**Chapter 6: Formation of a Contract: Consideration and Intention to Create Legal Relations**

**Bargain** – each party pays a price for the promise of the other

**Consideration** – the price for which the promise of the other is bought

Consideration is essential to make a contract legally binding.

**Gratuitous Promise** – a promise made without bargaining for or accepting anything in return

**Past Consideration** – a gratuitous benefit previously conferred upon a promisor

**Moral Cause** – moral duty of promisor to perform his promise

**Estopped** – prevented

**Promissory Estoppel (Equitable Estoppel)** – the court’s exercise of its equitable jurisdiction to prevent a promisor from claiming that she was not bound by her gratuitous promise where reliance on that promise caused injury to the promise

Equitable estoppel is limited to a *defence* against a claim by the promisor where a legal relationship already exists between the parties.

While a gratuitous promise may still be withdrawn, its withdrawal is not allowed to prejudice the promise in respect of any reliance he has already placed on it. Notice of withdrawal may restore the promisor’s rights to any future performance still owed by the promise.

**Injurious Reliance** – loss or harm suffered by a promise who, to his detriment, relied reasonably on a gratuitous promise

When one person requests the services of another and the other performs those services, the law implies a promise to pay. A promise to pay is not usually implied when the services are performed between members of a family or close friends (because of friendship/family duty etc.).

**Quantum Merit** – the amount a person merits to be paid for goods or services provided to the person requesting them

**Covenant** – a serious promise

**Covenantor** – one who makes a covenant

**Document under Seal** – a covenant recorded in a document containing a wax seal, showing that the covenantor adopted the document as his act and deed

**Deed** – a document under seal, which today is usually a small, red, gummed wafer