

JUR5260/JUR1260 – English Law of Contract

Please answer both of the following questions. Each of the questions will be given equal weight in the marking of the answers.

1. In April 2006, a company Big Dollars (BD) engages a building company Cut Price (CP) to construct a shopping mall for £20 million. The building contract entered into between the two companies stipulates the date for beginning work on the shopping mall as 1st May 2006 and the date by which the shopping mall is to be completed as 1st April 2008. In January 2007, CP experiences problems in keeping pace with its building schedule. The problems are partly due to mismanagement within CP and partly due to labour shortages that entail difficulties in attracting sufficient numbers of labourers to work on the construction project. CP realizes by then that, in a tight labour market, the sum of £20 million will be too low for it to be able to make a profit and at the same time offer sufficiently high levels of pay to possible sub-contractors and other workmen so as to entice large numbers of such sub-contractors/persons to work on the project. CP informs BD of its problems and states that it will not be able to complete the shopping mall by the agreed date unless BD pays it an extra £5 million. BD is on the verge of entering into leasehold agreements with several companies that want to open retail outlets in the shopping mall when it is completed. BD fears that if the mall is not finished by 1st April 2008, it will lose business from these retail companies and other companies that are interested in opening outlets in the mall. BD therefore informs CP that it will pay the extra amount requested, on the condition that the mall is completed by the originally agreed date. CP completes the construction of the shopping mall by 2nd April 2008 and claims the extra £5 million. BD refuses to pay the extra amount.

Advise CP of their legal position and what remedies, if any, they may have.

2. Discuss the validity of the following claim: “Under English law, rules on the award of damages for breach of contract permit the innocent party full compensation for losses they suffer as a result of the breach”.