



THE HONORABLE SOCIETY OF KING'S INNS

ENTRANCE EXAMINATION

AUGUST 2017

Examination: Contract Law

Date: Wednesday 16 August 2017

Time: 10am – 1pm

Internal Examiner: Professor Raymond J Friel (UL)

External Examiner: Mr James O'Callaghan SC

Instructions:

Candidates must answer Question 1 and any TWO of the remaining questions.

Question 1 carries 50 marks, all other questions carry 25 marks each.

This paper is 5 pages long including the cover sheet. You should check that you have all the pages and inform the invigilator immediately if any are missing.

QUESTION 1.

[50 marks]

Theresa had come to the conclusion that she was no longer able to drive her classic 1920 Bugatti Roadster and had decided to put it up for sale. The car had been in her family since it had been bought new by her great grandfather but none of her family seemed interested in buying it due to the high running costs. As she was eager to sell the vehicle with as little hassle as possible, she put the following advertisement into a classic car magazine on April 10:

Offer for sale, 1920 Bugatti Roadster to the first purchaser willing to pay €50,000 minimum. Please telephone 055 555 5555 or send a letter to me at Blackacre Heights, Ireland if you want to buy the vehicle or require more details.

The following day, April 11, Theresa received a letter from Philip stating that he simply had to have the Roadster to complete his collection and would pay Theresa €60,000 but it would be subject to an inspection by his mechanic.

Theresa was elated and on April 12 wrote back to Philip stating that the Roadster was his for €60,000 but that any inspection would have to take place in the presence of her mechanic so that there would be no dispute over any issue. This letter never arrived.

On April 15, Boris, a distant cousin, wrote to Theresa and said he wanted to buy the Roadster and would pay 10% more than any offer she had currently received in order to keep it in the family. Delighted with this Theresa called Philip and left a message on his mobile phone that he was to ignore her letter dated April 12 as she was now selling the Roadster to her distant cousin unless Philip would raise his price by 15%. Not having heard from Philip, the following day she called Boris and said the car was his for €60,000 plus 10% as agreed. However Boris had changed his mind and said he was no longer interested in buying the car. Philip left a message on Theresa's phone that he would not engage in a bidding war and therefore would not now be buying the Roadster.

Advise Theresa as to her legal position under the law of contract with respect to the above facts.

QUESTION 2.

[25 marks]

Lewis had arranged online to rent a vehicle from CarsRus Ltd for a weekend trip to Donegal. During the online booking process, he was asked to confirm that he had read and understood the terms and conditions of the contract for car hire. A link was given whereby the full terms and conditions could be downloaded. Lewis simply ticked that he had read and understood the terms and conditions although in fact he had not done so.

On arrival at the rental location, Lewis was again asked to sign and initial a series of forms, one of which stated: "Renter confirms that s/he accepts the terms and conditions for the hire of the vehicle that s/he certified were read and understood when making the online booking."

One of the terms of the contract stated that CarsRus excludes all liability "for any injury arising to the renter as a result of any defect in the rented vehicle whether or not that defect was intentionally or negligently caused by CarsRus, its agents or otherwise."

In fact, a previous renter of the vehicle had incorrectly changed a punctured tyre and Lewis lost control of the vehicle as a result of that and was badly injured.

Advise CarsRus Ltd as to the effectiveness or otherwise of the exemption clause in these circumstances under common law (*you do not need to deal with any specific rules on electronic contracts*).

QUESTION 3.**[25 marks]**

Red Construction Ltd secured a tender to build 10 houses in a housing estate for Blue Developments Ltd. However, as Red Construction began work on the houses they ran into financial difficulties and Red Construction believed that to continue obtaining supplies on credit might open the directors to personal liability. Blue Developments, however, was eager that Red Construction finish the houses given the high standard of their workmanship.

Accordingly, Blue Developments promised by way of a written letter that in order to ensure completion of the tender as agreed, they would guarantee payment to Red Construction for any building supplies obtained on credit for building the 10 houses in the event that Red Construction was not in a position to pay for such supplies. Red Construction used this letter to secure additional supplies on credit from third parties.

Unfortunately, Red Construction was unable to pay the bill for their supplies when they became due and now seeks that Blue Developments should pay their suppliers in accordance with their promise. Blue Developments have formed the opinion that Red Construction is no longer financially viable and do not wish to pay for these supplies as they will have to find a new company to complete the project.

Advise Blue Developments as to their position under the law of contract.

QUESTION 4.**[25 marks]**

Gordon was building his own house and had made several arrangements with various professional contractors to undertake specific work such as the plumbing, heating etc. It was a complex process ensuring that everyone did their allotted work on schedule.

Gordon had entered into a contract with Tony for the installation of a fitted kitchen, work to commence on March 15. Gordon had made it clear that Tony would have to complete the kitchen before March 20 because the painters would be arriving that day. Tony said he only needed a couple of days to install the kitchen so this would not be a problem.

Gordon was furious when Tony did not show up to install the kitchen on March 15 and tried to contact him but Tony was not answering his calls. Gordon kept leaving messages, saying that it was urgent for Tony call him back. With no reply by the evening of March 16, Gordon contacted Fred, another kitchen installer, and arranged for him to begin installing a kitchen the following day, despite it being St Patrick's day.

Tony turned up at the house on March 18 prepared to install the kitchen only to discover Fred was nearly finished. Gordon told Tony that as he had not begun work as agreed on March 15, their contract was repudiated.

Advise Tony as to his legal position under the law of contract.

QUESTION 5.

[25 marks]

In relation to any **TWO** of the following issues, comment on whether the law is in need of reform, illustrating your answer with relevant case law.

- (a) The role of liquidated damages in contractual agreements.
- (b) The parole evidence rule.
- (c) The impact of undue influence on the validity of a contract.