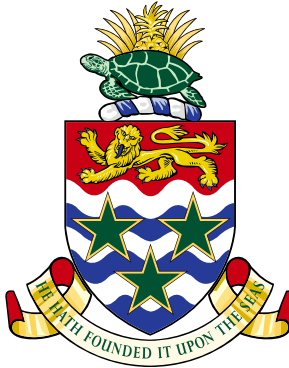


CAYMAN ISLANDS



SALE OF GOODS LAW

(1997 Revision)

Supplement No. 2 published with Gazette No. 6 of 17th March, 1997.

PUBLISHING DETAILS

Revised under the authority of the *Law Revision Law (19 of 1975)*.

Originally enacted —

Law 12 of 1979-9th April, 1979.

Revised this 4th day of February, 1997.



CAYMAN ISLANDS



SALE OF GOODS LAW
(1997 Revision)

Arrangement of Sections

Section	Page
PART I - Introductory	
1. Short title	7
2. Definitions and interpretation	7
PART II - Formation of the Contract	
3. Sale and agreement to sell	9
4. Capacity to buy and sell.....	10
5. Contract of sale, how made	10
6. Existing or future goods	10
7. Goods which have perished.....	10
8. Goods perishing before sale but after agreement to sell	10
9. Ascertainment of price	10
10. Agreement to sell at valuation.....	11
11. Stipulations as to time.....	11
12. When condition to be treated as warranty	11
13. Implied undertaking as to title, etc.....	12
14. Sale by description	12
15. Implied conditions as to quality or fitness	13
16. Sale by sample	13
PART III - Effects of the Contract	
17. Goods must be ascertained	14



18.	Property passes when intended to pass.....	14
19.	Rules for ascertaining intention.....	14
20.	Reservation of right of disposal.....	15
21.	Risk <i>prima facie</i> passes with the property	15
22.	Sale by person not owner	16
23.	Market <i>overt</i>	16
24.	Sale under voidable title	16
25.	Seller or buyer in possession after sale	16
26.	Effect of writs of execution.....	17
27.	Definition of "bailiff"	17

PART IV - Performance of the Contract

28.	Duties of seller and buyer	17
29.	Payment and delivery are concurrent conditions.....	17
30.	Rules as to delivery	17
31.	Delivery of wrong quantity.....	18
32.	Instalment deliveries.....	18
33.	Delivery to carrier	19
34.	Risk where goods are delivered at distant place	19
35.	Buyer's right of examining the goods	19
36.	Acceptance.....	19
37.	Buyer not bound to return rejected goods	20
38.	Liability of buyer for neglecting or refusing delivery of goods	20

PART V - Rights of Unpaid Seller Against the Goods

39.	Unpaid seller defined.....	20
40.	Unpaid seller's right	20
41.	Seller's lien	21
42.	Part delivery	21
43.	Termination of lien	21
44.	Right of stoppage <i>in transitu</i>	21
45.	Duration of transit	22
46.	How stoppage <i>in transitu</i> effected.....	22
47.	Effect of sub-sale or pledge by buyer.....	23
48.	Sale not generally rescinded by lien or stoppage <i>in transitu</i>	23

PART VI - Actions for Breach of the Contract

49.	Action for price.....	23
50.	Damages for non-acceptance.....	24
51.	Damages for non-delivery.....	24
52.	Specific performance.....	24
53.	Remedy for breach of warranty.....	24
54.	Interest and special damages	25

PART VII - Supplementary

55.	Exclusion of implied terms and conditions.....	25
-----	--	----



56.	Reasonable time a question of fact	26
57.	Rights, etc., enforceable by action	26
58.	Auction sales	26
59.	Savings.....	27



CAYMAN ISLANDS



SALE OF GOODS LAW

(1997 Revision)

PART I - Introductory

Short title

1. This Law may be cited as the *Sale of Goods Law (1997 Revision)*.

Definitions and interpretation

2. (1) In this Law —

“**action**” includes counterclaim and set off;

“**agreement to sell**” includes a hire-purchase agreement;

“**business**” includes a profession and the activities of any government department, local authority or statutory undertaker;

“**buyer**” means a person who buys or agrees to buy goods or to hire them upon an agreement of hire-purchase;

“**conditional sale agreement**” means an agreement for the sale of goods under which the purchase price or part of it is payable by instalments, and the property in the goods is to remain in the seller (notwithstanding that the buyer is to be in possession of the goods) until such conditions as to the payment of instalments or otherwise as may be specified in the agreement are fulfilled;

“consumer agreement” means a hire-purchase agreement where the owner makes the agreement in the course of a business and the goods to which the agreement relates —

- (a) are of a type ordinarily supplied for private use or consumption; and
- (b) are hired to a person who does not hold himself out as hiring them in the course of business;

“contract of sale” includes an agreement to sell as well as a sale;

“credit-sale agreement” means an agreement for the sale of goods under which the purchase price is payable by five or more instalments, not being a conditional sale agreement;

“delivery” means voluntary transfer of possession from one person to another;

“document of title” includes any bill of lading, dock warrant, warehouse-keeper’s certificate, and warrant or order for the delivery of goods, and any other agreement used in the ordinary course of business as proof of the possession or control of goods, or authorising or purporting to authorise, either by endorsement or by delivery, the possessor of the document to transfer or receive goods thereby represented;

“fault” means a wrongful act or default;

“future goods” means goods to be manufactured or acquired after the making of the contract of sale;

“hire-purchase agreement” means an agreement for the bailment of goods under which the bailee may buy the goods, or under which the property in the goods will or may pass to the bailee;

“goods” includes all chattels personal other than things in action and money and also includes emblements, industrial growing crops and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale;

“property” means the general property in goods and not merely a special property;

“quality of goods” includes their state or condition;

“sale” includes a bargain and sale as well as a sale and delivery;

“seller” means a person who sells or agrees to sell goods;

“specific goods” means goods identified and agreed upon at the time a contract of sale is made; and

“warranty” means an agreement with reference to goods which are the subject of a contract of sale, but collateral to the main purpose of such contract, the breach of which gives rise to a claim for damages, but not for a right to reject the goods and treat the contract as repudiated.



- (2) A thing is deemed to be done in good faith within the meaning of this Law when it is done honestly, whether it be done negligently or not.
- (3) A person is deemed to be insolvent within the meaning of this Law who either has ceased to pay his debts in the ordinary course of business, or cannot pay his debts as they become due, whether or not he has become bankrupt
- (4) Goods are in a deliverable state when they are in such a state that the buyer would, under the contract, be bound to take delivery of them.
- (5) Goods of any kind are of merchantable quality if they are fit for the purpose or purposes for which goods of that kind are commonly bought as it is reasonable to expect having regard to any description applied to them, the price if relevant, and all the other relevant circumstances; and any reference in this, Law to unmerchantable goods shall be construed accordingly.

PART II - Formation of the Contract

Sale and agreement to sell

- 3. (1) A contract of sale of goods is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a money consideration, called the price. There may be a contract of sale between one part owner and another.
- (2) A contract of sale may be absolute or conditional.
- (3) Where, under a contract of sale, the property in the goods is transferred from the seller to the buyer the contract is called a sale; but where the transfer of the property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled the contract is called an agreement to sell.
- (4) An agreement to sell includes, where appropriate, a conditional sale agreement, a credit-sale agreement and a hire-purchase agreement.
- (5) Where by virtue of two or more agreements, none of which by itself constitutes a hire-purchase agreement, there is a bailment of goods and either the bailee may buy the goods, or the property therein will or may pass to the bailee, the agreements shall be treated as a single agreement made at the time when the last of the agreements was made.
- (6) An agreement to sell becomes a sale when the time elapses or the conditions are fulfilled subject to which the property in the goods is to be transferred.



Capacity to buy and sell

4. (1) Capacity to buy and sell is regulated by the general law concerning capacity to contract, and to transfer and acquire property:

Provided that where necessities are sold and delivered to an infant or minor, or to a person, who by reason of mental incapacity or drunkenness is incompetent to contract, he must pay a reasonable price therefor.

- (2) In this section —

“necessaries” means goods suitable to the condition in life of such infant, minor or other person, and to his actual requirements at the time of the sale and delivery.

Contract of sale, how made

5. Subject to this and any other law, a contract of sale may be made in writing (either with or without seal), by word of mouth, or partly in writing and partly by word of mouth, or may be implied from the conduct of the parties:

Provided that nothing herein shall affect the law relating to corporations.

Existing or future goods

6. (1) The goods which form the subject of a contract of sale may be either existing goods, owned or possessed by the seller, or goods to be manufactured or acquired by the seller after the making of the contract of sale, in this Law called “future goods”.
- (2) There may be a contract for the sale of goods, the acquisition of which by the seller depends upon a contingency which may or may not happen.
- (3) Where by a contract of sale the seller purports to effect a present sale of future goods, the contract operates as an agreement to sell the goods.

Goods which have perished

7. Where there is a contract for the sale of specific goods, and the goods, without the knowledge of the seller, have perished at the time when the contract is made, the contract is void.

Goods perishing before sale but after agreement to sell

8. Where there is an agreement to sell specific goods, and subsequently the goods, without any fault on the part of the seller or buyer, perish before the risk passes to the buyer, the agreement is thereby avoided.

Ascertainment of price

9. (1) The price in a contract of sale may be fixed by the contract, left to be fixed in manner thereby agreed or determined by the course of dealing between the parties.



- (2) Where the price is not determined under subsection (1), the buyer must pay a reasonable price. What is a reasonable price is a question of fact dependent on the circumstances of each particular case.

Agreement to sell at valuation

10. (1) Where there is an agreement to sell goods on the terms that the price is to be fixed by the valuation of a third party, and such third party cannot or does not make such valuation, the agreement is avoided:

Provided that, if the goods or any part thereof have been delivered to and appropriated by the buyer, he must pay a reasonable price therefor.

- (2) Where such third party is prevented from making the valuation by the fault of the seller or buyer, the party not in fault may maintain an action for damages against the party in fault.

Stipulations as to time

11. (1) Unless a different intention appears from the terms of the contract, stipulations as to time of payment are not deemed to be of the essence of a contract of sale. Whether any other stipulation as to time is of the essence of the contract or not depends on the terms of the contract.

- (2) In a contract of sale —
“month”, *prima facie*, means a calendar month.

When condition to be treated as warranty

12. (1) Where a contract of sale is subject to any condition to be fulfilled by the seller, the buyer may waive the condition, or may elect to treat the breach of such condition as a breach of warranty and not as a ground for treating the contract as repudiated.
- (2) Whether a stipulation in a contract of sale is a condition, the breach of which may give rise to a right to treat the contract as repudiated, or a warranty, the breach of which may give rise to a claim for damages but not to a right to reject the goods and treat the contract as repudiated, depends in each case on the construction of the contract. A stipulation may be a condition, though called a warranty in the contract.
- (3) Where a contract of sale is not severable and the buyer has accepted the goods, or part thereof, the breach of any condition to be fulfilled by the seller can only be treated as a breach of warranty and not as a ground for rejecting the goods and treating the contract as repudiated, unless there be a term of the contract, express or implied, to that effect.
- (4) Nothing in subsections (1) to (3) shall affect the case of any condition or warranty, fulfilment of which is excused by law by reason of impossibility or otherwise.

Implied undertaking as to title, etc.

- 13.** (1) In every contract of sale, other than one to which subsection (2) applies, there is —
- (a) an implied condition on the part of the seller that in the case of a sale, he has a right to sell the goods, and in the case of an agreement to sell, he will have a right to sell the goods at the time when the property is to pass; and
 - (b) an implied warranty that the goods are free, and will remain free until the time when the property is to pass, from any charge or encumbrance not disclosed or known to the buyer before the contract is made and that the buyer will enjoy quiet possession of the goods except so far as it may be disturbed by the owner or other person entitled to the benefit of any charge or encumbrance so disclosed or known.
- (2) In a contract of sale, in the case of which there appears from the contract or is to be inferred from the circumstances of the contract an intention that the seller should transfer only such title as he or a third person may have, there is —
- (a) an implied warranty that all charges or encumbrances known to the seller and not known to the buyer have been disclosed to the buyer before the contract is made; and
 - (b) an implied warranty that neither —
 - (i) the seller;
 - (ii) in a case where the parties to the contract intend that the seller should transfer only such title as a third person may have, that person; nor
 - (iii) anyone claiming through or under the seller or that third person otherwise than under a charge or encumbrance disclosed or known to the buyer before the contract is made,will disturb the buyer's quiet possession of the goods; and
 - (c) an implied warranty that the goods shall be free from any charge or encumbrance in favour of any third party, not declared or known to the buyer before or at the time when the contract is made.

Sale by description

- 14.** (1) Where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description; and if the sale be by sample, as well as by description, it is not sufficient that the bulk of the goods corresponds with the sample if the goods do not also correspond with the description.
- (2) A sale of goods shall not be prevented from being a sale by description by reason only that, being exposed for sale or hire, they are selected by the buyer.



Implied conditions as to quality or fitness

- 15.** (1) Save as provided by this or any other law, there is no implied condition or warranty as to the quality or fitness for any particular purpose of goods supplied under a contract of sale.
- (2) Where the seller sells goods in the course of business, there is an implied condition that the goods supplied under the contract are of a merchantable quality, except that there is no such condition —
- (a) as regards defects specifically drawn to the buyer's attention before the contract is made; or
- (b) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal.
- (3) Where the seller sells goods in the course of a business and the buyer, expressly or by implication, makes known to the seller any particular purpose for which the goods are being bought, there is an implied condition that the goods supplied under the contract are reasonably fit for that purpose, whether or not there is a purpose for which such goods are commonly supplied, except where the circumstances show that the buyer does not rely, or that it is unreasonable for him to rely, on the seller's skill or judgment.
- (4) An implied condition or warranty as to quality or fitness for a particular purpose may be annexed to a contract of sale by usage.
- (5) Subsections (1) to (4) apply to a sale by a person who, in the course of business, is acting as agent for another as they apply to a sale by a principal in the course of a business, except where the other is not selling in the course of a business and either the buyer knows that fact or reasonable steps are taken to bring it to the notice of the buyer before the contract is made.
- (6) In the application of subsection (3) to an agreement for the sale of goods under which the purchase price or part of it is payable by instalments, any reference to the seller shall include a reference to the person by whom the antecedent negotiations are conducted.

Sale by sample

- 16.** (1) A contract of sale is a contract for sale by sample where there is a term in the contract, express or implied, to that effect.
- (2) In the case of a contract for sale by sample, there is an implied condition that —
- (a) the bulk shall correspond with the sample in quality;
- (b) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and
- (c) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.



PART III - Effects of the Contract

Goods must be ascertained

- 17.** Where there is a contract for the sale of unascertained goods, no property in the goods is transferred to the buyer unless and until the goods are ascertained.

Property passes when intended to pass

- 18.** (1) Where there is a contract for the sale of specific or ascertained goods, the property in them is transferred to the buyer at such time as the parties to the contract intend it to be transferred.
- (2) For the purpose of ascertaining the intention of the parties, regard shall be had to the terms of the contract, the conduct of the parties and the circumstances of the case.

Rules for ascertaining intention

- 19.** Unless a different intention appears, the following criteria apply for ascertaining the intention of the parties as to the time at which the property in the goods is to pass to the buyer —
- (a) where there is an unconditional contract for the sale of specific goods in a deliverable state, the property in the goods passes to the buyer when the contract is made, and it is immaterial whether the time of payment or the time of delivery, or both, be postponed;
 - (b) where there is a contract for the sale of specific goods and the seller is bound to do something to the goods, for the purpose of putting them into a deliverable state, the property does not pass until such thing be done and the buyer has notice thereof;
 - (c) when there is a contract for the sale of specific goods in a deliverable state, but the seller is bound to weigh, measure, test or do some other act or thing with reference to the goods for the purpose of ascertaining the price, the property does not pass until such act or thing be done, and the buyer has notice thereof;
 - (d) when goods are delivered to the buyer on approval, on sale or return or other similar terms the property therein passes to the buyer —
 - (i) when he signifies his approval or acceptance to the seller or does any other act adopting the transaction; or
 - (ii) if he does not signify his approval or acceptance to the seller but retains the goods without giving notice of rejection, then, if a time has been fixed for the return of the goods, on the expiration of such time, and, if no time has been fixed, on the expiration of a reasonable time, and what is a reasonable time is a question of fact;



- (e) where there is a contract for the sale of unascertained or future goods by description, and goods of that description and in a deliverable state are unconditionally appropriated to the contract, either by the seller with the assent of the buyer, or by the buyer with the assent of the seller, the property in the goods thereupon passes to the buyer; and such assent may be express or implied, and may be given either before or after the appropriation is made; and
- (f) where, in pursuance of the contract, the seller delivers the goods to the buyer or to a carrier or other bailee or *custodier* (whether named by the buyer or not) for the purpose of transmission to the buyer, and does not reserve the right to disposal, he is deemed to have unconditionally appropriated the goods to the contract.

Reservation of right of disposal

- 20.** (1) Where there is a contract for the sale of specific goods or where goods are subsequently appropriated to the contract, the seller may, by the terms of the contract or appropriation, reserve the right of disposal of the goods until certain conditions are fulfilled. In such case, notwithstanding the delivery of the goods to the buyer, or to a carrier or other bailee or *custodier* for the purpose of transmission to the buyer, the property in the goods does not pass to the buyer until the conditions imposed by the seller are fulfilled.
- (2) Where goods are shipped and, by the bill of lading, the goods are deliverable to the order of the seller or his agent, the seller is *prima facie* deemed to reserve the right of disposal.
- (3) Where the seller of goods draws on the buyer for the price and transmits the bill of exchange and bill of lading to the buyer together to secure acceptance or payment of the bill of exchange, the buyer is bound to return the bill of lading if he does not honour the bill of exchange, and if he wrongfully retains the bill of lading the property in the goods does not pass to him.

Risk *prima facie* passes with the property

- 21.** Unless otherwise agreed, the goods remain at the seller's risk until the property therein is transferred to the buyer, but when the property therein is transferred to the buyer, the goods are at the buyer's risk whether delivery has been made or not:

Provided that where delivery has been delayed through the fault of either buyer or seller the goods are at the risk of the party in fault as regards any loss which might not have occurred but for such fault:

Provided also that nothing herein shall affect the duties or liabilities of either seller or buyer as a bailee or *custodier* of the goods of the other party.

Sale by person not owner

22. (1) Subject to this Law, where goods are sold by a person who is not the owner thereof, and who does not sell them under the authority or with the consent of the owner, the buyer acquires no better title to the goods than the seller had, unless the owner of the goods is, by his conduct, precluded from denying the seller's authority to sell.
- (2) Nothing in this Law shall affect —
- (a) the provisions of any enactment or the common law enabling the apparent owner of goods to dispose of them as if he were the true owner thereof; or
 - (b) the validity of any contract of sale under any special common law or statutory power of sale or under the order of a court of competent jurisdiction.

Market overt

23. Where goods are sold in market *overt*, according to the usage of the market, the buyer acquires a good title to the goods, provided he buys them in good faith and without notice of any defect or want of title on the part of the seller.

Sale under voidable title

24. When the seller of goods has a voidable title thereto, but his title has not been avoided at the time of the sale, the buyer acquires a good title to the goods, provided he buys them in good faith and without notice of the seller's defect of title

Seller or buyer in possession after sale

25. (1) Where a person, having sold goods, continues or is in possession of the goods, or of the documents of title to the goods, the delivery or transfer by that person, or by a mercantile agent, acting for him, of the goods or documents of title under any sale, pledge or other disposition thereof, to any person receiving the same in good faith and without notice of the previous sale, shall have the same effect as if the person making the delivery or transfer were expressly authorised by the owner to make the same.
- (2) Where a person, having bought or agreed to buy goods, obtains, with the consent of the seller, possession of the goods or the documents of title to the goods, the delivery or transfer by that person or by a mercantile agent acting for him, of the goods or documents of title under any sale, pledge or other disposition thereof, to any person receiving the same in good faith and without notice of any lien or other right of the original seller in respect of the goods, shall have the same effect as if the person making the delivery or transfer were a mercantile agent in possession of the goods or documents of title with the consent of the owner.
- (3) In this section —



“mercantile agent” means an agent having, in the customary course of his business, authority to sell goods, to consign goods for the purpose of sale, to buy goods or to raise money on the security of goods.

Effect of writs of execution

- 26.** A writ of *fiery facias* or other writ of execution against goods shall bind the property in the goods of the execution debtor as from the time when the writ is delivered to the court bailiff to be executed; and, for the better manifestation of such time, it shall be the duty of the bailiff without fee, upon the receipt of any such writ, to endorse upon the back thereof the hour, day, month and year when he received the same:

Provided that no such writ shall prejudice the title to such goods acquired by any person in good faith and for valuable consideration, unless such person had, at the time when he acquired his title, notice that such writ or any other writ by virtue of which the goods of the execution debtor might be seized or attached has been delivered to and remained unexecuted in the hands of the bailiff.

Definition of “bailiff”

- 27.** In this Part —

“bailiff” includes any officer charged with the enforcement of a writ of execution.

PART IV - Performance of the Contract

Duties of seller and buyer

- 28.** It is the duty of the seller to deliver the goods, and of the buyer to accept and pay for them, in accordance with the terms of the contract of sale.

Payment and delivery are concurrent conditions

- 29.** Unless otherwise agreed, delivery of the goods and payment of the price are concurrent conditions, that is to say, the seller must be ready and willing to give possession of the goods to the buyer in exchange for the price, and the buyer must be ready and willing to pay the price in exchange for possession of the goods.

Rules as to delivery

- 30.** (1) Whether it is for the buyer to take possession of the goods or for the seller to send them to the buyer is a question between the parties. Apart from any such contract, express or implied, the place of delivery is the seller’s place of business, if he has one, and if not, his residence:

Provided that, if the contract be for the sale of specific goods, which to the knowledge of the parties when the contract is made are in some other place, then that place is the place of delivery.



- (2) Where, under the contract of sale, the seller is bound to send the goods to the buyer, but no time for sending them is fixed, the seller is bound to send them within a reasonable time.
- (3) Where the goods at the time of sale are in the possession of a third person, there is no delivery by seller to buyer unless and until such third person acknowledges to the buyer that he holds the goods on his behalf:

Provided that nothing in this section shall affect the operation of the issue or transfer of any document of title to goods.

- (4) Demand or tender of delivery may be treated as ineffectual unless made at a reasonable hour, and what is a reasonable hour is a question of fact.
- (5) Unless otherwise agreed, the expenses of and incidental to putting the goods into a deliverable state shall be borne by the seller.

Delivery of wrong quantity

- 31.** (1) Where the seller delivers to the buyer a quantity of goods less than he contracted to sell, the buyer may reject them, but if the buyer accepts the goods so delivered he shall pay for them at the contract rate.
- (2) Where the seller delivers to the buyer a quantity of goods larger than he contracted to sell, the buyer may accept the goods included in the contract and reject the rest, or he may reject the whole. If the buyer accepts the whole of the goods so delivered he must pay for them at the contract rate.
- (3) Where the seller delivers to the buyer the goods he contracted to sell mixed with goods of a different description not included in the contract, the buyer may accept the goods which are in accordance with the contract and reject the rest, or he may reject the whole.
- (4) The provisions of this section are subject to any usage of trade, special agreement or course of dealing between the parties.

Instalment deliveries

- 32.** (1) Unless otherwise agreed, the buyer of goods is not bound to accept delivery thereof by instalments.
- (2) Where there is a contract for the sale of goods to be delivered by stated instalments, which are to be separately paid for, and the seller makes defective deliveries in respect of one or more instalments, or the buyer neglects or refuses to take delivery of or pay for one or more instalments, it is a question of fact in each case depending on the terms of the contract and the circumstances of the case whether the breach of contract is a repudiation of the whole contract or whether it is a severable breach giving rise to a claim for compensation but not to a right to treat the whole contract as repudiated.



Delivery to carrier

- 33.** (1) Where, in pursuance of a contract of sale, the seller is authorised or required to send the goods to the buyer, delivery of the goods to a carrier, whether named by the buyer or not, for the purpose of transmission to the buyer is *prima facie* deemed to be a delivery of the goods to the buyer.
- (2) Unless otherwise authorised by the buyer, the seller must make such contract with the carrier on behalf of the buyer as may be reasonable having regard to the nature of the goods and the other circumstances of the case. If the seller omits so to do, and the goods are lost or damaged in course of transit, the buyer may decline to treat the delivery to the carrier as delivery to himself, or may hold the seller responsible in damages.
- (3) Unless otherwise agreed, where goods are sent by the seller to the buyer by a route involving sea transit, under circumstances in which it is usual to insure, the seller must give such notice to the buyer as may enable him to insure them during their sea transit and, if the seller fails to do so, the goods shall be deemed to be at his risk during such sea transit.

Risk where goods are delivered at distant place

- 34.** Where the seller of goods agrees to deliver them at his own risk at a place other than that where they are when sold, the buyer must, nevertheless, unless otherwise agreed, take any risk of deterioration in the goods necessarily incident to the course of transit.

Buyer's right of examining the goods

- 35.** (1) Where goods are delivered to the buyer, which he has not previously examined, he is not deemed to have accepted them unless and until he has had a reasonable opportunity of examining them for the purpose of ascertaining whether they are in conformity with the contract.
- (2) Unless otherwise agreed, when the seller tenders delivery of goods to the buyer, he is bound, on request, to afford the buyer a reasonable opportunity of examining the goods for the purpose of ascertaining whether they are in conformity with the contract.

Acceptance

- 36.** The buyer is deemed to have accepted the goods when he intimates to the seller that he has accepted them, or, except where section 35 applies, when the goods have been delivered to him, and he does any act in relation to them which is inconsistent with the ownership of the seller, or when, after the lapse of a reasonable time, he retains the goods without intimating to the seller that he has rejected them.

Buyer not bound to return rejected goods

37. Unless otherwise agreed, where goods are delivered to the buyer, and he refuses to accept them, having the right so to do, he is not bound to return them to the seller, but it is sufficient if he intimates to the seller that he refuses to accept them.

Liability of buyer for neglecting or refusing delivery of goods

38. When the seller is ready and willing to deliver the goods, and requests the buyer to take delivery, and the buyer does not, within a reasonable time after such request, take delivery of the goods, he is liable to the seller for any loss occasioned by his neglect or refusal to take delivery, and also for a reasonable charge for the care and custody of the goods:

Provided that nothing in this section shall affect the rights of the seller where the neglect or refusal of the buyer to take delivery amounts to a repudiation of the contract.

PART V - Rights of Unpaid Seller Against the Goods**Unpaid seller defined**

39. (1) The seller of goods is deemed to be an unpaid seller within the meaning of this Law —
- (a) when the whole of the price has not been paid or tendered; or
 - (b) when a bill of exchange or other negotiable instrument has been received as conditional payment, and the condition on which it was received has not been fulfilled by reason of the dishonour of the instrument or otherwise.
- (2) In this Part —
- “seller” includes any person who is in the position of a seller, as, for instance, an agent of the seller to whom the bill of lading has been indorsed, or a consignor or agent who has himself paid, or is directly responsible for, the price.

Unpaid seller's right

40. (1) Subject to this or any other law, notwithstanding that the property in the goods may have passed to the buyer, the unpaid seller of goods, as such, has by implication of law —
- (a) a lien on the goods or right to retain them for the price while he is in possession of them;
 - (b) in case of the insolvency of the buyer, a right of stopping the goods *in transitu* after he has parted with the possession of them; and
 - (c) a right of resale as limited by this Law.



- (2) Where the property in goods has not passed to the buyer, the unpaid seller has, in addition to his other remedies, a right of withholding delivery similar to and coextensive with his rights of lien and stoppage *in transitu* where the property has passed to the buyer.

Seller's lien

41. (1) Subject to this Law, the unpaid seller of goods who is in possession of them is entitled to retain possession of them until payment or tender of the price —
- (a) where the goods have been sold without any stipulation as to credit;
 - (b) where the goods have been sold on credit, but the term of credit has expired; and
 - (c) where the buyer becomes insolvent.
- (2) The seller may exercise his right of lien notwithstanding that he is in possession of the goods as agent or bailee or *custodier* for the buyer.

Part delivery

42. Where an unpaid seller has made part delivery of the goods, he may exercise his lien or right of retention on the remainder, unless such part delivery has been made under such circumstances as to show an agreement to waive the lien or right of retention.

Termination of lien

43. (1) The unpaid seller of goods loses his lien or right of retention thereon —
- (a) when he delivers the goods to a carrier, other bailee or *custodier* for the purpose of transmission to the buyer without reserving the right of disposal of the goods;
 - (b) when the buyer or his agent lawfully obtains possession of the goods; or
 - (c) by waiver thereof.
- (2) The unpaid seller of goods, having a lien or right of retention therein, does not lose his lien or right of retention by reason only that he has obtained judgment or decree for the price of the goods.

Right of stoppage *in transitu*

44. Subject to this Law, when the buyer of goods becomes insolvent, the unpaid seller who has parted with the possession of the goods has the right of stopping them *in transitu*, that is to say, he may resume possession of the goods as long as they are in course of transit, and may retain them until payment or tender of the price.

Duration of transit

45. (1) Goods are deemed to be in course of transit from the time when they are delivered to a carrier by land or water, or other bailee or *custodier* for the purpose of transmission to the buyer, until the buyer, or his agent in that behalf, takes delivery of them from such carrier, other bailee or *custodier*.
- (2) If the buyer or his agent in that behalf obtains delivery of the goods before their arrival at the appointed destination, the transit is at an end.
- (3) If, after the arrival of the goods at the appointed destination, the carrier, other bailee or *custodier* acknowledges to the buyer or his agent that he holds the goods on his behalf and continues in possession of them as bailee for the buyer or his agent, the transit is at an end, and it is immaterial that a further destination for the goods may have been indicated by the buyer.
- (4) If the goods are rejected by the buyer, and the carrier or other bailee continues in possession of them, the transit is not deemed to be at an end, even if the seller has refused to receive them back.
- (5) When goods are delivered to a ship chartered by the buyer it is a question depending on the circumstances of the particular case whether they are in the possession of the master as a carrier or as agent to the buyer.
- (6) Where the carrier or other bailee wrongfully refuses to deliver the goods to the buyer, or his agent in that behalf, the transit is deemed to be at an end.
- (7) Where part delivery of goods has been made to the buyer, or his agent in that behalf, the remainder of the goods may be stopped *in transitu*, unless such part delivery has been made under such circumstances as to show an agreement to give up possession of the whole of the goods.

How stoppage *in transitu* effected

46. (1) The unpaid seller may exercise his right of stoppage *in transitu* either by taking actual possession of the goods, or by giving notice of his claim to the carrier or other bailee in whose possession the goods are. Such notice may be given either to the person in actual possession of the goods or to his principal. In the latter case the notice, to be effectual, must be given at such time and under such circumstances that the principal, by the exercise of reasonable diligence, may communicate it to his servant or agent in time to prevent a delivery to the buyer.
- (2) When notice of stoppage *in transitu* is given by the seller to the carrier or other bailee in possession of the goods, he must redeliver the goods to, or according to the directions of, the seller. The expenses of such re-delivery must be borne by the seller.



Effect of sub-sale or pledge by buyer

- 47.** Subject to this Law, the unpaid seller's right of lien or retention or stoppage *in transitu* is not affected by any sale or other disposition of the goods which the buyer may have made, unless the seller has assented thereto:

Provided that where the document of title to goods has been lawfully transferred to any person as buyer or owner of the goods, and that person transfers the document to a person who takes the document in good faith and for valuable consideration, then, if such last-mentioned transfer was by way of sale the unpaid seller's right of lien or retention or stoppage *in transitu* is defeated, and if such last-mentioned transfer was by way of pledge or other disposition for value, the unpaid seller's right of lien or retention or stoppage *in transitu* can only be exercised subject to the rights of the transferee.

Sale not generally rescinded by lien or stoppage *in transitu*

- 48.** (1) Subject to subsections (2) to (4), a contract of sale is not rescinded by the mere exercise by an unpaid seller of his right of lien or retention or stoppage *in transitu*.
- (2) Where an unpaid seller who has exercised his right of lien or retention or stoppage *in transitu* resells the goods, the buyer acquires a good title thereto as against the original buyer.
- (3) Where the goods are of a perishable nature, or where the unpaid seller gives notice to the buyer of his intention to resell, and the buyer does not within a reasonable time pay or tender the price, the unpaid seller may resell the goods and recover from the original buyer damages for any loss occasioned by his breach of contract.
- (4) Where the seller expressly reserves a right of resale in case the buyer should make default, and on the buyer making default, resells the goods, the original contract of sale is thereby rescinded, but without prejudice to any claim the seller may have for damages.

PART VI - Actions for Breach of the Contract**Action for price**

- 49.** (1) Where, under a contract of sale, the property in the goods has passed to the buyer, and the buyer wrongfully neglects or refuses to pay for the goods according to the terms of the contract, the seller may maintain an action against him for the price of the goods.
- (2) Where, under a contract of sale, the price is payable on a day certain irrespective of delivery, and the buyer wrongfully neglects or refuses to pay such price, the

seller may maintain an action for the price, although the property in the goods has not passed, and the goods have not been appropriated to the contract.

Damages for non-acceptance

- 50.** (1) Where the buyer wrongfully neglects or refuses to accept and pay for the goods, the seller may maintain an action against him for damages for non-acceptance.
- (2) The measure of damages is the estimated loss directly and naturally resulting, in the ordinary course of events, from the buyer's breach of contract.
- (3) Where there is an available market for the goods in question the measure of damages is *prima facie* to be ascertained by the difference between the contract price and the market or current price at the time or times when the goods ought to have been accepted, or, if no time was fixed for acceptance, then at the time of the refusal to accept.

Damages for non-delivery

- 51.** (1) Where the seller wrongfully neglects or refuses to deliver the goods to the buyer, the buyer may maintain an action against the seller for damages for nondelivery.
- (2) The measure of damages is the estimated loss directly and naturally resulting, in the ordinary course of events, from the seller's breach of contract.
- (3) Where there is an available market for the goods in question the measure of damages is *prima facie* to be ascertained by the difference between the contract price and the market or current price of the goods at the time or times when they ought to have been delivered, or, if no time was fixed, then at the time of the refusal to deliver.

Specific performance

- 52.** In any action for breach of contract to deliver specific or ascertained goods the court may, if it thinks fit, on the application of the plaintiff, by its judgment or decree direct that the contract shall be performed specifically, without giving the defendant the option of retaining the goods on payment of damages. The judgment or decree may be unconditional, or upon such terms and conditions as to damages, payment of the price and otherwise, as to the court may seem just, and the application by the plaintiff may be made at any time before judgment or decree.

Remedy for breach of warranty

- 53.** (1) Where there is a breach of warranty by the seller, or where the buyer elects, or is compelled, to treat any breach of a condition on the part of the seller as a breach of warranty, the buyer is not by reason only of such breach of warranty entitled to reject the goods, but he may —
- (a) set up against the seller the breach of warranty in diminution or extinction of the price; or



- (b) maintain an action against the seller for damages for the breach of warranty.
- (2) The measure of damages for breach of warranty is the estimated loss directly and naturally resulting, in the ordinary course of events, from the breach of warranty.
- (3) In the case of breach of warranty of quality such loss is *prima facie* the difference between the value of the goods at the time of delivery to the buyer and the value they would have had if they had answered to the warranty.
- (4) The fact that the buyer had set up the breach of warranty in diminution or extinction of the price does not prevent him from maintaining an action for the same breach of warranty if he has suffered further damage.

Interest and special damages

- 54.** Nothing in this Law shall affect the right of the buyer or of the seller to recover interest or special damages in any case where, by law, interest or special damages may be recoverable, or to recover money paid where the consideration for the payment of it has failed.

PART VII - Supplementary

Exclusion of implied terms and conditions

- 55.** (1) Subject to subsections (2) to (10), where any right, duty or liability would arise under a contract of sale of goods by implication of law, it may be negated or varied by express agreement or by the course of dealing between the parties, or by usage if the usage is such as to bind both the parties to the contract.
- (2) An express condition or warranty does not negative a condition or warranty implied by this Law unless inconsistent therewith.
 - (3) In the case of a contract of sale of goods, any term of that or any other contract exempting from all or any of section 13 shall be void.
 - (4) In the case of a contract of sale of goods, any term of that or any other contract exempting from all or any of sections 14, 15 or 16 shall be void in the case of a consumer sale and shall, in any other case, not be enforceable to the extent that it is shown that it would not be fair or reasonable to allow reliance on the term.
 - (5) In determining, for the purpose of subsection (4), whether or not reliance on any such term would be fair or reasonable regard shall be had to all the circumstances of the case and in particular to —
 - (a) the strength of the bargaining positions of the seller and buyer relative to each other, taking into account, among other things, the availability of suitable alternative products and sources of supply;

- (b) whether the buyer received an inducement to agree to the term or in accepting it had an opportunity of buying the goods or suitable alternatives without it from any source of supply;
 - (c) whether the buyer knew or ought reasonably to have known of the existence and extent of the term (having regard, among other things, to any custom of the trade and any previous course of dealing between the parties);
 - (d) where the term exempts from all or any of the provisions of sections 14, 15 or 16 if some condition is not complied with, whether it was reasonable at the time of the contract to expect that compliance with that condition would be practical; and
 - (e) whether the goods were manufactured, processed or adapted to the special order of the buyer.
- (6) Subsection (5) shall not prevent the court from holding, in accordance with any rule of law, that a term which purports to exclude or restrict any of the provisions of sections 14, 15 or 16 is not a term of the contract.
- (7) The onus of proving that a sale falls to be treated for the purpose of this section as not being a consumer sale shall lie on the party so contending.
- (8) Any reference in this section to a term exempting from all or any of this Law is a reference to a term which purports to exclude or restrict, or has the effect of excluding or restricting, the operation of all or any of its provisions or the exercise of a right conferred by any provision, or any liability of the seller for breach of a condition or warranty implied by any provision.
- (9) Any reference in this section to a term of a contract includes a reference to a term which, although not contained in a contract, is incorporated in the contract by another term of the contract.
- (10) This section is subject to section 59.

Reasonable time a question of fact

- 56.** Where, by this Law, any reference is made to a reasonable time the question what is reasonable time is a question of fact.

Rights, etc., enforceable by action

- 57.** Where any right, duty or liability is declared by this Law, it may, unless otherwise by this Law provided, be enforced by action.

Auction sales

- 58.** (1) In the case of a sale by auction —
- (a) where goods are put up for sale by auction in lots, each lot is *prima facie* deemed to be the subject of a separate contract of sale;



- (b) a sale by auction is complete when the auctioneer announces its completion by the fall of the hammer, or in other customary manner. Until such announcement is made any bidder may retract his bid;
 - (c) where a sale by auction is not notified to be subject to a right to bid on behalf of the seller, it shall not be lawful for the seller to bid himself or to employ any person to bid at such sale, or for the auctioneer knowingly to take any bid from the seller or any such person; and any sale contravening this rule may be treated as fraudulent by the buyer; and
 - (d) a sale by auction may be notified to be subject to a reserved or upset price, and a right to bid may also be reserved expressly by or on behalf of the seller.
- (2) Where a right to bid is expressly reserved, but not otherwise, the seller, or any one person on his behalf, may bid at the auction.

Savings

- 59.** (1) The rules in bankruptcy relating to contracts of sale shall continue to apply thereto, notwithstanding anything in this Law contained.
- (2) The rules of the common law, including the law merchant, save insofar as they are inconsistent with the express provisions of this Law, and in particular the rules relating to the law of principal and agent and the effect of fraud, misrepresentation, duress or coercion, mistake, or other invalidating cause, shall continue to apply to contracts for the sale for goods.
- (3) Nothing in this Law or in any repeal effected thereby shall affect the enactments relating to bills of sale, or any enactment relating to the sale of goods which is not expressly replaced by this Law.
- (4) Nothing in this Law shall prevent the parties to a contract for the international sale of goods from negating or varying any right, duty or liability which would otherwise arise by implication of law under sections 13 to 16.
- (5) The provisions of this Law relating to contracts of sale do not apply to any transaction in the form of a contract of sale which is intended to operate by way of mortgage, pledge, charge or other security.

**Publication in revised form authorised by the Governor in Council this 4th day of
February, 1997.**

Carmena H. Parsons
Clerk of Executive Council

