

A chef purchased the front portion of the land needed for a restaurant he desired to build and operate, but the back portion was the subject of a will dispute between a brother and sister. The sister's attorney advised her that her claim was doubtful. The chef, knowing only that the unresolved dispute existed, agreed in a signed writing to pay the sister \$6,000, payable \$1,000 annually, in exchange for a quitclaim deed (a deed containing no warranties). The sister promptly executed such a deed to the chef and received his first annual payment. Shortly thereafter, the probate court handed down a decision in the brother's favor, ruling that the sister had no interest in the land. This decision has become final. The chef subsequently defaulted when his second annual installment came due.

In an action against the chef for breach of contract, will the sister probably win or lose?

- A. Lose, because she suffered no legal detriment in executing the quitclaim deed.
- B. Lose, because she was aware at the time of the agreement with the chef that her claim to the property quitclaimed was doubtful.
- C. Win, because the chef bargained for and received in exchange a quitclaim deed from the sister.
- D. Win, because the chef, by paying the first \$1,000 installment, is estopped to deny that his agreement with the sister is an enforceable contract.

Explanation:

Elements of valuable consideration

Bargained-for exchange Each party's willingness to enter agreement must be induced by other party's act/promise

Legal detriment Each party must relinquish legal right by either:
performing (or promising to perform) act that is not legally required *or*
refraining (or promising to refrain) from performing legally permissible act

A **valid contract** is generally formed when a mutual agreement is supported by **valuable consideration**—ie, a bargained-for exchange of promises or performance. A **promise to surrender a claim or defense** constitutes consideration so long as:

the claim or defense is **valid or subject to a good faith dispute** *or*

the **surrendering party honestly believes** that the claim or defense **may be valid**.

Issuing a **quitclaim deed**—ie, a deed that conveys whatever interest the grantor has in the property, if any, without any warranties—amounts to surrendering the grantor's claims against the property. A quitclaim deed can therefore serve as consideration if the foregoing requirements are met.

Here, the chef promised to pay the sister \$6,000, payable in \$1,000 installments, in exchange for a quitclaim deed. Although the sister's claim to the property quitclaimed was doubtful, it was subject to an unresolved will dispute (good faith dispute) **(Choice B)**. As a result, the sister's issuance of the quitclaim deed in exchange for the chef's promise of payment constituted bargained-for consideration. A valid contract was therefore formed, and the sister will probably win.

(Choice A) Surrendering a claim or defense that may be valid (eg, the sister's issuing the quitclaim deed to the chef) *does* constitute a legal detriment.

(Choice D) The doctrine of **promissory estoppel** lets a party enforce a promise on which it reasonably and detrimentally relied when *no* valid contract was formed. A valid contract arose between the parties here, so estoppel does not apply.

Educational objective:

A promise to surrender a claim or defense (eg, by issuing a quitclaim deed) can serve as consideration so long as (1) the claim or defense is valid or subject to a good faith dispute or (2) the surrendering party honestly believes it may be valid.

References

Restatement (Second) of Contracts § 74 (Am. Law Inst. 1981) (settlement of claims as consideration).

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