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[Economics](#), [Consumer](#)



Aim and purpose

This unit introduces you to the operation of the law of contract as it applies to businesses. You will also apply to consumer situations and consider the meaning and effect of standard form contracts.

Unit introduction

A business can only make money legally by making contracts with other businesses and customers. Businesses want to make the terms of contracts favourable to themselves. All involved in a contract need to know the terms on which it is based so they understand their rights & obligations are understood and appropriate action can be taken if the contract is not followed properly. Many businesses try to minimise their responsibilities under a contract, and the law attempts to support the customer's interests and rights.

You will consider rules for making contracts and understand the legal effect of each stage in negotiating a contract, up to the final agreement. The law on misrepresentation and the terms in contracts are explored. It is important that you understand the meaning of express & implied terms in a contract, considering the use of key terms e. g. terms relating to payment can be analysed as implied terms found in law and the remedies available for not following the terms of a contract.

Exclusion clauses that try to remove some liability for one party's breach of contract are common in written contracts, yet these terms often have no legal effect. The law tries to balance freedom of contract with protecting the weaker party (usually a consumer) and this can be evaluated as part of the

overall contract. You will also consider the statutory consumer protection laws in relation to contracts for the sale and supply of goods and services, both face to face and at a distance.

Learning outcome

On completion of this unit a learner should:

- 1 Understand the legal requirements for a valid contract
- 2 Understand the meaning and effect of terms in a standard form contract
- 3 Understand the impact of statutory consumer protection on the parties to a contract
- 4 Know the remedies available to the parties to a contract.

This unit addresses the following criteria:-

P1 identify the legal criteria for offer and acceptance in a valid contract [IE]

M1 analyse the impact of the requirements for a valid contract in a given situation

P2 explain the law in relation to the formation of a contract in a given situation

P3 describe the law with respect to misrepresentation in a given situation

P4 describe the meaning of terms in a standardform contract

D1 evaluate the effectiveness of terms in a given contract

P5 explain the effect of terms in a contract [SM, RL]

P6 explain the law with respect to consumer protection in given situations

M2 analyse how consumers are protected in the event of breach of contract for the supply/sale of goods or services

D2 evaluate the statutory protection given to a consumer in their dealings with a business and the remedies available.

P7 describe the remedies available for breach of contract. [IE]

M3 analyse the remedies available to a business provider in the event of breach of contract for the supply of goods or services.

Assessment and grading criteria

Scenario

You are a new law graduate from a Leicester University and have gained work in a local solicitors firm as the business and contract law expert. The firm works with a law magazine for undergraduates. The firm have asked you to submit some articles for publication relating specifically to business and contract law. These articles can be related to real personal examples to illustrate your ideas.

1 Understand the legal requirements for a valid contract

P1 Identify the legal criteria for offer and acceptance in a valid contract [IE]

a) identify and explain when (and therefore how) the contract chosen would come into existence. This requires an analysis of the law relating to invitations to treat, which party makes the offer, counter-offers, acceptance

and consideration and the application of these principles to the contract in question.

M1 Analyse the impact of the requirements for a valid contract in a given situation

a) requires analysis of the law as it is applied
b) requires consideration of contract creation ie the offer and acceptance problem. This could be a group activity, but must write up the solution individually. c) The theoretical problem can then be used to analyse the formation of a real contract within your experience. d) The principles of consideration will also be applied here.

P2 Explain the law in relation to the formation of a contract in a given situation a) identify and explain when (and how) the contract chosen would come into existence. This requires an analysis of the law relating to invitations to treat, which party makes the offer, any counter-offers, acceptance and consideration and the application of these principles to the contract in question.

P3 Describe the law with respect to misrepresentation in a given situation

a) apply the law on misrepresentation to a given situation in relation to the formation of contract so that the types of misrepresentation can be explored in the context of an everyday contract.

CONTRACT

Contracts: definition; types; verbal, written, standard form; offers

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- distinguishing invitations to treat; counter-offers; communication of offers; acceptance; the battle of the forms; consideration and the Contracts (Rights of Third Parties) Act 1999; application of requirements

Factors which invalidate/vitiate: misrepresentation

2 Understand the meaning and effect of terms in a standard form contract

P4 Describe the meaning of terms in a standard form contract

b) For P4 and P5, the chosen contract can be translated into everyday language. Each student should use a different contract. c) Selected terms should be considered in the light of the relevant statutory protection. This should be the significant terms of the contract. d) You can have help in identifying the terms to be considered, and the number will vary with the contract chosen.

D1 Evaluate the effectiveness of terms in a given contract

a) reach a justified conclusion and evaluation from the point of view of both parties to the contract b) detailed consideration of a chosen contract. c) You can choose your own contracts (if suitable). Many broadband and mobile phone contracts should be suitable for the supply of goods or services would be fine. A contract of employment is not suitable. d) The effectiveness of the terms should be considered from the point of view of both parties in contract.

P5 Explain the effect of terms in a contract [SM, RL]

a) For P4 and P5, the chosen contract can be translated into everyday language. Each student should use a different contract. b) Selected terms should be considered in the light of the relevant statutory protection. This should be the significant terms of the contract. You can have help in identifying the terms to be considered, and the number will vary with the contract chosen

CONTRACT

Sale of goods: definitions of goods; implied terms for title, description, fitness, satisfactory quality; sample under Sale of Goods Act 1979 (as amended)

Supply of goods and services: definitions; implied terms for supply of goods and services, work and materials; implied terms for hire of goods under Supply of Goods and Services Act 1982

3 Understand the impact of statutory consumer protection on the parties to a contract

P6 Explain the law with respect to consumer protection in given situations

a) explain the effect of legislation on contracts for the sale of goods and sale of services, or a combination of the two. b) This includes the Sale of Goods Act 1979 implied terms in sections 12-15. The explanation needs to include all technical terms used, such as satisfactory quality and an investigation of the law set out in the Supply of Goods and Services Act 1982 & related law/cases.

M2 Analyse how consumers are protected in the event of breach of contract for the supply/sale of goods or services

a) requires analysis of the law as it is applied.

b) can then be covered on the basis of some hypothetical failures in a consumer contract. For example, failure of the modem firewall or a broadband connection in the context of a contract for broadband connection.

c) Applying the relevant law to the relevant terms and conclude the likely outcome. d) It is likely to include exclusion clauses and the legislation that applies to the validity of such terms.

D2 Evaluate the statutory protection given to a consumer in their dealings with a business and the remedies available.

a) reach a justified conclusion and evaluation from the point of view of both parties to the contract b) the effectiveness of the statutory protection of consumers should be evaluated. (validity of contract terms). c) Also consider the effectiveness of the remedies. This may include the potential difficulties of enforcement but does not need to consider the underlying problems of the limits of equitable remedies

CONTRACT

Types of term: express, implied; distinction between express and implied

Impact of contractual terms: time for performance and rejection of goods; price variation; payment terms; quality and quantity of goods delivered; reservation of title; exclusion clauses; Standard form contracts

Impact of statutes on common contractual terms: up-to-date legislation eg Unfair Contract Terms Act 1977, Unfair Terms in Consumer Contract Regulations 1994, the Consumer Protection (Distance Selling) Regulations 2000 (as amended); the Electronic Commerce (EC Directive) Regulations 2002

4 Know the remedies available to the parties to a contract

P7 Describe the remedies available for breach of contract. [IE]

a) consider remedies and damages in some detail.

b) include damages as compensation for loss (which losses can be claimed and which are too remote). Equitable remedies such as an injunction are less relevant, although brief mention may be made. c) More important are real remedies such as refusing further performance and resale. d) Demonstrate understanding of distinction between ownership & possession.

M3 Analyse the remedies available to a business provider in the event of breach of contract for the supply of goods or services.

a) requires analysis of the law as it is applied

b) can be a continuation of M2. an analysis of the stated law will be used to conclude with respect to both the availability of a remedy and the most appropriate one.

CONTENT

Remedies: damages; liquidated and unliquidated; mitigation of loss; rejection; lien, resale; reservation of title; injunctions; specific performance

Application of remedies: courts; time limits

The work for this assignment must be submitted in accordance with the instructions given at the end of the assignment.