**Review Case Answers**

**Chapter 13**

1. *Issue:*  Can Lenfest disaffirm the contract based on his incapacity? Is the room a necessity? Lenfest can disaffirm the contract anytime during minority and for a reasonable time after reaching the age of eighteen. Thus, the result depends on whether or not Lenfest is now eighteen. If he is still seventeen, he has the power to disaffirm the contract. If he is eighteen and ratified, the contract is valid and enforceable. If he turned eighteen and has not expressly or impliedly (more than a reasonable time passed) ratified, the contract is still voidable. Assuming the contract is still voidable, Lenfest can disaffirm. The question of restitution is affected by whether or not the room is a necessity. If Lenfest is from a distant city or state then the room is a necessity (he would be unable to commute to the university). If the room is a necessity, Lenfest disaffirms, but is liable for the reasonable value of the first twenty weeks under quasi contract. There is no liability for the second twenty weeks because the place Lenfest lives during that time is now his necessity. If it is not a necessity, Grant must return the $1600 and is not entitled to any money for the next twenty weeks.

1. *Issue:*  Did Slater commit fraud? Yes, Barrett will succeed with his claim of fraud. The five requirements for fraud are met. First, Slater made a false statement of fact when he stated that Talbot subscribed to a large amount of stock. The meaning of Slater’s statement is that Talbot purchased the stock. In fact, Talbot did not risk any of his money in acquiring the stock. Instead, he received it as payment for allowing the use of his name. Second, Slater made the statement with knowledge of its falsity. Third, Slater made the false statement with the intent that Barrett would rely on (believe) the statement. Fourth, Barrett reasonably relied on the false statement in making his decision to purchase the stock. He had no way of knowing that Talbot had not actually purchased any of the stock. Finally, Barrett is suffers financial harm when he purchased the stock based on Slater’s lie. Here, we would assume that the stock was worthless.
2. *Issue:* Is there a mutual mistake of fact between Bradford and Snelling? Bradford will win the case because the contract was voidable due to a mutual mistake of fact. This contract fails to meet the requirement of genuineness of assent. Bradford and Snelling made a mutual mistake of fact about the identity of the boat being sold. Bradford thought that Snelling was selling the larger boat he knew his great grandfather had owned. Bradford had no knowledge that his great grandfather had owned another smaller boat with the same name. Snelling thought he had the boat that Bradford was searching for. The difference in price between the amount Snelling was asking for the boat and the cost of building the boats would not be an indication to the parties that there was a mistake. The price difference could be because Snelling did not realize the true value of the boat or that the boat’s condition had changed. Thus, Bradford has the power to disaffirm the contract. He has the choice of rescinding the contract and getting his money back or buying the other boat and reforming the price. Apparently, Bradford prefers to end the contract and return to status quo ante (get his money back). Bradford is not in breach of contract and wins the lawsuit.
3. *Issue:* Can Howard disaffirm the contract due to his minority? Can the insurance company disaffirm the contract based on Howard’s fraud? Under statutory law, Howard cannot claim incapacity to disaffirm the insurance contract. Usually, the party deceived by a minor’s fraud cannot disaffirm due to the fraud unless the minor disaffirms first. This is because the deceived party fails to meet all of the fraud requirements, since it does not experience financial harm until after the minor disaffirms. However, in this instance the insurance company suffers immediate harm since the amount of the premium is based on Howard’s lies about his age and health. The company charged less than it would have if Howard had been truthful. The insurance company wins.
4. *Issue:* Can Roberts claim mutual mistake of fact to disaffirm the contract Mrs. Tucker made with the insurance company? The concept of mutual mistake requires that both parties are mistaken about the same material fact. The amount the insurance company charged Mrs. Tucker for the annuity was based on a mistaken estimate of her life expectancy. Life expectancy is a matter of opinion, not fact. Because the contract concerned a mistake of opinion, the contract is not voidable. Atlantic Mutual Insurance Co. wins the lawsuit.
5. *Issue:* Will Pastorious succeed in proving undue influence by her son-in-law? The two requirements for undue influence are a confidential relationship leading to a contract that unfairly benefits the dominant party. The element of confidential relationship is not satisfied in this case. Generally, family members have a relationship of trust and confidence – they look out for each other. However, Pastorious and her son-in-law were on bad terms. By actively negotiating in her own interest, she did not rely on him to provide her with the best contract. Pastorious fails to prove undue influence. The son-in-law wins.