

NATIONAL UNIVERSITY OF SINGAPORE

LC1003

Law of Contract

(Semester II : AY2013-2014)

Time Allowed : 2½ Hours

INSTRUCTIONS TO CANDIDATES

1. **DO NOT READ BEYOND THIS FRONT PAGE UNTIL YOU ARE INSTRUCTED TO DO SO.**
2. This examination paper contains **THREE (3)** questions and comprises **FOUR (4)** printed pages, inclusive of this cover page.
3. Students are required to answer **THREE (3)** questions – **ONE (1) essay** and **TWO (2) hypothetical questions**. The 2 hypothetical questions are compulsory. You are required to answer only 1 essay question out of the 3 essay questions given.
4. Students should write the answers for each question in a new booklet.
5. This is a **CLOSED BOOK** examination. Do not bring any material into the exam venue. Case-lists and relevant statutory provisions are provided.

Question 1

Answer Either (a) Or (b) Or (c)

- (a) "Duress, undue influence, and unconscionability – all these are just different sides of a broader doctrine designed to ensure that contracts are fair".

Discuss.

- (b) "The distinction between written and oral transactions in the context of mistake as to identity is unprincipled and indefensible as an innocent purchaser's position depends on it."

Do you agree? Discuss.

- (c) "In the light of recent cases like *ParkingEye Ltd v Somerfield Stores Ltd* [2013] 2 WLR 939, there is no longer a need for statutory reform of the rules governing contractual illegality."

Discuss.

Question 2

Bob decides to keep rabbits. He approaches Daffy, owner of Pets' Plaza, to construct a "rabbit palace" at home to keep the rabbits. Bob and Daffy agree on \$1,000 to construct the "rabbit palace" to be completed in 10 days. In the meantime, Bob manages to procure some prized Angora rabbits from a reputable breeder, all to be delivered on the day the "rabbit palace" is completed. Six days into the project, the "rabbit palace" looks more like a "rabbit hut"; the rate of construction is painfully slow. Worried that his prized rabbits may not have a house in four days' time, Bob contacts Daffy, offering him an additional \$250 "to speed things up". Daffy tells Bob that his supply of pinewood had dried up and that more than \$250 will be necessary to complete on time. Bob wonders aloud if this is true, given that Daffy surely would have known about the supply of pinewood. While irritated, Bob is genuinely concerned about his rabbits and hence agrees to pay Daffy an extra \$450. When Daffy completes the "rabbit palace" on time, Bob refuses to pay the extra \$450.

Vino is a skilful carpenter who works for Daffy. On Vino's retirement, Daffy says to Vino: "I will pay you \$2,000 for every month that you do not work in the carpentry industry for the next 5 years." Vino says: "Thank you". For a year Vino does not work in the carpentry industry and he receives the monthly payment from Daffy. Vino then receives a phone call from Daffy saying that business is bad and he (Daffy) can no longer afford to pay Vino. Daffy

adds that in any case, the agreement is unenforceable as it is an unreasonable restraint of trade.

Advise Daffy on whether he can claim the \$450 from Bob and whether he is likely to be liable to Vino for continued payments of \$2,000 per month.

Question 3 (each part of the question carries equal marks)

(a) Susan's mother passed away earlier this year. Susan's parents divorced when she was still a young girl. She stayed for a while with her father who abandoned her shortly after. She had been staying with her uncle ever since. Susan seldom kept in touch with her mother and knew very little of her. Susan was, thus, pleasantly surprised to find that her mother had left her a gold bracelet.

While the bracelet was of sentimental value to Susan, she was willing to part with it at the right price. Ruby, a friend of Susan, came to know of the bracelet. Ruby approached Susan to buy the bracelet. Susan told Ruby that the bracelet was made of solid gold, **honestly believing that it was**, and Ruby paid for it accordingly. Ruby subsequently found out that the bracelet was, in fact, only gold-plated.

Advise Ruby who has come to you for advice.

(b) PEPS Business School ("PEPS") is one of several private schools preparing students for the professional examination leading to the qualification as a chartered wealth management adviser. For the module on Tax Planning (LM3243), PEPS outsourced the instruction to STC Tax Consultancy ("STC"). Amongst the terms in the contract between PEPS and STC are the following:

2(a). STC shall provide instruction for the module, LM3243 Tax Planning, to the students of PEPS. Instructional manual must be submitted to PEPS for vetting and printing at least two weeks before the start of the academic term.

19. STC and its agents shall not be liable for any losses occasioned (whether direct, consequential or incidental) by any default in the performance of their obligations.

Ruby is a PEPS student who had obtained a job offer conditional on her qualifying as a chartered wealth management adviser. She has since passed all papers but narrowly failed LM3243 by two marks. Upon review of her failed paper, it was discovered that she had answered two questions according to the method set out in the instructional manual; unfortunately, the instructional manual contained a mistake that rendered the method erroneous. PEPS having filed for bankruptcy, Ruby signs up with another school to retake LM3243.

Advise Ruby on whether she is entitled to sue STC under the contract between PEPS and STC.

End of Paper