

Contents

<i>Preface to the eighth edition</i>	xii
<i>Table of Cases</i>	xiii
<i>Table of Statutes</i>	xxxiv
1 Introduction	1
1.1 Introduction	1
1.2 The scope of the law of contract	1
1.3 The basis of the law of contract	2
1.4 Contract, tort and restitution	4
1.5 Contract and empirical work	5
1.6 A European contract law?	6
1.7 An international contract law?	8
1.8 The role of national contract law in a global economy	10
1.9 Contract law and human rights	11
Part 1	
The formation and scope of a contract	15
2 Agreement: clearing the ground	17
2.1 Who decides that an agreement has been reached?	17
2.2 A residual role for a subjective approach?	19
2.3 The objective test	21
2.4 Has agreement been reached?	22
Summary	24
Exercises	25
3 Offer and acceptance	26
3.1 Offer and invitation to treat	26
3.2 Display of goods for sale	28
3.3 Advertisements	30
3.4 Auction sales	30
3.5 Tenders	31
3.6 Time-tables and vending machines	33
3.7 Acceptance	34
3.8 Communication of the acceptance	34
3.9 Acceptance in ignorance of the offer	35
3.10 Prescribed method of acceptance	36
3.11 Acceptance by silence	36
3.12 Exceptions to the rule requiring communication of acceptance	37
3.13 Acceptance in unilateral contracts	40
3.14 Termination of the offer	41
3.15 The limits of offer and acceptance	42

Summary	43
Exercises	44
4 Certainty and agreement mistakes	45
4.1 Certainty	45
4.2 Vagueness	49
4.3 Incompleteness	50
4.4 A general rule?	51
4.5 A restitutionary approach?	51
4.6 Mistake negating consent	52
Summary	60
Exercises	60
5 Consideration and form	61
5.1 Requirements of form	61
5.2 Consideration defined	67
5.3 The many functions of consideration	68
5.4 Consideration and motive	69
5.5 The scope of the doctrine	69
5.6 Consideration must be sufficient but it need not be adequate	69
5.7 Trivial acts	69
5.8 Intangible returns	70
5.9 Compromise and forbearance to sue	72
5.10 Performance of a duty imposed by law	73
5.11 Performance of a contractual duty owed to the promisor	74
5.12 Practical benefit	77
5.13 Consideration and duress	78
5.14 Alternative analyses	79
5.15 Part payment of a debt	81
5.16 Performance of a duty imposed by contract with a third party	82
5.17 Conceptions of value	83
5.18 Past consideration	83
5.19 Consideration must move from the promisee	84
5.20 Reliance upon non-bargain promises	86
5.21 The role of consideration	87
5.22 Estoppel	88
5.23 Estoppel by representation	90
5.24 Waiver and variation	91
5.25 Promissory estoppel	91
5.26 Estoppel by convention	94
5.27 Proprietary estoppel	95
5.28 The relationship between estoppel and consideration	97
5.29 Conclusion: the future of consideration	100
Summary	101
Exercises	102
6 Intention to create legal relations	104
6.1 Introduction	104
6.2 <i>Balfour v. Balfour</i>	104
6.3 Rebutting the presumption	105
6.4 Domestic and social agreements	106

6.5	Commercial agreements	107
	Summary	108
	Exercises	109
7	Third party rights	110
7.1	Introduction	110
7.2	Privity in operation	111
7.3	Privity and consideration	113
7.4	Criticisms of the doctrine of privity	115
7.5	The Contracts (Rights of Third Parties) Act 1999	115
7.6	The intention test	116
7.7	No consideration required	120
7.8	The remedies available to the third party	120
7.9	Variation and cancellation	121
7.10	The defences available to the promisor	122
7.11	Avoiding double liability	123
7.12	Exceptions to the new third party right of action	124
7.13	Preserving existing exceptions	124
7.14	Rights of the promisee	124
7.15	Collateral contracts	129
7.16	Agency	130
7.17	The trust concept	131
7.18	The role of the law of tort	132
7.19	Assignment	134
7.20	Negotiable instruments	135
7.21	Statutory exceptions	135
7.22	A further common law exception?	136
7.23	Interference with contractual rights	136
7.24	Conclusion	138
	Summary	138
	Exercises	140
Part 2	The content of a contract	141
8	What is a term?	143
8.1	What is a term?	143
8.2	Verification	144
8.3	Importance	144
8.4	Special knowledge	144
8.5	The consequences of the distinction between a term and a mere representation	145
8.6	Can a representation be incorporated into a contract as a term?	145
	Summary	146
	Exercises	146
9	The sources of contractual terms	147
9.1	Introduction	147
9.2	The parol evidence rule	147
9.3	Bound by your signature?	149
9.4	Incorporation of written terms	152
9.5	Incorporation by a course of dealing	154

9.6	Interpretation	155
9.7	Rectification	161
9.8	Implied terms	163
	Summary	166
	Exercises	167
10	The classification of contractual terms	168
10.1	The classification of terms	168
10.2	What is a 'condition'?	168
10.3	Distinguishing between a condition and a warranty	169
10.4	The need for change?	172
10.5	Innominate terms	174
	Summary	176
	Exercises	177
11	Exclusion clauses	178
11.1	Exclusion clauses: defence or definition?	178
11.2	The functions of exclusion clauses	179
11.3	An outline of the law	180
11.4	Incorporation	180
11.5	Construction of exclusion clauses	180
11.6	Negligence liability	182
11.7	Fundamental breach	185
11.8	Other common law controls upon exclusion clauses	187
11.9	The Unfair Contract Terms Act 1977	187
11.10	Negligence liability	187
11.11	Liability for breach of contract	191
11.12	Indemnity clauses	195
11.13	Attempts at evasion	195
11.14	The reasonableness test	196
11.15	Excepted contracts	199
11.16	Conclusion	200
	Summary	202
	Exercises	203
	Part 3 Policing the contract	205
12	A duty to disclose material facts?	207
12.1	Introduction	207
12.2	Snatching at a bargain	208
12.3	Representation by conduct	208
12.4	Representation falsified by later events	209
12.5	Statement literally true but misleading	209
12.6	Contracts <i>uberrimae fidei</i>	210
12.7	Fiduciary relationships	210
12.8	A duty of disclosure in tort?	210
12.9	The role of the Sale of Goods Act 1979	210
12.10	Conclusion	211
	Summary	215
	Exercises	216

13	Misrepresentation	217
13.1	Introduction	217
13.2	What is a misrepresentation?	218
13.3	A statement of existing fact or law	218
13.4	Addressed to the party misled	220
13.5	Inducement	220
13.6	The types of misrepresentation	222
13.7	Remedies	227
13.8	Rescission	227
13.9	Damages	229
13.10	Excluding liability for misrepresentation	232
	Summary	233
	Exercises	234
14	Common mistake and frustration	235
14.1	Introduction	235
14.2	Common mistake	236
14.3	Mistake as to the existence of the subject-matter of the contract	238
14.4	Mistake as to identity of the subject-matter	240
14.5	Mistake as to the possibility of performing the contract	240
14.6	Mistake as to quality	240
14.7	Mistake in equity	243
14.8	Frustration	245
14.9	Frustration, force majeure and hardship	245
14.10	Frustration: a sterile doctrine?	248
14.11	Impossibility	248
14.12	Frustration of purpose	249
14.13	Illegality	250
14.14	Express provision	250
14.15	Foreseen and foreseeable events	251
14.16	Self-induced frustration	252
14.17	The effects of frustration	254
14.18	Conclusion	257
	Summary	258
	Exercises	259
15	Illegality	260
15.1	Introduction	260
15.2	Some difficulties of classification	261
15.3	Illegality in performance	261
15.4	Statutory illegality	263
15.5	Gaming and wagering contracts	263
15.6	Illegality at common law	264
15.7	Contracts contrary to good morals	264
15.8	Contracts prejudicial to family life	265
15.9	Contracts to commit a crime or a civil wrong	265
15.10	Contracts prejudicial to the administration of justice	266
15.11	Contracts prejudicial to public relations	266
15.12	Contracts in restraint of trade	266
15.13	Contracts of employment	267

15.14	Contracts for the sale of a business	268
15.15	Restrictive trading and analogous agreements	268
15.16	The scope of public policy	269
15.17	The effects of illegality	270
15.18	The recovery of money or property	270
15.19	Severance	275
	Summary	275
	Exercises	276
16	Capacity	277
16.1	Introduction	277
16.2	Minors	277
16.3	Mental incapacity and drunkenness	279
16.4	Companies	281
	Summary	281
	Exercises	282
17	Duress, undue influence and inequality of bargaining power	283
17.1	Introduction	283
17.2	Common law duress	283
17.3	Undue influence	288
17.4	Inequality of bargaining power	292
17.5	The role of Parliament	294
17.6	The Unfair Terms in Consumer Contracts Regulations 1999	295
17.7	A general doctrine of unconscionability?	301
	Summary	302
	Exercises	303
Part 4	Performance, discharge and remedies for breach of contract	305
18	Performance and discharge of the contract	307
18.1	Performance	307
18.2	Discharge of the contract	307
18.3	Discharge by performance	308
18.4	Discharge by agreement	308
18.5	Discharge by operation of law	308
	Summary	309
	Exercises	309
19	Breach of contract	310
19.1	Introduction: breach defined	310
19.2	When does breach occur?	310
19.3	The consequences of breach	311
19.4	Damages	311
19.5	Enforcement by the party in breach	312
19.6	The right to terminate performance of the contract	312
19.7	The prospective nature of breach	313
19.8	The right of election	314
19.9	Anticipatory breach	316
	Summary	319
	Exercises	319

20 Damages for breach of contract	321
20.1 Introduction	321
20.2 Compensation and the different 'interests'	321
20.3 The expectation interest	323
20.4 The restitution interest	327
20.5 Failure of consideration and enrichment by subtraction	327
20.6 Enrichment by wrongdoing	329
20.7 Reliance interest	334
20.8 The date of assessment	335
20.9 The commitment to the protection of the expectation interest	336
20.10 Mitigation	336
20.11 Remoteness	337
20.12 Causation	341
20.13 Damages for pain and suffering and the 'consumer surplus'	342
20.14 Conclusion	345
Summary	346
Exercises	346
21 Obtaining an adequate remedy	347
21.1 Introduction	347
21.2 The entire obligations (or 'entire contracts') rule	347
21.3 The creation of conditions	349
21.4 A claim in debt	349
21.5 Liquidated damages	350
21.6 Evading the penalty clause rule	353
21.7 Deposits and part payments	355
21.8 Liquidated damages, penalty clauses and forfeitures: an assessment	358
21.9 Specific performance	360
21.10 Injunctions	363
21.11 Damages in lieu of specific performance	364
21.12 Conclusion	364
Summary	365
Exercises	365
<i>Bibliography</i>	367
<i>Index</i>	375

1.1 Introduction

'If the "law of contract" were not already entrenched in the traditions of legal education, would anyone organise a course around it, let alone produce books expounding it?' (Wightman, 1989)

The fact that a lawyer can ask such a question would, no doubt, confound laymen. Yet it is true that the scope, the basis, the function and even the very existence of the law of contract are the subject of debate and controversy among academic lawyers.

But such questioning seems absurd. After all, we enter into contracts as a regular part of life and generally we experience no difficulty in so doing. A simple case is the purchase of a morning newspaper or the purchase of a bus ticket when travelling to work. What doubt can there possibly be about the existence of such contracts or their basis? But, behind the apparent simplicity of these transactions, there lurks a fierce controversy. In an introductory work of this nature we cannot give full consideration to these great issues of debate. The function of this chapter is simply to identify some of these issues so that the reader can bear them in mind when reading the ensuing chapters and to enable the reader to explore them further in the readings to which I shall make reference.

1.2 The scope of the law of contract

A good starting point is the scope of the law of contract. Contracts come in different shapes and sizes. Some involve large sums of money, others trivial sums. Some are of long duration, while others are of short duration. The content of contracts varies enormously and may include contracts of sale, hire-purchase, employment and marriage. Nevertheless, we shall not be concerned with all such contracts in this book. Contracts of employment, marriage contracts, hire-purchase contracts, consumer credit contracts, contracts for the sale of goods, contracts for the sale of land, mortgages and leasehold agreements all lie largely outside the scope of this book. Such contracts have all been the subject of distinct regulation and are dealt with in books on employment law, family law, consumer law, commercial law, land law and landlord and tenant law respectively. At this stage you might be forgiven if you asked the question: if this book is not about these contracts, what is it about and what is its value?

The answer to the first part of such a question is that this book is concerned with what are called the 'general principles' of the law of contract and these general principles are usually derived from the common law (or judge-made law). Treatises on the general principles of the law of contract are of respectable antiquity in England and can be traced back to Pollock (1875) and Anson (1879). This tradition has been maintained today in works such as Treitel (2007), Anson (2002) and Cheshire, Fifoot and Furmston (2007). One might have expected that these treatises would gradually disappear in the light of the publication of books on the contract of employment, the contract of hire purchase, etc which subject the rules relating to such contracts to close examination. Yet, textbooks on the 'general principles' of the law of contract have survived and might even be said to have flourished.

The existence of such general principles has, however, been challenged by Professor Atiyah (1986b) who maintains that these 'general' principles 'remain general only by default, only because they are being superseded by detailed *ad hoc* rules lacking any principle, or by new principles of narrow scope and application'. Atiyah argues that 'there is no such thing as a typical contract at all'. He maintains (1986a) that it is 'incorrect today to think of contract law as having one central core with clusters of differences around the edges'. He identifies the classical model of contract as being a discrete, two-party, commercial, executory exchange but notes that contracts can be found which depart from each feature of this classical model. Thus, some contracts are not discrete but continuing (landlord and tenant relationships), some are not two-party but multiparty (the contract of membership in a club), some are not commercial but domestic (marriage), some are not executory (unperformed) but executed (fully performed) and finally some do not depend upon exchange, as in the case of an enforceable unilateral gratuitous promise. Atiyah concludes by asserting that we must 'extricate ourselves from the tendency to see contract as a monolithic phenomenon'.

Atiyah uses this argument in support of a wider proposition that contract law is 'increasingly merging with tort law into a general law of obligations'. But one does not have to agree with Atiyah's wider proposition to accept the point that the resemblance between different types of contract may be very remote indeed. A contract of employment is, in many respects, radically different from a contract to purchase a chocolate bar. The considerations applicable to a contract between commercial parties of equal bargaining power may be very different from those applicable to a contract between a consumer and a multinational supplier (see Chapter 17).

This fragmentation of the legal regulation of contracts has reached a critical stage in the development of English contract law. The crucial question which remains to be answered is: do we have a law of contract or a law of contracts? My own view is that we are moving slowly in the direction of a law of contracts as the 'general principles' decline in importance.

Given this fragmentation, what is the value of another book on the general principles of contract law? The principal value is that much of the regulatory legislation concerning specific contracts has been built upon the foundation of the common law principles. So it remains important to have an understanding of the general principles before progressing to study the detailed rules which have been applied to particular contracts. The general principles of formation, content, misrepresentation, mistake, illegality, capacity, duress and discharge apply to all contracts, subject to statutory qualification. These principles therefore remain 'general', but only 'by default'.

1.3 The basis of the law of contract

The basis of the law of contract is also a matter of considerable controversy. Atiyah has written (1986e) that 'modern contract law probably works well enough in the great mass of circumstances but its theory is in a mess'. There are many competing theories which seek to explain the basis of the law of contract (on which see Smith, 2004).

The classical theory is the will theory. Closely associated with *laissez-faire* philosophy, this theory attributes contractual obligations to the will of the parties. The law of contract is perceived as a set of power-conferring rules which enable individuals to enter into agreements of their own choice on their own terms. Freedom of contract and sanctity of

contract are the dominant ideologies. Parties should be as free as possible to make agreements on their own terms without the interference of the courts or Parliament and their agreements should be respected, upheld and enforced by the courts. But today the will theory has been largely discredited. It is not possible to attribute many of the doctrines of contract law to the will of the parties. Doctrines such as consideration, illegality, frustration and duress cannot be ascribed to the will of the parties, nor can statutes such as the Unfair Contract Terms Act 1977.

The will theory has, however, been revived and subjected to elegant refinement by Professor Fried (1981). Fried maintains that the law of contract is based upon the 'promise-principle', by which 'persons may impose on themselves obligations where none existed before'. The source of the contractual obligation is the promise itself. But, at the same time, Fried concedes that doctrines such as mistake and frustration (Chapter 14) cannot be explained on the basis of his promise-principle. Other non-promissory principles must be invoked, such as the 'consideration of fairness' or 'the encouragement of due care'.

But Fried's theory remains closely linked to *laissez-faire* ideology. He maintains that contract law respects individual autonomy and that the will theory is 'a fair implication of liberal individualism'. He rejects the proposition that the law of contract is an appropriate vehicle for engaging in the redistribution of wealth. But his theory is open to attack on two principal grounds.

The first is that it is difficult to explain many modern contractual doctrines in terms of liberal individualism or *laissez-faire* philosophy. The growth of standard form contracts and the aggregation of capital within fewer hands has enabled powerful contracting parties to impose contractual terms upon consumers and other weaker parties. The response of the courts and Parliament has been to place greater limits upon the exercise of contractual power. Legislation has been introduced to regulate employment contracts and consumer credit contracts in an effort to provide a measure of protection for employees and consumers. Such legislation cannot be explained in terms of *laissez-faire* ideology, nor can the expansion of the doctrines of duress and undue influence, or the extensive regulation of exclusion clauses which has been introduced by Parliament (see Chapter 11). Conceptions of fairness seem to underpin many of the rules of contract law (see Chapter 17). Such departures from the principles of liberal individualism have led some commentators to argue that altruism should be recognised as the basis of contract law (Kennedy, 1976), while others have argued that the law of contract should have as an aim the redistribution of wealth (Kronman, 1980). We shall return to this issue in Chapter 17.

A second attack on the promise-principle has been launched on the ground that, in many cases, the courts do not uphold the promise-principle because they do not actually order the promisor to carry out his promise. The promisee must generally content himself with an action for damages. But, as we shall see (in Chapter 20), the expectations engendered by a promise are not fully protected in a damages action. One of the principal reasons for this is the existence of the doctrine of mitigation (see 20.10). Suppose I enter into a contract to sell you 10 apples for £2. I then refuse to perform my side of the bargain. I am in breach of contract. But you must mitigate your loss. So you buy 10 apples for £2 at a nearby market. If you sue me for damages, what is your loss? You have not suffered any and you cannot enforce my promise. So how can it be said that my promise is binding if you cannot enforce it? Your expectation of profit may be protected but, where that profit can be obtained elsewhere at no loss to you, then you have no effective contractual claim against me. Your expectations have been fulfilled, albeit from another source.

Although you cannot enforce my promise, it is very important to note that in our example you suffered no loss and I gained no benefit. Let us vary the example slightly. Suppose that you had paid me in advance. The additional ingredients here are that you have acted to your detriment in reliance upon my promise and I have gained a benefit. Greater justification now appears for judicial intervention on your behalf. Can it therefore be argued that the source of my obligation to you is not my promise, but your detrimental reliance upon my promise or your conferment of a benefit upon me in reliance upon my promise? Atiyah has written (1986b) that 'wherever benefits are obtained, wherever acts of reasonable reliance take place, obligations may arise, both morally and in law'. This argument is one of enormous significance. It is used by Atiyah (1979) in an effort to establish a law of obligations based upon the 'three basic pillars of the law of obligations, the idea of recompense for benefit, of protection of reasonable reliance, and of the voluntary creation and extinction of rights and liabilities'. The adoption of such an approach would lead to the creation of a law of obligations and, in consequence, contract law would cease to have a distinct identity based upon the promise-principle or the will theory (see further 1.4). This is why this school of thought has been called 'the death of contract' school (see Gilmore, 1974). We shall return to these arguments at various points in this book, especially in Chapters 20 and 21.

My own view is that Fried correctly identifies a strong current of individualism which runs through the law of contract. A promise does engender an expectation in the promisee and, unless a good reason to the contrary appears, the courts will call upon a defaulting promisor to fulfil the expectation so created. But the critics of Fried are also correct in their argument that the commitment to individual autonomy is tempered in its application by considerations of fairness, consumerism and altruism. These conflicting ideologies run through the entire law of contract (for a fuller examination of these ideologies under the titles of 'Market-Individualism' and 'Consumer-Welfarism' see Adams and Brownsword, 1987). The law of contract is not based upon one ideology; both ideologies are present in the case law and the legislation. Indeed, the tension between the two is a feature of the law of contract. Sometimes 'market-individualism' prevails over 'consumer-welfarism'; at other times 'consumer-welfarism' triumphs over 'market-individualism'. At various points in this book we shall have occasion to note these conflicting ideologies and the tensions which they produce within the law.

1.4 Contract, tort and restitution

A further difficulty lies in locating the law of contract within the spectrum of the law of civil obligations. Burrows (1983) has helpfully pointed out that the law of obligations largely rests upon three cardinal principles. The first principle is that expectations engendered by a binding promise should be fulfilled. Upon this principle is founded the law of contract. The second principle is that compensation must be granted for the wrongful infliction of harm. This principle is reflected in the law of tort. A tort is a civil wrong, such as negligence or defamation. Let us take an example to illustrate the operation of the law of tort. You drive your car negligently and knock me down. You have committed the tort of negligence. Harm has wrongfully been inflicted upon me and you must compensate me. The aim of the award of compensation is not to fulfil my expectations (contrast Stapleton, 1997, who maintains that the aim of an award of damages in tort is to protect the claimant's 'normal expectancies', namely to re-position

the claimant to the destination he would normally have reached by trial had it not been for the tort). The aim is to restore me to the position which I was in before the accident occurred; to restore the 'status quo' or to protect my 'reliance interest'.

The third principle is that unjust enrichments must be reversed. This principle is implemented by the law of restitution or, to use the terminology which is gradually gaining acceptance, the law of unjust enrichment. There are three stages to a restitutionary claim. First, the defendant must be enriched by the receipt of a benefit; secondly, that enrichment must be at the expense of the claimant; and, finally, it must be unjust for the defendant to retain the benefit without recompensing the claimant. The latter stage does not depend upon the unfettered discretion of the judge; there are principles to guide a court in deciding whether, in a particular case, it is unjust that the defendant retain the benefit without recompensing the claimant (see Goff and Jones, 2007 and Burrows, 2002). The classic restitutionary claim arises where I pay you money under a mistake of fact. I have no contractual claim against you because there is no contract between us. Nor have you committed a tort. But I do have a restitutionary claim against you. You are enriched by the receipt of the money, that enrichment is at my expense, and the ground on which I assert that it is unjust that you retain the money is that the money was paid under a mistake of fact.

Contract, tort and restitution therefore divide up most of the law based upon these three principles and they provide a satisfactory division for the exposition of the law of obligations. This analysis separates contract from tort and restitution on the ground that contractual obligations are voluntarily assumed, whereas obligations created by the law of tort and the law of restitution are *imposed* upon the parties by the operation of rules of law. Occasionally, however, these three principles overlap, especially in the context of remedies (Chapter 21). Overlaps will also be discussed in the context of misrepresentation (Chapter 13) and third party rights (Chapter 7).

Finally, it must be noted that these divisions are not accepted by writers such as Professor Atiyah. His recognition of reliance-based and benefit-based liabilities cuts right across the three divisions. The writings of Atiyah deserve careful consideration, but they do not, as yet, represent the current state of English law. Although we shall make frequent reference to the writings of Atiyah, we shall not adopt his analysis of the law of obligations. Instead, it will be argued that the foundation of the law of contract lies in the mutual promises of the parties and, being founded upon such voluntary agreement, the law of contract can, in the vast majority of cases, be separated from the law of tort and the law of restitution.

1.5 Contract and empirical work

Relatively little empirical work has been done on the relationship between the rules that make up the law of contract and the practices of the community which these rules seek to serve. The work that has been done (see, for example, Beale and Dugdale, 1975 and Lewis, 1982) suggests that the law of contract may be relied upon in at least two ways. The first is at the planning stage. The rules which we shall discuss in this book may be very important when drawing up the contract and in planning for the future. For example, care must be taken when drafting an exclusion clause to ensure, as far as possible, that it is not invalidated by the courts (see Chapter 11). Secondly, the law of contract may be used by the parties when their relationship has broken down. Here the

rules of contract law generally have a less significant role to play than at the planning stage. The rules of contract law are often but one factor to be taken into account in the resolution of contractual disputes. Parties may value their good relationship and refuse to soil it by resort to the law. Litigation is also time-consuming and extremely expensive and so the parties will frequently resort to cheaper and more informal methods of dispute resolution. In the remainder of this book, we shall discuss the rules that make up the law of contract but it must not be forgotten that in the 'real world' the rules may be no more than chips to be used in the bargaining process on the breakdown of a contractual relationship.

1.6 A European contract law?

The subject-matter of this book is the English law of contract and so the focus is upon the rules that make up the English law of contract. But it should not be forgotten that we live in a world which is becoming more interdependent and where markets are no longer local or even national but are, increasingly, international. The creation of world markets may, in turn, encourage the development of an international contract and commercial law. There are two dimensions here.

The first relates to our membership of the European Union; the second is the wider move towards the creation of a truly international contract law. The first issue relates to the impact which membership of the European Union is likely to have on our contract law. As yet, membership has had little direct impact, but this is unlikely to remain the case. An example of its potential impact is provided by the Unfair Terms in Consumer Contracts Regulations 1999 (SI 1999, No. 2083) which gave effect to an EC Directive on Unfair Terms in Consumer Contracts (93/13/EEC). The Regulations give to the courts greater powers to strike down unfair terms in consumer contracts which have not been individually negotiated. The purpose which lay behind the Directive, as stated in Article 1, was 'to approximate the laws, regulations and administrative provisions of the Member States relating to unfair terms in consumer contracts'. The Directive and the Regulations will be discussed in more detail in Chapter 17 but the issue which concerns us at this point is the potential which EC law has to intrude into domestic contract law. Some clue as to the likely reach of EC law can be found in Article 95 of the Treaty establishing the European Community, which gives the Council of the European Community the power to adopt measures which have as their object 'the establishment and functioning of the internal market'. This Article formed the legal basis for the Unfair Terms Directive, as can be seen from its preamble where it is stated:

'whereas in order to facilitate the establishment of a single market and to safeguard the citizen in his role as consumer when buying goods and services by contracts which are governed by the laws of other Member States than his own, it is essential to remove unfair terms from those contracts.'

It can be argued that differences between the substantive laws of Member States do act as a restriction on intra-Community trade because contracting parties are generally unsure of the legal rules which prevail in the different Member States and are therefore more hesitant about contracting with persons in other Member States. For example, an English supplier selling goods to an Italian customer will generally want to ensure that the contract is governed by English law because he is ignorant of the legal position in Italy.

Conversely, the Italian customer will wish to ensure that the contract is governed by Italian law for the reason that he does not know the law in England. This gives rise to what lawyers call a 'conflict of laws'. If the law was to be the same in each Member State, these problems would not arise and a further barrier to intra-community trade would be removed.

The Unfair Terms Directive remains the principal example of the intervention of EC law into domestic contract law. But we could be on the verge of a much more expansive role for EC law and its institutions in the regulation of contract law. On 13 July 2001 the European Commission issued a Communication on European Contract Law to the Council and to the European Parliament. The Communication set out four options for the future. These options were as follows: (i) no further EC action, (ii) promotion of the development of common contract law principles leading to more convergence of national laws, (iii) improvement of the quality of European legislation which is already in place and (iv) adoption of new comprehensive legislation at EC level. In its Action Plan, published in February 2003, the Commission proposed to improve the quality of existing and future European legislation, produce a common frame of reference (CFR) which should contain common rules and terminology in the area of European contract law, promote the elaboration of EU-wide standard contract terms and reflect further on the production of more far-reaching reforms. On 11 October 2004 the Commission issued a further Communication on a European Contract Law and the Revision of the *Acquis*: The Way Forward (COM (2004) 651 Final). In this document the Commission states that it will 'pursue the elaboration of the CFR'. It is clear that the CFR will play a crucial role in the development of a European Contract Law. An interim outline edition of the Academic Version of the Draft CFR was published in early 2008, followed by the publication of the Draft CFR in early 2009 (see Study Group on a European Civil Code, 2009). The document was prepared by the Study Group on a European Civil Code under the chairmanship of Professor Christian von Bar. It is too early to ascertain the reception which this document will receive and the influence which it will exert. While it has received some academic criticism (see, for example, Eidenmüller, Faust, Grigoleit, Jansen, Wagner and Zimmermann, 2008), it is the response of the European Commission to the document which will prove to be decisive. At the time of writing, the likely shape of that response is unknown.

A document which may play a key role in terms of producing further European integration is the Principles of European Contract Law, drawn up by the Commission on European Contract Law (a non-governmental body of lawyers drawn from the Member States). The Commission was set up with the purpose of drafting a statement of general Principles of Contract Law for all EC countries. Professor Lando, the chairman of the Commission, has stated (1992) that there is 'no doubt that Europe needs a unification of the general principles of contract law and that a Uniform European Code of Obligations will enhance trade and other relationships in the Community'. The Commission has now completed its work. The Principles are divided into seventeen chapters. The chapter headings are as follows: general provisions, formation, authority of agents, validity, interpretation, contents and effects, performance, non-performance and remedies in general, particular remedies for non-performance, plurality of parties, assignment of claims, substitution of new debtor: transfer of contract, set-off, prescription, illegality, conditions and capitalisation of interest. In their introduction to Parts I and II of the Principles, Professors Lando and Beale (1999) stated:

‘the Principles have both immediate and longer-term objectives. They are available for immediate use by parties making contracts, by courts and arbitrators in deciding contract disputes and by legislators in drafting contract rules whether at the European or the national level. Their longer-term objective is to help bring about the harmonisation of general contract law within the European Union.’

While it is suggested that a European Civil Code is very much a long-term goal, it must be conceded that there are powerful voices that support the creation of a European Contract Law. For example, in 1989 and again in 1994 the European Parliament passed a resolution on the preparation of a European Code of Private Law, the preamble to which stated: ‘unification can be carried out in branches of private law which are highly important for the development of a Single Market, such as contract law.’ These voices are likely to have a significant impact on the European Commission in terms of its plans for the future development of the law. Whether these future developments will include the creation of a separate Code of European Contract Law is a matter of some doubt. In this connection it is important to note that the Draft CFR produced by the Study Group on a European Civil Code (2009) incorporates, with some modifications, the Principles of European Contract Law into its broader text. Thus it may be that the creation of a European Contract Law will be subsumed within the larger project of the creation of a European Civil Code.

Whatever the outcome of the latter debate, it can be predicted that the creation and development of the Single Market within the European Community is likely to fuel demands for a single European Contract Law. Yet the difficulties which lie ahead should not be underestimated because it involves the bringing together of civilian and common law traditions. An example of the difficulties involved in bringing such traditions together is provided by the experience of the English and the Scottish Law Commissions. In the mid-1960s both Commissions commenced work on the codification of the law of contract but the project was suspended in 1973 after the withdrawal of the Scottish Law Commission. One ground which was cited by the Scottish Law Commission to justify its withdrawal was that it was becoming ‘increasingly concerned at the areas of disagreement that still existed on fundamental issues’. The points of divergence were, indeed, substantial (for example, England has a doctrine of consideration, whereas Scotland does not). These differences are multiplied when it comes to reaching agreement at a European level. Not only are there differences of substance but also there are differences of methodology: the civilians are more comfortable with statements of general principle, whereas common lawyers prefer to reason from the particular to the general and shy away from broad statements of principle.

While these difficulties are undoubtedly great, it is important to note that the aim of the Commission on European Contract Law is not to impose mandatory uniform rules on all Member States: rather it is to encourage harmonisation through the production of non-binding principles of law. As has been stated, this is very much a long-term goal. But as Europe grows closer together through stronger trade and political links, so the climate may be created in which an agreed and effective statement of general principles of contract law will become possible.

1.7 An international contract law?

A broader vision of the future is concerned with the internationalisation of contract law. There are, essentially, two different ways of proceeding. The first is the production of

non-binding statements of principle or model contracts: the second is the attempt to impose mandatory uniform rules on the international community.

The first category consists of non-binding statements of principle and model contracts or standard contract terms. We shall give one example from each category. The most important example of a non-binding statement of principles is to be found in the UNIDROIT Principles of International Commercial Contracts. The Principles were first published in 1994 and were republished in expanded form in 2004. The 2004 edition of the Principles consists of some 185 Articles and each Article is accompanied by a brief commentary setting out the reasons for its adoption and its likely practical application. These Articles are not intended to be imposed upon the commercial community in the form of mandatory rules of law. They are non-binding principles which, it is hoped, parties to international commercial contracts will incorporate into their contracts either as a set of contract terms or as the law applicable to the contract. While national courts are presently either unwilling or unable to recognise the Principles as a valid choice of law and thus the law applicable to the contract, the same cannot be said of arbitrators. The UNIDROIT Principles now have a significant role to play in international commercial arbitration. They are particularly useful where parties from different parts of the world are unable to agree on the law applicable to the contract: the UNIDROIT Principles offer a neutral set of Principles which may be acceptable to both parties to the contract.

Standard contract terms also have an important role to play in international commerce. Two prominent examples are the INCOTERMS (a set of standard trade terms sponsored by the International Chamber of Commerce) and the FIDIC (Fédération Internationale des Ingénieurs-Conseils) Conditions of Contract for Works of Civil Engineers, which have achieved widespread acceptance in international sales and international construction contracts respectively. There can be little to object to in such developments because they seek to bring about harmonisation through persuasion rather than imposition. Their alleged weakness is, however, the fact that they are not mandatory. They can therefore be ignored or amended by contracting parties and so are a rather uncertain method of seeking to achieve uniformity.

In an effort to ensure a greater degree of uniformity, it has been argued that there is greater scope for mandatory rules of law. But the attempt to impose uniform terms on the commercial community has given rise to considerable controversy. The most notable example of an international convention in this category is provided by the United Nations Convention on Contracts for the International Sale of Goods, commonly known as the Vienna Convention or CISG. Unlike earlier conventions, the Vienna Convention does not enable states to ratify the Convention on terms that it is only to be applicable if the parties choose to incorporate it into their contract. It provides that, once it has been ratified by a state, the Convention is applicable to all contracts which fall within its scope (broadly speaking, it covers contracts for the international sale of goods) unless the contracting parties choose to contract out of the Convention or of parts thereof. The Convention has been in force since 1988 and, although the United Kingdom has not yet ratified it (however the signs are that it may do so in the not too distant future) it has been ratified by many major trading nations, such as the USA, France, Germany and China. Supporters of such Conventions argue that they promote the development of international trade by ensuring common standards in different nations. Contracting parties can then have greater confidence when dealing with a party from a different nation and such uniformity should result in lower costs because there will be no need to

spend time arguing about which law should govern the transaction, nor will there be any necessity to spend time and money seeking to discover the relevant rules which prevail in another jurisdiction.

But such Conventions have also been the subject of considerable criticism. It is argued that they do not achieve uniformity because national courts are likely to adopt divergent approaches to their interpretation (some courts adopting a literal approach, others a purposive approach). In this way, the aim of achieving uniformity will be undermined. The Vienna Convention took many years to negotiate and, even now, 30 years after agreement was reached, it has not been adopted by all the major trading nations of the world. Furthermore, it is not at all clear how the Convention will be amended. The commercial world is constantly on the move and the law must adapt to the changing needs of the market if it is to facilitate trade. An international code which is difficult to amend is unlikely to meet the demands of traders. It is also argued that such Conventions tend to lack clarity because they are drafted in the form of multicultural compromises in an effort to secure agreement and so lack the certainty which the commercial community requires. Lord Hobhouse, writing extra-judicially, summed up these arguments when he wrote (1990) that:

'international commerce is best served not by imposing deficient legal schemes upon it but by encouraging the development of the best schemes in a climate of free competition and choice . . . What should no longer be tolerated is the unthinking acceptance of a goal of uniformity and its doctrinaire imposition on the commercial community.'

While these arguments have a great deal of force, they are not universally shared (for a reply, see Steyn, 1994) and it should be noted that they do not deny the value of internationally agreed standards. But it is suggested that they do show that we should proceed by way of persuasion rather than imposition. Attempts to draft international standard form contracts and non-binding statements of the general principles of contract law should be encouraged as they are most likely to produce uniform standards which will meet the needs of contracting parties and, in so doing, lower the cost of concluding international contracts.

1.8 The role of national contract law in a global economy

What is the likely role of national contract law in a global economy? This is not an easy question to answer. Much is likely to depend on the various projects currently in existence which aim to produce either a European or an international law of contract. If they are successful, the role for national contract law is likely to diminish considerably. On the other hand, if they are unsuccessful the national laws of contract will continue to regulate the vast majority of contracts that are made. But it should not be thought that trade across national boundaries is a new thing. It is not. While the volume of such trade has increased significantly in recent years, international trade is not a new phenomenon. Indeed, many of the cases to be discussed in this book were litigated between parties who had no connection with England other than the fact that their contract was governed by English law (usually by virtue of a 'choice of law clause' in their contract). The explanation for the choice of English law as the governing law is undoubtedly to be found in England's great trading history, which has been of great profit to the City of London and English law, if not to other parts of the United Kingdom. The commodities markets have had their centres in England for many years and many contracts for the

sale of commodities are governed by English law. London has also been an important arbitration centre and a number of our great contract cases started life as arbitration cases which were then appealed to the courts via the stated case procedure, before the latter procedure fell into disrepute and was abolished in the Arbitration Act 1979. The fact that English contract law has had this 'global' influence in the past may make English lawyers reluctant to accede to attempts to create a European or an international law of contract: they may have too much to lose if English law diminishes in importance. Of course, much depends on the reasons why contracting parties choose English law as the governing law or choose to arbitrate in London. If the reason is to be found in the way in which English lawyers handle disputes or in procedural factors, then there is little for English lawyers to fear from the creation of a European or an international law of contract. But if parties choose English law because of the quality of the substantive law, then the City may well lose out if English contract law is to be abandoned at some future time in favour of some uniform law. The threat to national contract law in the short-to-medium term is relatively low but in the longer term it is much harder to quantify and the arguments for and against the adoption of a uniform law may be governed as much by economics and practical politics as the quality of the uniform law which is ultimately produced.

1.9 Contract law and human rights

One of the most significant events in our recent legal history is the enactment of the Human Rights Act 1998 which incorporates the European Convention on Human Rights into English law by creating 'Convention rights' which are enforceable in domestic law (Human Rights Act 1998, s.1). The impact which the rights contained in the Convention will have on private law is currently uncertain. It has already begun to have an effect on the law of tort but its likely impact on the law of contract remains largely unclear.

In this introductory chapter there are two issues which are worthy of brief note. The first is that the Act makes it 'unlawful for a public authority to act in a way which is incompatible with a Convention right' (Human Rights Act 1998, s.6(1)). It therefore clearly applies as between a public authority and a natural or a legal person. But does the Act also have 'horizontal effect', that is to say does it apply between two private citizens or between an individual and a business?

The answer to this question is currently the subject of an extensive debate. It seems clear that the Act has some horizontal effect, in the sense that Convention rights can be invoked in litigation between private parties when seeking to interpret domestic legislation. It is more difficult to discern whether the Act has greater horizontal effect. Support for the proposition that it does may be found in the fact that section 6 includes 'a court or tribunal' within the definition of public authority. Given that it is unlawful for the courts, as a public authority, to act in a way which is incompatible with a Convention right, the courts may conclude that they must give effect to the Act even in litigation between two private individuals (where the issue between the parties is not one that relates to the interpretation of domestic legislation). On the other hand it can be argued that, while the court must not act in a way which is incompatible with a Convention right, given that the Convention does not apply against a private individual, a court cannot act incompatibly with a Convention right if it refuses to apply the Convention in a claim against a private individual. While there remains considerable uncertainty in relation to the extent to which

the Act is applicable in litigation between private individuals, there can be no doubt that, at the very least, the Act will apply to contracts entered into by public authorities.

The second question relates to the scope of the 'Convention rights' and the extent to which they may be violated by contracts or by the rules of contract law. Some examples are obvious. A contract of slavery would be a violation of Article 4 of the Convention but English law already refuses to recognise the validity of such a contract. The difficult cases are going to be those rules of contract law which are currently valid but in fact can amount to a violation of a Convention right. At the moment it is only possible to speculate as to which Convention rights may suddenly surface in contract litigation. The most obvious are perhaps Article 6 (which states that 'in the determination of his civil rights and obligations . . . everyone is entitled to a fair and public hearing within a reasonable time by an independent and impartial tribunal established by law'), Article 14 (which states that 'the enjoyment of the rights and freedoms set forth in this Convention shall be secured without discrimination on any ground such as sex, race, colour, language, religion, political or other opinion, national or social origin, association with a national minority, property, birth or other status') and Article 1 of the First Protocol (which states that 'every natural or legal person is entitled to the peaceful enjoyment of his possessions. No one shall be deprived of his possessions except in the public interest and subject to the conditions provided for by law and by the general principles of international law'). So attempts to expropriate contract rights or to deny to claimants the right to have their disputes resolved by a court of law may involve a violation of a Convention right.

Here it will suffice to give two examples of the potential impact of Convention rights on the law of contract. The first is the decision of the House of Lords in *Wilson v. First County Trust Ltd (No. 2)* [2003] UKHL 40; [2004] 1 AC 816 in which their Lordships allowed an appeal from the decision of the Court of Appeal ([2001] EWCA Civ 633; [2002] QB 74). The Court of Appeal had made a declaration that section 127(3) of the Consumer Credit Act 1974 was incompatible with the rights guaranteed by Article 6(1) of the Convention and by Article 1 of the First Protocol. Section 127(3) renders an improperly-executed consumer credit agreement unenforceable by the creditor where the debtor does not sign a document which contains all the prescribed terms of the agreement. The Court of Appeal held that this absolute ban on the enforceability of the agreement was incompatible with the defendant pawnbroker's human rights. The problem identified by the Court of Appeal was that s.127(3) imposes an absolute ban on enforcement and this was held to be a disproportionate response to the problems created by consumer credit agreements which are not in the prescribed form. In this respect s.127(3) was contrasted with ss.127(1) and (2) of the 1974 Act which give to the court a discretion to enforce a consumer credit agreement notwithstanding the failure to comply with formal requirements. The Court of Appeal stated that the contrast between s.127(1) and s.127(3) was 'striking' and they concluded that no reason had been advanced which could justify an 'inflexible prohibition' on the enforcement of such agreements when it was possible to regulate the issue by giving the court the power 'to do what is just in the circumstances of the particular case'.

The House of Lords held that the Court of Appeal had erred in concluding that s.127(3) was incompatible with Article 6(1) of the Convention. In so deciding, their Lordships emphasised that Article 6(1) cannot be used in order to create a substantive civil right of action which otherwise has no basis in national law. The target of Article 6(1) is procedural bars on bringing claims to court. As Lord Nicholls recognised (at [35]): 'the distinction

between the substantive content of a right and an unacceptable procedural bar to its enforcement by a court can give rise to difficulty in distinguishing the one from the other in a particular case.' But on the present facts no such difficulty arose. Section 127(3) was a restriction on the scope of the right which the creditor acquired and it did not bar access to the court in order to decide whether the case was caught by the restriction.

In relation to the claim that there had been a violation of Article 1 of the First Protocol, their Lordships concluded that Article 1 was applicable on the facts of the case but that it had not been breached. Importantly, the House of Lords concluded that the word 'possessions' includes contractual rights so that the deprivation of a contractual right may raise human rights issues in an appropriate case (see, for example, *Pennycook v. Shaws (EAL) Ltd* [2004] EWCA Civ 100; [2004] Ch 296). On the facts the majority concluded that s.127(3) did operate to deprive the creditor of his contractual rights in such a way as to trigger the operation of Article 1 but that on the facts there had been no breach. Section 127(3) was held to be a 'legitimate exercise in consumer protection'. Borrowers who fall within the scope of the Consumer Credit Act are often 'vulnerable' and do not bargain on an 'equal footing' with lenders. Parliament was entitled to conclude that the protection of such borrowers required the automatic invalidation of contracts which did not satisfy the requirements of the subsection in order to give lenders the strongest incentive to comply with its clear and transparent requirements. The fact that the aim could possibly have been achieved by conferring a discretion on the court to invalidate the contract could not be dispositive. The response of Parliament could not be said to be disproportionate to the policy which underpinned the legislation and it did not amount to a breach of the Article.

The second example of the potential role of human rights law in the law of contract is provided by the law relating to the regulation of illegal contracts. The law currently refuses to enforce a contract which is illegal or which is contrary to public policy and it also generally refuses to allow a party who has conferred a benefit on another party to an illegal contract to recover the value of the benefit so conferred. The reason for this is generally that the courts wish to deter parties from entering into illegal contracts (see further 15.17 and 15.18). The law in this area is widely considered to be unsatisfactory and the Law Commission have begun work on reforming it. But does the Human Rights Act add an extra dimension to the problem? Can a party who has entered into a contract which is illegal or which is contrary to public policy argue that his Convention rights have been violated if a court refuses to enforce the contract or refuses to allow him to recover the value of the benefit which he has conferred on the other party to the contract? Take the example of a contract under which one party promises in return for a fee to procure the marriage of another. There is authority in England which concludes that such a contract is unenforceable (*Hermann v. Charlesworth* [1905] 2 KB 123) but, if a court held that it was bound by authority not to enforce such a contract or to allow the recovery of any benefit conferred under it, could the claimant, assuming for now that the Act has horizontal effect, allege that there has been a breach of Article 6 of the Convention? The answer is not entirely clear. The potential significance of Article 6 also surfaces in the Law Commission's Consultation Paper (1999) on reform of the law relating to the effect of illegality on contracts and trusts (on which see 15.18). The Law Commission provisionally recommend that the courts should be given a discretion to decide whether or not to enforce an illegal contract or to reverse an unjust enrichment which has occurred under an illegal contract. Is this proposal compatible with the European Convention on Human Rights? In the past it would not have been necessary to ask this question: if Parliament passed a law which

was generally thought to be desirable it was the task of the courts simply to give effect to it. But today, proposed legislation must be tested for compatibility with Convention rights. The Law Commission identified three provisions of the Convention which could potentially apply to their proposals, namely Article 6, Article 7 ('no punishment without law') and Article 1 of the First Protocol. However they declared that they were 'confident' that their proposals are compatible with the Convention. In the case of Article 1 of the First Protocol, the Law Commission stated that, to the extent that the Article was applicable, the public interest provision would apply and, in the case of Articles 6 and 7, they maintain that no part of their proposals would deny a claimant access to the courts or to a fair and public hearing. The conclusion of the Law Commission in this respect was affirmed by the Court of Appeal in *Shanshal v. Al-Kishtaini* [2001] EWCA Civ 264; [2001] 2 All ER (Comm) 601 where it was held, on the facts of that case, that the public interest exception did justify the 'availability of the common law defence of illegality to a contractual or restitutionary claim based on the commission of a prohibited act'. However the public interest invoked in *Shanshal* was stated to be 'very strong'. In other cases, where the illegality is of a technical nature and the public interest in refusing to enforce the agreement is consequently much lower, the refusal to give effect to the contract may possibly be held to be a disproportionate response. The existence of some uncertainty can be demonstrated by the fact that the Law Commission conclude their consideration of the point by stating that: 'we would be very grateful if consultees with the relevant expertise could let us know whether they agree with our view that our provisional recommendations do not infringe the European Convention on Human Rights and Fundamental Freedoms, and, if they do not agree, to explain their reasoning.' This demonstrates the uncertainty which currently surrounds the impact which Convention rights may have on private law. Convention rights may yet turn out to be a time-bomb ticking away under the law of contract and private law generally.

A

acceptance
 communication of 34–5
 conduct, by 34
 mistake, effect of, in making 52–59
 post, by 37–40
 prescribed method of 36
 revocation of 39
 silence, by 36–7
 unilateral contracts and 40–41
 unqualified nature of 34

adequacy of consideration 69, 269, 283, 301

advertisements 30

affirmation 314–15

agency 130–131

agreement
 contract based on 1–5
 objective nature 17–19, 21–2
 subjective 19–21

ambiguity, uncertainty due to 45–9

assignment 134–5

auction sales 30–31

B

bargaining power, inequality of 269–70, 283, 292–4

battle of the forms 22–4, 34, 42–3

bills of exchange 61, 84, 135

breach of contract
 anticipatory 316–319
 consequences of 311, 314–19
 discharge by 307, 310–19
 occurrence of 310–11
 prospective nature of 313–314
 remedies for 321–64

C

capacity
 companies and 281
 drunkenness and 280
 mental patients and 279–80
 minors and 277–79

causation 341–2

certainty *see* uncertainty

collateral contracts 129–130, 231, 270

companies
 capacity and 281
ultra vires and 281

condition
 breach of 168, 312
 creation of 168–172, 349
 precedent 168–9
 promissory 169
 subsequent 168–9

consideration
 adequacy of 69, 269, 283, 301
 benefit and detriment as 67–8, 83
 compromises and 72–3
 definition of 67
 economic value of 69–72, 83
 estoppel and 86–88, 97–100
 existing duties and 73–83
 forbearance from suing, as 72–3
 motive and 69
 past 83–84
 promisee, must move from 84–85, 113–14, 120
 reform of 100–101
 sufficiency of 69
 total failure of 3254, 279, 327–29
 trivial acts and 69–70
 valuable 69–70
 variation of contract, and 91

consumer surplus 342–345

contra proferentem rule 161, 181–2

contract
 agreement, as 2–4, 17, 364
 basis of 2–4
 distributive justice and 3, 301–2
 empirical research and 5–6
 promise, as 2–4
 scope of 1–2

contributory negligence 342

counter-offer 22, 34

D

damages
 action for 321–345
 date of assessment of 335
 expectation 323–7, 336–345
 liquidated 350–3, 358–9
 mental distress, for 342–5
 misrepresentation and 229–232
 punitive 230, 321
 reliance 334–5
 restitutionary 327–333

debt
 claim in 349–50
 part payment of 81–2

deceit, tort of 222, 229–30

deed 61

deposits, forfeiture of 335–8

discharge of the contract
 agreement, by 308
 breach, by 308, 312
 frustration, by 245, 254, 308
 operation of law, by 308
 performance, by 308

disclosure, duty of
 in tort 210
 no general duty 207–8
 particular contracts 210–11

distributive justice and contract law 3, 301–2

drunkenness and contractual capacity 280

duress 283–88

E

economic duress 283–88

empirical research and contract law 5–6

enforcement of the contract by party in breach 312

entire obligations rule 347–9

estoppel
 consideration and 86–88, 97–100
 convention, by 94–5
 defined 88–90
 promissory 91–94
 proprietary 95–97
 representation, by 90

European Contract Law 6–8

exclusion clauses
 construction of 180–82
 definition of 178–9
 function of 179–80
 fundamental breach and 185–6

incorporation of 152–55, 180

misrepresentation and 187, 232–33

negligence liability and 182–185, 187–91

reasonableness of 196–99

statutory regulation of 187–202

exemption clauses *see* exclusion clauses

expectation interest
 definition of 323–327
 protection of 336–345

F

force majeure 245–7

forfeiture clauses 355–8

formalities 61–6

freedom of contract 2–4, 301

frustration
 basis of 235–6, 257–8
 discharge of contract and 245, 254, 308
 effects of 254–7
 express provision for 250–1
 foreseen and foreseeable events and 251–2
 illegality and 250
 impossibility and 248–9
 leases, of 248
 mistake, relation to 235–6, 257–8
 purpose of 249–50
 self-induced 252–4

fundamental breach 185–186

fundamental terms 186

G

gaming contracts 263–4

good faith 211–15, 297, 300, 311

H

hardship clauses 246–7

human rights 11–14

I

illegality in contracts
 classification of 261
 crime, agreement to commit 265–6
 effects of 270–5
 performance, illegality in 261–3
 public policy, agreement contrary to 264–70
 recovery of money or property 270–75
 sexual immorality, agreements involving 264–5
 statutory 263

implied terms 163–66
 incompleteness of agreement 50–1
 indemnity clauses 195
 inequality of bargaining power 269–70,
 283, 292–4
 injunction
 damages in lieu of 364
 no indirect specific performance 363
 innominate terms
 breach of 174–6
 creation of 174–6
 intention to create legal relations 104–108
 international contract law 8–11
 interpretation 155–61, 180–6
 invitation to treat, distinguished from offer
 26–34

J
 jurisdiction of courts, agreement to oust
 266

L
 leases, frustration of 248
 legal relations, intention to create 104–8
 limitation clauses 181–2
 liquidated damages 350–3, 358–9

M
 marriage brokage contracts 13, 265
 mental patients 279–80
 minors
 capacity to enter into contracts 277–79
 contracts by 277–9
 executed contracts and 278–9
 necessaries, for 277
 passing of property and 279
 ratification, of 278
 tort, liability in 279
 void contracts and 278
 voidable contracts and 278
 misrepresentation
 damages for 229–232
 excluding liability for 232–33
 fraudulent 222, 230
 innocent 227, 231–2
 negligent 222–4, 230
 promise, distinguished from 217–8
 rescission for 227–9
 term of contract, distinguished from
 143–6
 mistake
 acceptance, effect of, in making 52–9

agreement 52–9
 common 52, 236–45, 257–8
 equity, in 243–5
 frustration and 235–6, 257–8
 fundamental 236–8
non est factum 150–2
 offer, effect of, in making 52–9
 performance, as to possibility 240
 person, as to 53–9
 quality, as to 240–3
 subject-matter, as to existence of 238–9
 subject-matter, identity of 240
 unilateral 52–9
 mitigation of damage 336–7

N
 necessaries *see* minors
 negotiable instruments 135
non est factum 150–2

O
 objectivity 17–19, 21–2
 offer
 acceptance of *see* acceptance
 counter 22, 34
 duration of 42
 ignorance of 35
 invitation to treat, distinguished from
 26–34
 mistake in making of 52–9
 revocation of 41–2

P
 Parliament and contract law 294–5
 parol evidence rule 147–8
 partial failure of consideration 354–5,
 327–9
 past consideration 83–4
 penalties
 distinguished from liquidated damages
 350–3
 evading the rules as to 353–5
 justification for the rules as to
 358–60
 performance 307–8
 post, contract made by 37–40
 privity of contract
 collateral contracts and 129–30
 consideration and 84–5, 113–14, 120
 development of 110–16
 exclusion clauses and 111–13
 liability of third parties under 136–8

- privity of contract (*cont.*):
 third party, enforcement by promisee for 124–9
 tort, law of, and 132–4
- promissory estoppel *see* estoppel
- proprietary estoppel *see* estoppel
- public policy
 agreements contrary to 264–270
 new heads of, whether possible to create 269
- puffs, mere 143, 219
- R**
- rectification 161–3
- reliance
 consideration and 86–7
 damages and 334–5
 protection of 334–5
- remedies for breach of contract 321–64
- remoteness of damage 337–41
- representation
 conduct, by 208–9
 distinguished from promise 217–18
- rescission
 for breach 228, 312
 for misrepresentation 227–9
- restitution, law of contract and 4–5, 51–2, 254–7, 270–5, 327–333
- restraint of trade
 contracts for the sale of a business and 268
 contracts in 266–69
 contracts of employment and 267–8
 scope of 269–70
- revocation of offers 41–2
- rewards, offers of 30, 35
- risk allocation
 common mistake and 235–6, 257–8
 frustration and 235–6, 257–8
- S**
- severance, of illegal contracts 275
- social and domestic arrangements 106–7
- specific performance 360–3
 contracting for 362
 damages in lieu of 364
 when not available 360–1
- standard form contracts 179
- subjectivity and agreement 19–21
- T**
- tender, contract by 31–3
- termination of the contract 312
- terms of the contract
 ambiguity 52–3
 classification of 168
 condition 168–72
 exclusion clauses 178–202
 fundamental 185–6
 implied 163–6
 incorporation of 152–5
 innominate 174–6
 interpretation of 155–61, 180–86
 representation, distinguished from 143–5
- third party rights 110–38
- tort
 contract and 4–5
 duty of disclosure in 210
 privity of contract and 132–4
- total failure of consideration 254, 279, 327–9
- trusts of contractual obligations 131–2
- U**
- uberrimae fidei* 210
- ultra vires* 281
- uncertainty
 ambiguity 45–9
 incompleteness 50–1
 vagueness 49–50
- unconscionability 301–2
- undue influence 288–92
- unfair contracts 269–70, 295–301
- V**
- vagueness 49–50
- variation of contracts 91
- void contracts
 consequences of 54–55, 152, 238, 239, 243, 261, 278, 281
 illegality and 261, 270
- voidable contracts 54–55, 152, 228, 243, 278, 284
- W**
- wagering contracts 263–4
- waiver 91, 315–16
- warranty, breach of 168, 175
- written evidence *see* parol evidence rule