Contract Law: Essential Elements

Specialist Diploma in Events, Sports and Leisure Management

Lesson 2

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Learning Objectives

- To recognize that the meeting of the minds between the Offer and Acceptance of the parties is the beginning of a contract.
- To know the consequence of entering into a contract with someone who has limited or no capacity to enter into legal relationships.
- To identify the formalities required for special contracts.
- To differentiate the effect of a valid, voidable and void contract to the parties’ rights and obligations.
What is a contract?

• Meeting of the Minds

• Agreement that is legally enforceable

• Elements of a Valid Contract:

  (Offer + Acceptance) + Consideration + Intention to Create Legal Relations + Capacity = Contract

  – Absence of any factor could render it void, voidable or unenforceable
ELEMENTS OF A CONTRACT

Agreement
• Offer + Acceptance

Offer
• vs. Invitation to Treat
  – invitation to make an offer (Pharmaceutical Society of Great Britain v Boots Cash Chemists (Southern) Ltd. [1953] 1 Q.B. 401)
  – e.g. advertisements in newspapers, displayed goods, auctioneer calling for bidders
• expressed or implied
• can be made to a varying range of offerees
  – Ex: Carbolic Smoke Ball case
• must be communicated

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ELEMENTS OF A CONTRACT

Offer

• outcomes
  – revoked
    • any time before acceptance
    • communicated to offeree (Byrne v Van Tienhoven [1880] 5 CPD 344)
  – rejected
    • offeree communicates this or qualifies ‘acceptance’
  – lapsed
    • death or non-acceptance within time
  – accepted
ELEMENTS OF A CONTRACT

Acceptance

• made while offer is in force
• absolute and unqualified

Communication

– Prescribed mode of accepting to be followed
– Deemed to be waived in unilateral contract
Acceptance

- Communication
  - In instantaneous contracts
    - E.g. in person, phone, telex
    - When brought to offeror’s notice
  - By “post”
    - E.g. letter, telegram, cable
    - When posted (postal acceptance rule – Adams v Lindsell [1818] B & Ald 681)
      - Prescribed by offeror, indicated in terms, common sense mode
ELEMENTS OF A CONTRACT

Acceptance

• vs. Counter-Offer
  – original offer is rejected henceforth
  – vs. Request for Information

• vs. Cross-Offers

• vs. ‘Subject to Contract’
ELEMNTS OF A CONTRACT

Intention to Create Legal Relations

• Parties intend for it to be legally binding

• Domestic & Social Agreements
  – Presumption of no intention in such relationships (Balfour v Balfour [1919] 2 KB 571 and Merritt v Merritt [1970] 2 All ER 760)
  – Rebuttable
    • Negotiation at arm’s length
ELEMENTS OF A CONTRACT

Intention to Create Legal Relations

• Commercial Agreements
  – Presumption of intention
  – Rebuttable
    • Declaration
    • “comfort letters”
ELEMENTS OF A CONTRACT

Consideration
• Definition
  – Benefit received by a party who gives promise or performs an act
  – Detriment suffered by a party who receives a promise
• Types
  – Past
    • Promise made in return for act that is already performed => void
  – Executed
    • the consideration: act that has been done => valid
  – Executory
    • the consideration: a promise => valid
ELEMENTS OF A CONTRACT

Consideration

• Has to
  – Be Sufficient (but can be inadequate)
  – Be Legal
  – Not be Past
  – Move from the Promisee
  – Not be for something which the Promisor is already bound to do
Consideration

- Part payment of a debt as consideration for discharging it
  - General rule – no consideration
  - Exceptions
    - At creditor’s request
      - Paid before due date
      - Paid at a different place
      - With delivery of a chattel
    - Made by a 3rd party and accepted by creditor
    - Composition agreement
ELEMENTS OF A CONTRACT

Consideration

• Promissory Estoppel
  – Equity
  – Agreement without consideration becomes binding if promisee acts on it and it is inequitable for promisor to go back on promise
FORMALITIES REQUIRED

Formalities required

– Contracts under seal (by deed)
  • Signed, sealed, delivered
  • No consideration required

– Contracts that must be in writing
  • E.g. Hire-purchase agreements, transfer of shares of registered company, leases for more than 3 years

– Contracts that must be evidenced in writing
  • E.g. Contracts relating to land, contracts for guarantees
  • Note/Memo must contain names of parties, material terms, description of subject matter, signature of ‘charged’ party
FORMALITIES REQUIRED

No Formalities

– Most other contracts
  • Can be orally made
  • Question of proof
LEGAL CAPACITY

• Legal ability to enter into a binding contract
• The position of adults vs. minors
  – Age of majority in Singapore: 18 years (w.e.f. 1 March 2009)
  – Similar with mentally unstable or intoxicated
• Concerns
  – Protection
  – Not to prejudice those who deal fairly
LEGAL CAPACITY

• 4 types of contracts:
  – Valid
  – Voidable
  – Unenforceable
  – Ratifiable
LEGAL CAPACITY

Valid

– (1) Contracts for “necessaries”
  • Capable in law of being defined as such (Status of minor; Type and quality of goods, service; Current expectations of society) + necessary for the particular minor
  • Amount payable by minors for goods:
    – reasonable price rather than contractual price

– Tests
  • Objective – Goods are a necessary
  • Subjective – Sales of Goods Act of 1979
    – Suitable to the condition in the life of the Minor; AND
    – Suitable to the Actual requirements at the time of Sale AND Deliver
LEGAL CAPACITY

Valid

– (2) Beneficial contract of employment e.g. educational or services
  • Equipping them with skills and to earn a living
  • On the whole, for minor’s benefit
  • E.g. coaching contract with aspiring athlete
LEGAL CAPACITY

Voidable

– Tenancy agreements, agreements to purchase shares not fully paid, partnership agreements

– Effect

• Binding on minor unless he repudiates it before reaching majority or within a reasonable time after; or
Unenforceable

– Loans or repayment of money lent to a minor
  • Except: Loan for necessaries

– Effect
  • For unperformed obligations: minor cannot be sued for them or be compelled to perform them
  • For performed obligations: minor cannot recover

– Minors’ Contracts Act
  • a guarantee given in respect of a minor’s contract, which may not be enforceable against the minor, is nevertheless enforceable against the guarantor
LEGAL CAPACITY

• Ratifiable
  – Goods supplied other than necessaries
  – Not biding on the minor unless ratified by him within a reasonable time after majority

• Minors’ Contracts Act
  – Section 3(1) “[t]he court may, if it just and equitable to do so, require the defendant to transfer to the plaintiff any property acquired by the defendant under the contract, or any property representing it.”
CONCLUSION

(Offer + Acceptance) +
Consideration +
Intention to Create Legal Relations +
Capacity

= Contract
Thank you