

**UNIVERSITY OF LONDON**

**265 0040 ZB**

**269 0040 ZB**

**277 0128 ZB**

**DIPLOMA IN LAW**  
**LLB EXAMINATION**  
for External Students

INTERMEDIATE EXAMINATION (Scheme A)  
FIRST AND SECOND YEAR EXAMINATIONS (Scheme B)  
GRADUATE ENTRY LEVEL I (Route A)  
GRADUATE ENTRY FIRST 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

**Elements of the Law of Contract**

Friday 22 May 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. On the 1<sup>st</sup> of May Arnold offered by email to sell his car to Bertha for £10,000. He also stated that he would send his wife to Bertha's house on the 8<sup>th</sup> of May to receive Bertha's reply. On the 6<sup>th</sup>, Bertha sent an email to Arnold saying, 'Would like to have the car. Can you offer a six-month guarantee against mechanical breakdown?' On receiving the email the same day Arnold sold the car to Christopher and sent a messenger with a note to Bertha's house to tell her of this. Before this note arrived, Bertha changed her mind about the need for a guarantee and posted a letter to Arnold accepting the latter's offer. This letter was lost in the post.

Advise Arnold.

2. Damien and Elizabeth plan to get married on the 15<sup>th</sup> of August. Elizabeth decides that she would prefer to have the reception at home and she hires a marquee from CELEBRATE Ltd, a firm specialising in event management. Their representative, Mr Smooth, visits them and it is agreed that CELEBRATE Ltd will provide a marquee to house 100 guests, delivery and erection on the 14<sup>th</sup> of August and collection on the 16<sup>th</sup> of August.

On the 10<sup>th</sup> of August, Elizabeth receives a telephone call from Mr Smooth, informing her that the marquee had been used in Scotland earlier that week and had yet to be returned. In order to obtain it in time for the wedding reception, a special lorry would have to be hired, costing £2,500. Frantic, Elizabeth agrees to pay the extra £2,500. On hearing of the conversation, Damien telephones Mr Smooth himself and tells him that 'if the marquee appears on time, you will be £250 better off.'

On the 14<sup>th</sup> of August, Elizabeth receives a telephone call from Mrs Bun. She has delivered the wedding cake as agreed, but complains that Elizabeth has yet to send her the cheque for £500. Elizabeth, worried about the rising costs of the wedding, tells her: 'It is £200 or nothing!' Mrs Bun agrees to accept £200.

Elizabeth seeks your advice whether she and Damien are required to pay the extra sums to CELEBRATE Ltd. She is also concerned that Mrs Bun is threatening to sue her for £300.

Advise Elizabeth.

3. George enters the annual Hilldon Car Rally. The rally is a cross-country race in which participants are expected to drive over 20 miles of rough terrain. To enter the rally George is required, as are all rally participants, to pay £500 to the rally organisers, Hilldon Cars Ltd, and to sign an agreement which provides, inter alia, that:
  - (a) all contestants agree to abide by the published rules contained within the Hilldon Car Rally rule booklet;
  - (b) all contestants agree that they will pay for any damages caused by any breach of these rules; and
  - (c) in the event of doubt, these terms are for the benefit of Hilldon Cars.

During the rally, George's car is struck by Ian's car. Ian had, in contravention to the rules, although without negligence on his part, sought to overtake George at a corner when the accident occurred. George's car is completely destroyed because of this accident.

Advise George.

4. 'The twentieth century saw English courts develop a confused, incoherent and inconsistent doctrine of mistake. Twenty-first century decisions have done little to resolve these problems.'

Discuss.

5. Benjamin owns a printing press. He has a number of lucrative contracts to print leaflets for local businesses. He is contacted by Cheshire, who is interested in purchasing the printing press as part of his publishing empire. Benjamin informs Cheshire that the business is doing well and he can see why Cheshire would wish to buy the press. He tells him that he has just obtained 10 lucrative publishing contracts for a fixed term period of two years. Cheshire is impressed, particularly when Benjamin informs him that the business made a profit of over £100,000 last year. He insists, however, that he will only purchase the business if Benjamin (now in his 60s) retires. Benjamin assures him that, having sold the business, he intends only to relax. Benjamin mentions, however, (falsely) that Fifoot has also shown interest in purchasing the printing press, knowing Cheshire and Fifoot to be great rivals. Cheshire immediately offers to buy the printing press at the price stated by Benjamin.

Having bought the press, Cheshire becomes suspicious of the correctness of the figures mentioned by Benjamin and asks his accountant to check the accounts. These show a profit of only £10,000 for the previous year. Further, he receives notification of the termination of the 10 lucrative publishing contracts (the terms of these contracts expressly permit termination on change of ownership of the printing press). He also discovers that Benjamin has started up a new printing business 50 miles away and is likely to be awarded the 10 lucrative contracts.

Advise Cheshire.

6. Rocky works as a landscape gardener, using his own tools and priding himself on his excellent service. He needs a new spade and notices that the local hardware store, Dig It, has a special offer on 'spades'. On entering the shop, he is attracted by a large spade on display. A sign above it states 'Today's special offer. Terms and conditions apply.' The shop assistant, Charlie, tells him that it is a real bargain: 'It is the toughest spade on the market and yet at a knockdown price!' Rocky takes the spade to the till where he sees a sign listing a number of terms and conditions. These include a term that Dig It are not liable for any damage causing by any defect in the equipment, and that Dig It bear no responsibility for any statements of any kind made by their staff or representatives to customers in the store. Rocky is also given a piece of paper to sign which contains the same terms and conditions, but which Rocky assumes to be a receipt as he had paid for the spade by credit card.

The following day, Rocky goes to work on Mrs Eden's garden and starts digging a trench for her roses. Leaning on the spade, it snaps in half. Rocky falls backwards and lands on Mrs Eden's ornamental fountain. The fountain smashes under his weight and Rocky's back is seriously injured. He is not sure that he will be able to work again.

Advise the parties as to their remedies in contract law.

7. Zaza Ltd is a construction firm. In 2007, it purchases Blackacre, a large plot of land just outside Mudgeville with a view to building a housing estate upon the land. The purchase is largely financed by a mortgage granted by X2U Mortgages Ltd.; the term of the mortgage is 10 years and interest is to be one percent below the Bank of England's base rate, which is then 5.75 per cent. Zaza orders 20 ready to assemble timber frame houses from a German manufacturer, Yost, at a cost of 75,000 euros each. Five houses arrive and Zaza erects the houses on Blackacre in the last six months of 2008. Zaza has hired five men ('the workers') to erect the houses and develop the site.

An unexpected liquidity crisis causes a monetary depression within eighteen months of the contract being agreed. The Bank of England reduces the base rate of interest each quarter until it reaches half a percent. X2U write to Zaza and inform them that in the current circumstances they require the immediate return of the money advanced to Zaza. Sterling has depreciated 40% against the euro since Zaza ordered the houses from Yost. Because credit has largely disappeared, house purchasers face great difficulty in obtaining financing to purchase houses. Zaza is struggling to pay the workers.

Advise Zaza.

8. '[W]here the breach of contract causes physical damage, the test of remoteness in such cases is similar to that in tort. The contractor is liable for all such loss or expense as could reasonably have been foreseen, at the time of the breach, as a possible consequence of it.' (Lord Denning M.R. in *H. Parsons (Livestock) Ltd. v Uttley Ingham & Co Ltd* (1978))

Does this represent the modern test of remoteness in the law of contract?

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