11.2 Contract formation and breach

Name: _____ Class: _____ Date: _____ **Total: 14 marks**

KEY WORDS consideration • expectation damages • penalty clause

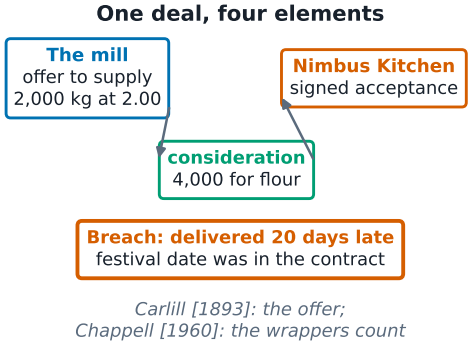
Objective

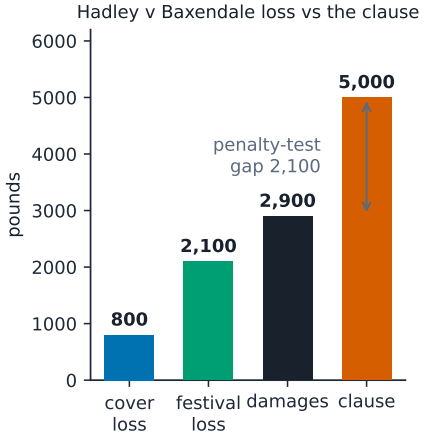
Tick the four formation boxes, compute expectation damages, and test a liquidated-damages clause.

1 Key knowledge and worked examples

■ Formation and remedy

Offer + acceptance (unqualified) + consideration (existence, not adequacy) + presumed intention. Expectation damages: the loss within contemplation. A clause survives if it protects a legitimate interest proportionately (Cavendish), not if it merely deters.





Expectation damages put the buyer where performance would have been

■ Worked example. The flour contract

Cover 4,800 - contract 4,000 = 800; + 2,100 festival loss = 2,900 ✓; the clause 20 x 250 = 5,000 sits 2,100 above the loss ✓.

2 Practice

2.1 A caterer quotes 800 meals at 6.50 a head. The contract price, and the status of a reply asking to pay on delivery rather than in advance. [3]

2.2 The caterer delivers 14 days late; the client covers at 7.20 a head and loses event profit of 1,150 known to both parties. The expectation damages. [4]

2.3 The contract's late-delivery clause is 90 a day. Its face value over 14 days, and the better claim - clause or damages. [4]

2.4 Match the consideration authority and its point: Chappell v Nestle; a promise of a gift; part payment of a debt; a peppercorn rent. [3]

Solutions

2.1

- $800 \times 6.50 = 5{,}200$ pounds.
- The reply varies terms, so it is a counter-offer, not acceptance.

2.2

- Cover difference $800 \times (7.20 - 6.50) = 560$.
- Within contemplation: $+\ 1{,}150 = 1{,}710$ pounds expectation damages.

2.3

- $14 \times 90 = 1{,}260$ - below the 1,710 loss.
- Not a penalty (it under-compensates); but a genuine liquidated-damages clause fixes the sum - claim the 1,260, or argue it is a minimum, not a ceiling. The election is the answer.

2.4

- Chappell: the wrappers were consideration - adequacy is not judged.
- The gift and the bare part payment: no consideration, no change; the peppercorn rent: consideration in existence, enforceable.