

Business law

Lecture-4

- a) Harvey was interested in buying a Jamaican property owned by Facey. He sent Facey a telegram stating "Will you sell us Bumper Hall Pen? Telegraph lowest cash price – answer paid."
- b) Facey responded stating "Bumper Hall Pen £900"
- c) Harvey responded stating that he would accept £900 and asking Facey to send the title deeds.
- d) Facey then stated he did not want to sell.
- e) Harvey sued, stating that the telegram was an offer and he had accepted, therefore there was a binding contract.

Decision –

- Telegram was an invitation to treat, not a valid offer. Therefore, no valid contract existed.
- The telegram only advised of the price, it did not explain other terms or information and therefore could not create any legal obligation.
- Harvey's telegram "accepting" the £900 was instead an offer which Facey could either accept or reject. He rejected it so there was no contract created.

➤ Acceptance

A) Definition – Section 2(b)

"When the person to whom an offer is made signifies his assent thereto the proposal is said to be accepted, A proposal when accepted becomes a promise."

B) Essentials of valid Acceptance –

1) Acceptance must be absolute and unqualified –

- a) There must be an absolute and unqualified acceptance of all the terms of the offer.
- b) Qualified acceptance would amount to rejection of the offer

2) Acceptance must be communicated –

Acceptance must be communicated by the acceptor

3) Acceptance must be in a prescribed or reasonable mode –

- a) Offer should be accepted in a prescribed mode.
- b) If the offer or prescribes no mode of acceptance, the acceptances must be communicated according in any reasonable mode such as in writing or oral.

4) Acceptance must be given within a reasonable time and before the offer lapses –

- a) Acceptance must be given within specified time.
- b) If no time is specified, then acceptance may be made within reasonable time.
- c) Acceptance should be made before offer lapses (expires).

5) Acceptance cannot precede an offer –

- a) Acceptance must be given after receiving the offer.
- b) It should not precede the offer.

6) Acceptance must be given only by the person to whom the offer is made –

- a) An offer can be accepted only by the person or persons to whom it is made
- b) It cannot be accepted by another person without the consent of the offeror.

7) Rejected offer can be accepted only on renewal –

Rejected offer can be accepted only, on renewal; offer once rejected can't be accepted again unless a fresh offer is made.

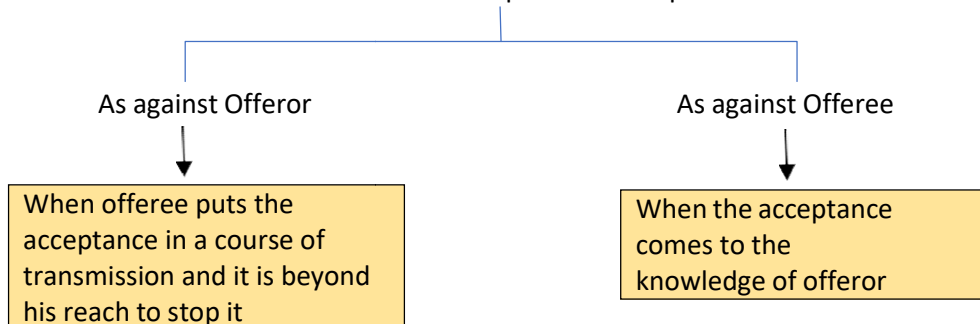


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➤ COMMUNICATION OF OFFER & ACCEPTANCE AND REVOCATION – Section 4 & 5

1. Communication of offer is complete when it comes to the knowledge of offeree.
2. Communication of acceptance is complete



3. **Revocation (withdrawal / cancellation) of offer –**
Revocation of offer is valid before offeree puts the acceptance in course of transmission and it is out of his reach to stop it.
4. **Revocation of acceptance –**
Revocation of acceptance is valid before acceptance comes to the knowledge of offeror

Contracts over the Telephone –

- Contract over telephone can be a valid contract.
- It is important that the acceptance must be audible, heard and understood by the offeror.
- If during the conversation the telephone lines go “dead” and the offeror does not hear the offeree’s word of acceptance, there is no contract at the moment.
- If the whole conversation is repeated and the offeror hears and understands the words of acceptance, the contract is complete



➤ How revocation of proposal is made – Section 6