their own unmarked copy of the designated statute book: Blackstone's Statutes on Contract, Tort & Restitution 2017-2018, 28th edition, Francis Rose, Oxford University Press, 2017.**
- 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 6 CERTIFICATE IN LAW** and the **LEVEL 6 PROFESSIONAL HIGHER DIPLOMA IN LAW AND PRACTICE**

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**SECTION A**  
**(Answer at least one question from this section)**

1. Critically assess to what extent the courts will uphold a contract entered into as a result of threats or pressure by one party to the contract upon the other party.

**(25 marks)**

2. Critically assess the continuing relevance of the common law rules relating to exemption clauses, in light of legislation in that area.

**(25 marks)**

3. Critically evaluate how far the courts have moved from the traditional categorisation of terms as conditions or warranties.

**(25 marks)**

4. Critically analyse:

(a) the factors which may prevent frustration of a contract;

**(13 marks)**

(b) the effect of the Law Reform (Frustrated Contracts) Act 1943.

**(12 marks)**

**(Total: 25 marks)**

**Turn over**

**SECTION B**  
**(Answer at least one question from this section)**

**Question 1**

Andy was the owner and proprietor of 'Andy's Bike and Hike Limited' (ABHL), a shop specialising in the sale and repair of bicycles and hiking equipment. The shop had become extremely successful, as it was the only shop of its kind in the busy tourist resort of Southchester.

In 2016, Cinzia purchased ABHL from Andy. Due to the popularity of the store, Cinzia paid a high price, in return for which she received the remaining 20-year lease on the premises, and the stock and goodwill of the business. Keen to protect her new investment, Cinzia insisted on a term of the contract, which prevented Andy from opening any shop trading in bicycles or bicycle repair within 10 miles of Southchester, for the next three years.

Cinzia has now discovered that Andy has just opened a new bicycle shop 8 miles from Southchester.

Keen to develop the hiking side of the business, Cinzia employed Desi in March 2018. Desi was employed as a sales assistant specialising in selling hiking boots, as she has many years of experience in this field. Desi was given a 12-month contract, which included a term preventing her from working with 'any other employer within 10 miles of Southchester selling any goods similar to or the same as those sold by ABHL' for a period of one year following termination of the contract.

After arguing with Cinzia over the prominence of bicycles in the window displays, Desi resigned in May. Cinzia has now learned that Desi has begun working in Andy's new bicycle shop.

Advise Cinzia.

**(25 marks)**

## Question 2

Fantastic Flowers is a florist based in Kempston. It specialises in providing floral bouquets for events such as weddings and funerals.

Giannis wished to organise flowers for his upcoming wedding to Henrietta. He visited Fantastic Flowers and spoke to Iyere, an employee working in the shop. Giannis explained that he needed a varied selection of flowers but that, as he suffered from an allergy to certain types of pollen, no roses or lilies could be included in the flowers provided.

Jenny also visited Fantastic Flowers, with a view to using its services to provide flowers for a large birthday dinner that she was planning for her mother. The venue for the dinner was the Grand Hall at Kempston Castle, a large hotel nearby. Jenny spoke to Iyere and told her that she required appropriate flowers to decorate the Grand Hall, which seated 50 people. Iyere told Jenny: 'I reckon you'll need 20 of our decorative bouquets'. Jenny was unsure about Iyere's advice, as she had been told by the owner of Kempston Castle that previous guests had usually provided as many bouquets as there were guests. However, Jenny decided to follow Iyere's advice.

On the day of Giannis' and Henrietta's wedding, Fantastic Flowers delivered the selection of flowers. Unfortunately, most of the arrangements contained both roses and lilies. Giannis was affected by the pollen all day and, in the evening, suffered an allergic reaction, for which he required hospital treatment.

When Jenny arrived at Kempston Castle for her mother's birthday dinner, it was clear that the flowers provided were inadequate to decorate the Grand Hall appropriately. Jenny was forced to purchase 30 extra bouquets from Luxury Blooms, another local florist, although it charged her three times its standard rate due to the last-minute nature of her order.

Advise Fantastic Flowers as to:

(a) any liability it may have to Giannis under consumer legislation;

**(10 marks)**

(b) any liability it may have to Jenny for misrepresentation.

**(15 marks)**

**(Total: 25 marks)**

**Turn over**

### Question 3

Martin is a successful artist who, after selling a work for a large sum, decided to move to the countryside. He purchased Gable Elms, a seventeenth-century farmhouse which had, until recently, been abandoned before it was purchased by Martin as a home for himself and his wife and three children. Martin entered into a number of contracts to renovate the property ready for his use.

Martin agreed with Lily, an architect, that she would design an 'artist's studio' to be built on the top floor of the property. It was a term of the contract that the studio would be usable throughout the year. They agreed a fee of £3,000 for the work.

Martin also contracted with Nina, a carpenter, to renovate the various rooms on the ground floor of Gable Elms. He agreed to pay her £10,000 for her work.

Finally, Martin agreed with Paul's Pools Ltd (PPL) that PPL would build a swimming pool in the grounds of the property, at a price of £25,000. As Martin wanted the pool to be ready for the summer, he included a term that the pool would be complete by 1 June, and if it was not, PPL would need to pay a £50,000 penalty fee.

Nina had completed most of the carpentry work, but was then forced to leave the job to care for an unwell relative. After Nina told Martin she would not be returning, he hired Quincy, who charged £1,500 to finish the work left by Nina.

Lily submitted her plans for the artist's studio and this has now been built. Martin was upset to find that while the light is ideal for painting, the large windows planned by Lily make the studio very cold in winter. As such, Martin cannot work in the studio during these months and has missed out on a valuable special commission as a result.

PPL did not complete the pool until 27 June.

Advise Martin as to any potential claim against:

(a) Nina;

**(8 marks)**

(b) Lily;

**(9 marks)**

(c) PPL.

**(8 marks)**

**(Total: 25 marks)**

#### Question 4

Speedy Solutions (SS) is a logistics firm specialising in the transportation of delicate and perishable goods. As its fleet of vehicles was rather outdated, it put out a call for tenders to provide 10 new refrigerated and temperature-controlled delivery lorries. The call for tenders stated: 'all tenders must be received before Friday 16 March. Any tender received after this date will not be considered.'

Three companies replied to the call for tenders:

- Tau Trucks (TT) made a tender of £250,000, which was received on Thursday 15 March.
- Upsilon Haulage (UH) said it would provide the vehicles for £240,000. It emailed the tender to the address provided in the call for tenders on Wednesday 14 March. However, due to a member of staff being ill, no one at Speedy Solutions read the email until Monday 19 March.
- Phi Dealership (PD) made a tender of £350,000, which was received on Thursday 15 March. The tender stated: 'Please let us know if you do not wish to contract with us. If we do not hear from you by Friday 23 March, we will assume acceptance and commence delivery of the vehicles.'

Speedy Solutions reviewed the two tenders it was aware of on Friday 16 March and decided to choose Tau Trucks, as it had an excellent reputation in the industry. However, the Chief Executive of SS dealing with the tenders was then involved in a car accident and no one responded to Tau Trucks, confirming that it had been chosen, until 31 May.

Upsilon Haulage has found out that its tender was not considered and has commenced proceedings against Speedy Solutions. Phi Dealership has begun to deliver lorries to Speedy Solutions and is demanding full payment of £350,000. Tau Trucks does not now wish to provide the vehicles, as it has calculated that it will not make a profit on the transaction.

Speedy Solutions also wishes to end an agreement with Ali's Vehicle Services to maintain SS's fleet of vehicles. The contract has two years left to run, but contains a clause which states: 'this agreement is binding in honour only'.

Advise Speedy Solutions.

**(25 marks)**

**End of Examination Paper**

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