

# Contract law case study sample

[Law](#), [Criminal Justice](#)



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## Introduction

A contract denotes an activity between two willing parties to enter into an agreement that will be bidding to them and enforceable by law. It should be a voluntary affair. One party known as a promisor will make a promise to the promisee. The promisor's promise is consideration for the promisee's promise. A contract is unenforceable if it is void under common law or statute or is voidable at the option of the innocent party. There are various categories of contracts. The contract illustrated by the case study falls under the sales of goods contract. In order for a contact to be legally binding to the two parties, it must meet all the legal requirements of a contract. This means that there should be an offer, an unequivocal acceptance, and intention between the parties to create legal relations, consideration as the price to the promisor's promise, capacity, legal formalities, free consent, lawful object and the possibility of performance. It is not enough for a litigant to demonstrate the existence of one of these elements. To prove that a

contract exists, a court of law will seek to address all these essential points of law. Lack of one of these elements may lead the court to declare that there was no contract between the two parties. For example, in the English case of *Esso petroleum v commissioner for customs and exercise duties*, the court held that despite the petrol station promise to give all customers fuelling at their station coins with the likeness of a football, there was no intention to create legal relations and, therefore, no binding contract between the two parties. If there was a legal contract, the station would be liable to pay taxes.

In order to examine the legal relationships affecting both parties in the case study, it is imperative, first to canvas whether they indeed had a contract. A contract can be either oral or written. It has become a business practise to avoid numerous legal technicalities in order to facilitate and expedite market transactions. Therefore, a business a telephone conversation or a fax message conversation can also be a basis for formation of a contract.

However, the constituting elements of a contract have more significance. On 1st May pace catering made a statement inviting offers. The words “ we can offer the latest ace waffles makers at 150 each inclusive of VAT” stipulate an invitation for offers. On 1st June, the Entsgroup made an offer to pace catering The Entsgroup fax message that “ we will take 24 ace waffle makers we need delivery by 1st July” is a valid offer. This statement fulfills all the requirements of a valid offer. For example it is certain and definite. It is communicated to the offeree. If the offer had no time limits, it should be accepted within a reasonable time. A reasonable time is a question of fact a dependent on the circumstance of each case. There are no hard and fast

rules in such circumstances. Upon the receipt of the offer, Pace Catering replied “ thank you for your fax which is receiving our attention.” This constitutes an acceptance. The rules of acceptance must also apply. The acceptance must inter alia be an unequivocal one. Anything to the contrary will be a counter offer. This will serve to two purposes. One is by terminating the offer and secondly creates another offer that will be subjected to acceptance or rejection by the other party. This is illustrated in the case of Hyde vs. Wrench (1840). The law of contract works on the basis of two fundamental presumptions. These are that a legal intention exist upon any contract made on commercial transactions, and that no legal intention is intended on domestic engagements and promises. Therefore, the law presumes that the communication between pace catering limited and Entsgroup was intended to have a legal backing. The other elements of a contract are also present. There is consideration, a lawful object, possibility of performance, capacity of contract and free consent. The contract between pace catering and Entsgroup is therefore a legally binding agreement that is recognized and enforceable by the law.

### **Entsgroup legal position**

The Entsgroup made an offer to pace catering for the order of 24 ace waffle makers. Having made an offer, they were free to terminate it before pace catering accepted it. Therefore, once their offer was received and accepted by pace catering, they could no longer revoke it without breaching the contract. This means that when they made the phone call to pace catering, informing them that they no longer require the 24 ace waffle makers they were in breach of contract. There are several categories of breach of

contract. These include a fundamental breach, renunciation and a breach of a condition. A fundamental breach occurs when a party commits a serious breach to an extremely significant term in the contract. In such a breach a contract may not necessarily come to an end. The injured party has several options left to him. One such option is treating the contract as discharged and subsequently court to a court of law to seek redress by an action for damages for breach of contract. This is illustrated by *Hochster v De La Tour*. Furthermore, the injured party may treat the contract as a valid contract, as was held in the case of *White and Carter v McGregor*, finish his part of the bargain and then bring an action for payment of consideration. These are the two available options in case of a fundamental breach. In case of a breach of a condition the injured party is entitled redress. In the case of *Poussard v Spiers*, an employee did not show up at the place of work for a crucial period of time. The court held that the employer had a right to terminate the contract. Renunciation denotes breach of contract by fact that a party has refused or negligently undertaken not to fulfill his obligations as stipulated by the contract. The *Hochster* case is also a typical example of this type of breach. The breach can be implied or express. The *Entsgroup* exercised an express breach. They phoned *Pace Catering Limited* and expressively informed them that they no longer wished to receive the 24 ace waffle makers. The case of *Omnium D'Enterprises v Sutherland* illustrates a case of implied renunciation. It is implied from the conduct of the party that wants to breach the contract. Therefore, having expressively breached that terms of the contractual agreement, *Entsgroup* are liable to *Pace Makers* for damages.

## **Pace catering legal position**

The pace catering suppliers limited have operated with the definitions of the law. The company advertised its services and products to Entsgroup. In most cases, the law treats such advertisements as an invitation to treat. This denotes a willingness to negotiate the terms of the contract. For example, goods displayed in a shop or a self-serving shopping mall illustrates the case of a typical example of invitations to treat. The Entsgroup were under no obligation to make an offer. They could as well have ignored the fax.

However, they choose not to. They submitted an offer to pace catering. It is obvious that having made a representation for willingness to contract on a business sense, pace catering would have accepted the offer. The parties were at consensus ad idem. This is because the terms of the contract had been stipulated by pace catering during the invitation to treat. The goods in the sale were also specific. The Entsgroup only made an offer for 24 ace waffle makers and no less or more. The date of delivery was also agreed upon. The acknowledgement by pacemakers was to demonstrate their acceptance. If they had failed to deliver the goods by 1st of July they would have been in breach of contract. The fact that the goods had already been packed and loaded ready to be shipped to Entsgroup shows that they were committed to fulfilling part of their bargain.

The pace catering supplies limited has two legal options. One is to deliver the goods and then subsequently sue Entsgroup for payment of price amounting to \$ 3600. By doing this they will be treating the contract as still in existence. Legally they will have an actionable claim. The courts will enforce the contract, as it is binding to the two parties, and authorize

Entsgroup to pay the price for the goods. This principle of contract law is best explained by the sale of goods contract. Under a contract of sale, the property in the goods passes from the buyer to the seller when the contract is made irrespective of whether the price has been paid. The only condition necessary for such a contract is that goods must be in a deliverable state. The pace catering suppliers limited can also treat the contract as breached by renunciation. This will entitle them to redress by way of damages.

### **Advice to the Entsgroup**

As discussed above, the Entsgroup are liable for breach of contract. They made an offer and revoked it when it was already accepted. There are limited legal options available to the group. One way is to refuse to accept delivery of the goods and refuse to pay the price. They can then wait for summons to attend civil proceedings to determine whether there was indeed a contract and whether Entsgroup was in breach of this contract. As discussed above, the court of law would arrive at the same conclusion. They would be liable for damages for breach of contract. The process would also cost money and waste time. If the pace catering side wins they can also be made to pay the cost of the suit for the other party. This, therefore, is not the best of the available options. The next option is to settle the matter out of court. The two parties can engage each other to settle the matter amicably and avoid the cost of litigation. This means that the parties have to enter into another contract that will be for the purposes of mitigating the damage done to the pace catering. This is because they invested labor and resources in the project. The last option would be for the group to pay the amount \$ 3600 to pace catering suppliers limited. The best option available is for

Entsgroup to mitigate the losses that they will incur following their decision to breach the contract. Therefore, the group can renegotiate to have the 24 ace waffles supplied at the contract price and pay for them or enter into another contract with the pace catering group to ascertain the amount of compensation they would need to cover their losses.

## **Conclusion**

Contracts are extremely instrumental in the facilitating commercial transaction in modern markets. Without the laws of contract, it would be difficult to carry out business transactions because losses would be unpredictable and redress unavailable. It is vital that parties to a contract fulfill their obligations. In a contract of sale each party has his own distinct obligations. A buyer has a duty to pay the contract price and accept delivery. On the other hand, a seller has a duty to transfer property to the buyer and put the goods in a deliverable state. In the case study canvassed above, the buyer failed or negligently refused to discharge his duties. This entitles the seller to remedies. The essence of remedies to ensure they put the injured party, as much as possible, in the position that they expected to be if the contract had been dutifully performed.

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