**Chapter 1 - The Law of Contract.**

**Definition**

***A contract is a legally binding agreement (enforceable by law) made between parties who have the ability to enter into a contract when buying or selling goods and services.***

**Examples of contracts:**

* Football - professional contract
* Sponsorship – contracts with sportstars e.g. Lionel Messi & Adidas
* Buying a house – mortgage contract
* Life Insurance – insurance contract/policy
* Buying everyday goods/services - supermarket shopping etc.

**Elements of the Law of Contract:**

* + 1. **Offer:**
* **2 people involved** – Offerer (person making the offer) and offeree (person receiving).

**2. Acceptance:**

* When an offeree accepts an offer with all its conditions orally, in writing or by action, it becomes binding on both parties.
* ***An invitation to treat*** is an invitation to a person to make an offer which can be accepted of rejected e.g. a coat in a shop window constitutes this.

***If an offer is accepted an AGREEMENTarises!***

**3. Consideration**

* Something of value is exchanged... usually money!

**4 Intention to contract**

* Arrangement to meet a Friend for Dinner V’s a Bidder at an Auction .....

**5. Legal Purpose**

* For a contract to be valid it must have a legal purpose

**6. Legality of Form(format).**

* A contract must be drawn up in the correct legal form. This is relevant to the written contracts that are more complex e.g. insurance policy, mortgage etc.

**7. Capacity to contract**

* A contract will not be valid unless the parties to it have the legal capacity to bind themselves to it.
* Who has NOT GOT capacity to contract:
* **Infants:** Those Under 18 cannot enter a contract except for the supply of necessities e.g food/clothes etc...
* **Person under the influence of alcohol** has no capacity to contract.
* **Person of unsound mind.**
* **A bankrupt person**

**8. Consent to Contract**

* Both parties to the contract must agree to its
* No pressure

**Terms in a contract:**

* **Expressed:** written or spoken when undertaking a contract – all parties bound by them.
* **Implied Terms –** neither written nor spoken but inferred in a person’s behaviour – checkout operator infers agreement by passing a good over a bar code reader.

**Conditions and Warranties**

* Terms of a contract are either **conditions** or **warranties**.
* **Condition is fundamental** and if broken may deem the contract null and void
* If a warranty is broken the contract is not ended but there may be a claim for damages.
* **Example:** An opera singer which fails to turn up for the show itself is in breach of a condition whereas not attending rehearsals is only in breach of warranty.
* Any breach of contract is bad for business relationships.

**Termination of a contract**

1. **Performance:** When a good or service is bought and paid for e.g. a construction company complete a contract to build a road – then it is terminated.
2. **Agreement:** The parties to the contract agree to end the contract e.g. divorce, employee/employer – work a months notice etc.
3. **Frustration:** If an unforeseen event occurs that makes the performance of a contract impossible the contract is terminated e.g. a party to a contract dies – Michael Jackson & O2 Concerts in London.
4. **Breach:** If one party to a contract has failed to perform their obligations or breaks a condition e.g Adrian Mutu drug-taking at Chelsea & was sacked – contract cancelled.

*Remedies for Breach of contract*

* + **Damages:** financial compensation
  + **Specific Performance:** A court order instructing the party to perform their obligations as originally agreed
  + **Rescind/Abandon the contract:** The contract is cancelled and each of the parties is put back into the position they were in before the contract was made.