

# Session 17



**ASSIGN  
BUSTER**

Session 17 (333 words) A review of the case at hand indicates that Jack made certain misrepresentations<sup>1</sup> in the process of selling his pharmacy business to Steve. For one thing, Jack had mentioned that the yearly turnover of the business was ? 100, 000 while it would have been clear from checking the accounting records that there had been a steady decline in the profits over the last five years<sup>2</sup>. Jack was well aware of this fact and though he had provided Steve with the books of accounts, Steve chose to rely on the unprofessional help of a student friend Rob rather than give this task to a professional accountant. Steve can be held for contributory negligence<sup>3</sup>. Had Steve handed over the records to be looked at by a professional accountant, the actual details would have come to light much sooner and it is highly likely that Steve would have reconsidered and not bought out Jack's business. UK Law holds that if a representation was made during negotiations, which later transpire to be no longer true, there is a duty to make a correction<sup>4</sup>. Under UK Law the misrepresentee (Steve) can sue for damages as well as any losses resulting for his relying on the misrepresentor's (Jack's) statement about the state of the business<sup>5</sup>. Although Steve did not totally rely on Jack's statement and only purchased the business after Rob had given his OK, nevertheless Jack knowingly did make a statement that ordinarily would have been enough to persuade Steve to buy the business. Jack's statement was a lie and masked his fraudulent intentions. The remedies could be compensation for damages (for example loss of ? 30, 000 in yearly turnover) or even a rescinding of the sale. Steve has heard that Jack is intending to join a pharmacy at a local superstore so clearly he has found someone to look after his pedigree dogs. It was held in *HIH Insurance Ltd v Chase Manhattan Bank*<sup>6</sup> that it is never

possible to avoid liability for false misrepresentation. (333 words)

Bibliography Butterfield v. Forrester [1809] 11 East. 60, 103 Eng. Rep. 926

(K. B.) Smith v Land and House Property Corporation [1884] LR 28 Ch D 7

(LR). UK Misrepresentation Act, 1967, S1 & S2. UK Misrepresentation Act,

1967, S1 & S2. HIH Casualty and General Insurance Ltd v Chase Manhattan

Bank [2003] UKHL 6 (UKHL) The OSCOLA Style of Referencing. Accessed 07

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