

UNIVERSITY OF LONDON

266 0017 ZA

277 0204 ZA

LLB EXAMINATION

for External Students

PARTS I AND II EXAMINATIONS (Scheme A)
THIRD AND FOURTH YEAR EXAMINATIONS (Scheme B)
GRADUATE ENTRY LEVEL II (Route A)
GRADUATE ENTRY THIRD YEAR (Route B)

BSc DEGREES

for External Students

MANAGEMENT WITH LAW, LAW WITH MANAGEMENT, ACCOUNTING
WITH LAW AND LAW WITH ACCOUNTING FOR STUDENTS IN THE
EXTERNAL PROGRAMME

Commercial Law

Wednesday 3 June 2009: 10.00 - 1.15 pm

Candidates will have **fifteen minutes** during which they may read the paper and make rough notes **ONLY** in their answer books. They then have the remaining **THREE HOURS** in which to answer the questions.

Candidates should answer **FOUR** of the following **EIGHT** questions.

Candidates should answer all parts of a question unless otherwise stated.

1. 'English Commercial Law seeks to maintain a difficult balance between protecting the interests of the parties to a transaction and protecting the interests of third parties, who are not directly involved in that transaction but who may be affected by it.'

Discuss by reference to issues raised during your studies for this course.

2. 'An agent is someone who acts on behalf of another.'

How accurate is this as a description of the legal nature of agency?

3. 'The strict compliance rule in relation to letters of credit does not require exact literal compliance in all circumstances and as regards all documents.'

Discuss.

4. Kerr J referred to cif contracts as containing 'a duality of obligations relating respectively to the goods which are the subject-matter of the contract and the documents covering the goods which have to be tendered to the buyer'.

Discuss. What legal problems does this create?

5. 'The judicial interpretation of Romalpa clauses means they are not effective in protecting the seller in the event of the buyer becoming insolvent before payment.'

Discuss.

6. Watson's business of manufacturing cars is taken over by Holmes Ltd ('Holmes'). As part of that deal, Holmes agrees to employ Watson to purchase materials for car manufacture, but prohibits him from undertaking transactions above £1 million and from buying materials made by rival car manufacturers without the prior authority of the Board of Directors of Holmes. Advise Holmes on **ALL** of the following actions by Watson.
- (a) Watson orders £2 million of steel from Moriarty Ltd, a steel producer. Moriarty Ltd has never had any previous dealings with Watson or Holmes, and Watson fails to identify himself as an agent of Holmes. Moriarty Ltd later discovers the existence of the agency and, because it has found that it can obtain a better price for the steel, Moriarty Ltd tells Holmes that it is not going ahead with the deal. Holmes wishes to continue the transaction.
 - (b) Watson orders £3 million of steel from Lestrade Ltd, a steel producer that had sold steel to Watson when he still ran his car manufacturing business. Lestrade Ltd is unaware that Watson no longer owns the business. Holmes does not wish to go ahead with this transaction.
 - (c) Watson orders £100,000 of car door handles from Baker Ltd, a car manufacturer. Baker Ltd is rather surprised to receive this order since it knows Watson is buying for Holmes and that Holmes has publicly stated its wish never to buy parts from other car manufacturers. Baker Ltd is, however, reassured when Watson explains that the policy has changed and produces a letter that appears to have been signed by the Board of Directors of Holmes giving Watson authority to enter into transactions 'with any seller'. As a result, Baker goes ahead and agrees the deal. The letter has been forged by Watson. Holmes has not changed its policy and does not wish to go ahead with the transaction.

7. Colour Co. ('Colour'), a manufacturer of paint, orders a quantity of cans from Tinny Co. ('Tinny') for a new brand of paint that Colour is planning to make and sell. Each can is to have a capacity of 1 litre, and Tinny agrees to deliver them in packs of 100 tins.

The cans are delivered on 1 January. Some of the packs contain 120 cans and 10% of the cans have a capacity of 1.1 litres. Colour does not realise that there are these discrepancies until the cans are filled with paint on 10 January.

On 17 January, Colour discovers that a chemical reaction between the paint and the material from which the cans have been made has caused the paint to deteriorate. Tinny knew that this reaction might happen as the result of the chemicals used in some paints, but not all paints contain these chemicals. Tinny was unaware that Colour's paint contained the chemicals and did not mention the chemical reaction to Colour at the time of the contract.

Advise Colour Co.

8. Hamlet Ltd ('Hamlet'), a retailer of oil and petrol, seeks legal advice about its rights and obligations in **ALL** of the following situations.
- (a) Hamlet agrees to buy from Macbeth Ltd 100,000 litres of crude oil from a cargo of 500,000 litres at present in a container ship, *The Shakespeare*. Three other buyers each purchase 100,000 litres from the same source. All the buyers pay 50% of the purchase price at the time of the contracts. When *The Shakespeare* eventually arrives in port and unloads its cargo, it is discovered that some of the oil has leaked from the vessel and there are only 300,000 litres left.
 - (b) Hamlet buys and pays for the entire cargo of 100,000 litres of oil on board *The Marlowe*. While the vessel is still at sea, Hamlet agrees to sell 100,000 litres of oil to Duncan Ltd, intending to supply the oil from *The Marlowe*. Later, *The Marlowe* sinks and the entire cargo is lost. Hamlet has told Duncan Ltd that because of this the oil cannot now be delivered.
 - (c) Hamlet buys 100,000 litres of oil, which are stored in a tanker at an oil refinery owned by Romeo Ltd. Payment is to be made in six months. The tanker contains 200,000 litres. There is no express term in the sale contract for the delivery of the oil. After four months, the tanker is damaged by unusually bad weather and the oil deteriorates.

END OF PAPER