

The role of consideration in contract

Law



The Role of Consideration in a Contract Consideration plays an important role in English contracts, constituting the centrepiece of the English contract law. The case of *Dunlop Pneumatic Tyre Co Ltd v Selfridge & Co Ltd* [1915] UKHL 1, quoted Sir Frederick Pollock's concept of consideration as "An act or forbearance of one party, or the promise thereof, is the price for which the promise of the other is bought, and the promise thus given for value is enforceable" (cited *Mothersole & Ridley* 360). Thus, A's promise to pay £2000 for B's car is consideration and so is B's promise to give up his car to A in exchange for that amount.

Many European countries have adopted the position that any agreement that is both serious and lawful is a contract, but under English law, an agreement, even if serious and lawful, can only be enforced if consideration is present (*Mothersole & Ridley* 1999: 360). Consideration thus, separates enforceable contracts from unenforceable ones, constituting the first of the three-pronged tests in contract enforceability (*Stone* 2011: 87). The difference between these systems is thought to be historical-based, with the English *assumpsit*, or legal action for breach of promise or contract, traced back to commercial needs whilst continental law originated from the canon law and the principle of good faith (*Chandler & Brown* 2007: 46).

Another significance of consideration is that it provides intent of the parties to be legally bound by their agreement. Thus, even a token amount can be deemed consideration although it may be inadequate or insufficient. The Court has held, for example, that £1 per annum was consideration in *Thomas v Thomas* [1842] 2 QB 851 and generally declared that parties may enter a contract for any amount of consideration, even valueless ones, in *Chapell & Co Ltd v Nestle Co Ltd* [1960] AC 87 (*Chandler & Brown* 2007: 47).

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