**Review Case Answers**

**Chapter 14**

1. There was consideration for the initial contract between Calley and Bailey. They bargained for and exchanged promises for the legal detriment of selling the car and paying the money. Calley agreed to modify the original agreement by incurring new legal detriment in keeping Bailey’s car repaired for free for one year. However, Bailey does not have any new detriment that is bargained for and exchanged. Bailey’s consideration is in the past. Thus, there is no consideration for the promise to repair the car free of charge. But, one of the exceptions to the requirement of consideration applies to this agreement. Under the UCC, a contract for the sale of goods can be modified without new consideration on both sides. Because a car is a good, this exception applies, and the agreement is enforceable. Calley is liable for the cost of the repairs.

**2. (A)** There is no consideration for the promises exchanged by DeLuca and Caruso. Although the two bargained for and exchanged the promise not to sue for one year, thus satisfying one requirement of consideration, they failed to meet the other element of consideration, legal detriment. Legal detriment is required on both sides of the contract. Caruso suffered legal detriment when he agreed to forbear from suing DeLuca for one year (he had every legal right to sue DeLuca, but gave up that right for one year); however, there is no legal detriment on DeLuca’s side. Unlike Caruso, DeLuca has not made a new promise to do something that he had no prior legal obligation to do, nor promised to forbear from something that he had the legal right to do.

**(B)** DeLuca could try to use promissory estoppel, but would be unsuccessful because only three of the four requirements are met. First, Caruso made a promise that lacks consideration. Second, Caruso can reasonably expect that DeLuca will rely on the promise, since DeLuca explained to Caruso why he needed an extension on the loan (to buy the house). Third, (this is the requirement that is not met) DeLuca has no reason to rely on Caruso’s promise because Caruso withdrew his promise to forbear from suing before DeLuca legally committed himself to buy the house. Once DeLuca knew that Caruso withdrew his promise, he should not have entered into the contract to buy the house. Fourth, if the other elements had been satisfied, DeLuca would have experienced financial harm because he unexpectedly had more debt than he could handle at that time.

DeLuca could also try to use the Model Written Obligations Act to enforce the agreement. First, Caruso’s promise must be written and signed. It is written and we can assume Caruso signed the writing. Second, Caruso’s writing must indicate his intent to be bound by using language, such as, “this will be my lawful obligation” or “you can sue me if I break this promise.” If Caruso did not use such language, the written promise is not binding under the model Written Obligations Act.

**(C)** The answer to (A) would not change – there is still no consideration. The answer to part (B) would change because now the four elements of promissory estoppel would be satisfied. The answer in part (B) explains how the first, second and fourth requirements are met. This change of facts in part (C) means that the third element is now satisfied. Since DeLuca did not find out about Caruso withdrawing his promise until after he committed to buying the house, DeLuca can show that he had reasonably relied on Caruso’s promise when he decided to enter into the contract to buy the house. The answer about the model written obligations act does not change in part (C).

**3.** If this occurred in Pennsylvania, Carter would win using the Model Written Obligations Act. The first principle to discuss is consideration. There is no consideration for the promise from West to Carter. Although there is legal detriment on West’s side, he promises to pay $2000 to Carter (which West had no prior legal obligation to do), there is no legal detriment on Carter’ side. Carter did not promise anything new in exchange for West’s promise to pay the $2000. Unlike West, Carter has not made a new promise to do something that he had no prior legal obligation to do, nor promised to forbear from something that he had the legal right to do. Also, West did not bargain for any consideration from Carter.

The second principle to discuss is promissory estoppel. See question 2(B) for the requirements (page 314 in the textbook). Although West’s promise lacks consideration and Carter may suffer financial harm by not having the $2000, there are no facts to indicate that West expected Carter to rely on the promise or that Carter actually did rely on West’s promise.

The third principle to discuss is the Model Written Obligations Act. The act is used when there is no consideration. First, this promise is written and signed by West, and second, he indicates his intent to be bound by stating, “… you can sue me for it if I don’t pay.” This is the law in Pennsylvania. If this occurs in Pennsylvania, Carter wins.