

Business law case analysis

[Law](#), [Contract Law](#)



A bank advertises home loans at low-interest rates for its account holders for three months. Toward the end of the second month, the bank withdraws the offer. Sam opens an account with the bank because of the offer. He is, however, a little late applying for the loan and the offer is withdrawn before his application is processed. Sam sues the bank. In this case, the Bank advertises home loans at a low interest rate for its account holders.

The general rule is an advertisement is an invitation to offer or negotiate, not a contract since no terms have been negotiated, and it is reliant on the consumer to make the offer (Mallor, Barnes, Bowers & Langvardt, 2007, pg. 296-298). The bank terminates the advertisement prior to the three-month term outlined in the advertisement. This was a general public offer and the bank could not have possibly contacted all of the general public to rescind the offer. This falls to “Time of Effectiveness of Revocations” (Mallor, Barnes, Bowers & Langvardt, 2007, pg. 302).

Also, no specified option was implied by the bank (Mallor, Barnes, Bowers & Langvardt, 2007, pg. 300). The bank made no specific option to maintain low-interest rates. Sam opens an account under the premise of the advertised offer but has still not attempted to negotiate the terms of a loan. Although the account was opened by Sam, Sam would have still needed to apply for the loan and the bank would have needed to accept the application or taken some action towards the loan for Sam to confirm a contract. This did not happen and in fact, no application was made by Sam to initiate the negotiation of the loan.

The bank withdrew the loan offer prior to the advertised allotted time and prior to Sam applying for the loan. Again this is a general public offer to <https://assignbuster.com/business-law-case-analysis-analysis-paper-samples/>

negotiate for terms of a loan. The bank withdrew the offer to negotiate prior to Sam requesting to negotiate for the loan, hence no contractual obligation on the bank's part (Mallor, Barnes, Bowers & Langvardt, 2007). No contract was or offer formed between Sam and the bank. Sam's failure to enter into a contract with the bank negated the bank's obligation to offer Sam a low-interest loan. In addition to this, the advertisement only offered to customers low-interest loans.

In this advertisement, there was no specified offer or conditions as to what the loan would be and no specified interest rate. In short, there is no specificity of terms and therefore no offer (Mallor, Barnes, Bowers & Langvardt, 2007, pg. 292). Again, only the chance to offer or negotiate by Sam would have changed this. Since Sam did not do this, the bank was able to cancel and rescind the offer.

References

1. Mallor, J. P. , Barnes, A. J. , Bowers, T. , & Langvardt, A. W. (2007).
2. Business law: The ethical, global, and e-commerce environment (13th ed.). Chicago, IL: McGraw-Hill.