

The Law of Contract

ADVOCATES FOR INTERNATIONAL DEVELOPMENT AT A GLANCE

GUIDE TO THE BASIC PRINCIPLES OF ENGLISH CONTRACT LAW

Prepared by lawyers from www.a4id.org

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BASIC PRINCIPLES OF ENGLISH CONTRACT LAW

INTRODUCTION

This Guide is arranged in the following parts:

I Formation of a Contract

II Contents of a Contract

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I FORMATION OF A CONTRACT

1. A contract is an agreement giving rise to obligations which are enforced or

recognised by law.

2. In common law, there are 3 basic essentials to the creation of a contract: (i) agreement; (ii) contractual intention; and (iii) consideration.

3. The first requisite of a contract is that the parties should have reached agreement. Generally speaking, an agreement is reached when one party makes an offer, which is accepted by another party. In deciding whether the parties have reached agreement, the courts will apply an objective test.

A. OFFER

4. An offer is an expression of willingness to contract on specified terms, made with the intention that it is to be binding once accepted by the person to whom it is addressed. 1 There must be an objective manifestation of intent by the offeror to be bound by the offer if accepted by the other party. Therefore, the offeror will be bound if his words or conduct are such as to induce a reasonable third party observer to believe that he intends to be bound, even if in fact he has no such intention. This was held to be the case where a university made an offer of a place to an intending student as a result of a clerical error. 2

5. An offer can be addressed to a single person, to a specified group of persons, or to the world at large. An example of the latter would be a reward poster for the return of a lost pet.

6. An offer may be made expressly (by words) or by conduct.

7. An offer must be distinguished from an invitation to treat, by which a person does not make an offer but invites another party to do so.

Whether a statement is an offer or an invitation to treat depends primarily on the intention with which it is made. An invitation to treat is not made with the intention that it is to be binding as soon as the person to whom it is addressed communicates his assent to its terms. Common examples of

1 *Stover v Manchester City Council* [1974] 1 WLR 1403.

2 *Moran v University College Salford (No 2)*, *The Times*, November 23, 1993.