



## 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 2019-2020, 30th edition, Francis Rose, Oxford University Press, 2019.**
- 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**

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

1. Critically analyse the law relating to anticipatory breach.  

**(25 marks)**
  
2. Critically evaluate the law of misrepresentation relating to:
  - (a) what constitutes a statement of fact;  

**(14 marks)**
  - (b) establishing whether the claimant was induced by the misrepresentation.  

**(11 marks)**  
**(Total: 25 marks)**
  
3. Critically analyse the use in contract law of the equitable remedies of:
  - (a) rescission;  

**(12 marks)**
  - (b) specific performance.  

**(13 marks)**  
**(Total: 25 marks)**
  
4. Critically assess to what extent the Consumer Rights Act 2015 has improved the protection for consumers in comparison with previous legislation.  

**(25 marks)**

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

**Question 1**

Andy is the owner of a coach-hire company. In August 2019, Andy decided to increase his fleet and agreed to purchase two new vehicles. As Andy specialises in taking groups to Christmas markets, he structured these purchases to take account of the money he planned to make towards the end of the year.

Andy contracted with Consumer Travel Incorporated (CTI) to buy a 'DeLuxe 9000 series' luxury coach, at a cost of £80,000. It was agreed that £40,000 would be paid upfront, with a further payment of £40,000 on 3 January 2020.

Andy also contracted in August 2019 with Dave, who was retiring from his own minibus-hire business, to purchase a Speedy Sprinter minibus for £3,000. As Dave was about to leave for a long holiday to celebrate his retirement, he agreed with Andy that Andy would pay the £3,000 on his return in December 2019.

Andy took delivery of the new coach and minibus and began using both vehicles. Unfortunately, a rival coach-hire firm then opened in a nearby town, and Andy saw the number of his bookings fall considerably.

In October 2019, Andy found that he did not have enough cash on hand to pay the £2,000 monthly rent for the garage where he stores his vehicles. When Andy told his landlord, Ferdinand, that he would be unable to pay the £2,000, Ferdinand said to Andy: 'Don't worry, I know business has its ups and downs. Why don't you pay £1,000 a month until your Christmas money comes in?'

However, Andy made much less money over the Christmas period than he expected and was struggling to make any of the agreed payments. He therefore agreed with a local businesswoman, Elizabeth, that she would pay £30,000 to CTI (which was willing to accept that sum 'in full and final settlement') and that Andy would give Elizabeth a 25% share in his business in exchange. Elizabeth paid the money to CTI, and Andy then transferred the 25% share to Elizabeth.

Andy then spoke to Dave, who said: 'I'd be willing to take £1,000 instead, if you will also promise to give me a lift to Bingo every week for the next three years'. Andy agreed to these terms.

CTI has now written to Andy, demanding £10,000. Dave has decided to stop attending Bingo and would like to return to his original agreement with Andy. Ferdinand has sent a letter to Andy, stating: 'Now Christmas is over, the rent is back to normal – please also send the extra £3,000 for October, November and December.'

Advise Andy.

**(25 marks)**

**Turn over**

## Question 2

Gabriella is the owner of an antiques shop in Kempston High Street, 'Gabby's Glories'.

In February 2019, Hafizur was browsing in Gabriella's shop, when he noticed a marble statue of the Greek goddess Aphrodite. The statue, dating from the eighteenth century, had a price tag reading '£25.00'. When Hafizur took the statue to the till, Gabriella told him that the tag was written incorrectly, and that the true price was £2,500. Hafizur angrily refused to pay this price and left the shop. Hafizur has sent a number of letters to Gabriella, demanding that she sell him the statue for £25.

In May 2019, Gabriella decided to promote the sale of a large floor-standing 'grandfather' clock, as she was struggling for space in the shop and no one had expressed an interest in buying the clock. On Friday 10 May, Gabriella placed a large poster in the window, stating: 'Time for a great deal! 19th-century Grandfather Clock, excellent condition. £100 cash first come first served'.

While the shop was closed over the weekend, Gabriella researched the clock on the internet and found out that it was worth more than £5,000. On Monday morning, Ioana, a regular customer, arrived at 9.05 am. She produced £100 in cash and told Gabriella that she wished to buy the clock. Gabriella refused to sell the clock, and when Ioana left, she took down the poster from the window. Ioana still believes that she should have been able to buy the clock.

On 12 September 2019, Jamie contacted Gabriella via email, to ask about purchasing an antique violin he had seen in the shop. On 13 September, Gabriella replied, telling Jamie that 'you can have the violin for £5,000'. On 15 September, Jamie emailed back, asking if the price included restringing the instrument. On 17 September, Gabriella replied to say that it did not. On 18 September, Jamie emailed Gabriella, stating, 'as long as you will restring the instrument, I agree I will buy it for £5,000'. The email included a delivery address.

On 20 September, Gabriella drove to Jamie's delivery address with the violin. When Gabriella arrived, she handed Jamie a 'delivery invoice', which Jamie signed. On the back of the invoice were Gabriella's standard terms of business, which included a clause stating: 'all instruments are sold as seen and price does not include additional restoration, restringing, etc'. Once Jamie had signed the invoice, Gabriella took the violin from her vehicle and gave it to Jamie.

Advise Gabriella of the contractual position regarding each of these issues.

**(25 marks)**

### Question 3

Marvellous Magic Ltd (MML) is a company based in London which specialises in the sale of magic tricks. The company has two sources of revenue: it develops and sells unique magic tricks with the accompanying equipment for use by stage magicians; and it also operates a small shop in central London, which sells mass-produced magic tricks to the public.

In 2008, Noah took up the post of Chief Engineer at MML. This role involved working with famous magicians, to develop unique magic tricks and the necessary equipment for them to be used on stage.

In May 2019, Oliver, a university student, agreed a three-month contract to work in the MML shop in central London, during the summer holidays.

The following clauses were part of both Noah's and Oliver's contracts:

- i) that for 12 months after termination of his employment by MML, the employee was prohibited from working for any firm anywhere in the world specialising in creating or selling magic tricks or illusions or any products of a similar nature;
- ii) that for five years after termination of his employment by MML, the employee was prohibited from using or making available confidential information and/or trade secrets gained by him while employed by MML.

Oliver left MML at the end of his contract in August 2019. MML has since learned that Oliver is working part-time in a toy shop in Sheffield, where he attends university. The toy shop sells magic tricks as part of its stock.

Noah left MML in October 2019, and the MML board has heard a rumour that he intends to take up a similar post as Chief Engineer at its main competitor.

Advise MML as to whether it will be able to enforce these clauses against Noah and/or Oliver.

**(25 marks)**

**Turn over**

#### Question 4

Yvonne owned her own business, which sold unique handmade wedding dresses. In January 2018, Yvonne accepted an order of 20 unique wedding dresses from Wonderful Weddingwear Limited (WWL), a retailer of 'plus-size' bridal wear with a number of high street shops across the UK. Yvonne was extremely excited, as this was the largest order she had ever taken. Yvonne agreed with WWL that she would deliver the dresses on 4 March 2018, at which point WWL would pay the £12,000 purchase price.

However, on 2 March 2018, WWL contacted Yvonne and told her that due to 'poor trading conditions', its business was struggling financially. WWL told Yvonne that 'we can only afford to pay £5,000 for the dresses'. Yvonne was shocked and upset and told WWL that its offer was 'daylight robbery'. However, due to the extra-large sizing of the dresses, Yvonne soon found that no other retailers were interested in purchasing them, so she reluctantly accepted the revised terms.

The reduced price added further financial strain to Yvonne's own business, which was also struggling. Yvonne decided that she needed money for a marketing campaign to bring in new customers. However, when she approached Xenolith Bank for a business loan, the bank told Yvonne that she would need to use her home as security.

Yvonne owned her home jointly with her partner Zimran, with whom she had been in a relationship for 15 years. In order for Yvonne to use the family home as security for her loan, she required Zimran's signature. Zimran initially refused, on the basis that he thought the loan was too big a risk. Yvonne spent the next two months continually asking Zimran to provide his signature, and making threats that she would end their relationship if he did not. Eventually, in July 2018, Zimran agreed to using the property as security, and he signed the bank papers.

While Yvonne used the full loan to pay for her marketing campaign, it failed to attract many new customers, and her business failed in the summer of 2019. As such, Yvonne has stopped making repayments on the loan, and Xenolith Bank has recently begun to take steps to take possession of Yvonne and Zimran's home.

Advise:

- (a) Yvonne whether she may claim duress regarding her dealings with WWL;  
**(10 marks)**
- (b) Zimran whether he may use the doctrine of undue influence to resist the claim of Xenolith Bank.

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

**End of Examination Paper**

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