The business world and the law

Ian Cooper

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Edward Arnold

To a special lady, my wife Helene.

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Preface

This book has been written specially for students studying the Business Education Council National-level option module 'Business law'. It not only examines academic legal principles with regard to the business world, it also aims to show how these principles are applied. With this in mind I have deliberately written the book in a down-to-earth and practical style.

Apart from comprehensively covering the learning objectives specified by BEC for this module, the book contains many other features specifically designed to assist both lecturers and students in their respective roles. Key points are emphasised typographically, summaries are given at the end of each section, numerous legal documents have been reproduced, many examples of practical situations and problems are posed and then reconciled with the law, and several student assignments have also been included. It should be noted that the examples and assignments and the characters involved in them are purely figments of my imagination, and any resemblance to persons living or dead is entirely coincidental.

I would like to express my gratitude to all the people who have helped make this book possible. I would particularly like to thank Mrs Jean Fairpo for her skill on the typewriter, Peace and Taylor Ltd for the use of office equipment, and my colleagues Ann Thomas, Esmond Harding, and Bernard Smetham for their constructive and helpful advice. Special thanks must go to another colleague, John Sherwood, whose assistance and advice on the legal documentation included in this book was invaluable. Last but certainly not least I must give very special thanks to my wife, Helene, not only for all her endless support and encouragement during some of the hard times of writing this book but also for the many hours of skilful assistance, constructive advice, and sound judgement that she has given so willingly. She has played a major role in the preparation of this book. Despite advice and assistance from many, I would like to add that any responsibility for errors lies firmly with me.

I wish all students using this book success in their studies, and I hope that lecturers will find the book a useful educational tool.

Ian Cooper

Acknowledgements

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Part 1

Business contracting

The framework of any business transaction is a contract, whether the transaction involves powerful company executives negotiating multi-million-pound business deals in plush hotels or Albert Higgins selling hardware in the local market. Almost without exception, every act in business life imposes upon the parties involved in that act certain legal obligations, and at the root of these obligations is the law of contract.

What then is a contract? How is it made? What obligations does it impose? What forms does it take? This is what part 1 of this book is about. We will be examining in some detail the practical way in which contracts are made and how they form the background to the business world.

Just think for a moment of some common types of contract – buying a car, selling a house, ordering goods on behalf of a firm, going on holiday, borrowing money, or simply getting on a bus to go to college. All of us are involved in 'business contracting' all the time. Throughout part 1 we will be looking at a variety of transactions and at a variety of ways in which contracts are actually constructed, and also at the obligations imposed by the law on the parties to these contracts. We will also be examining what remedies are available if a dispute arises as to the performance, or non-performance, of a contract.

It should be stressed that the purpose of this book is to examine the practical not the theoretical application of the law in the business world. However, before we look in detail at the types of contract and at the ways in which they are constructed, it is necessary to examine the nature of a contract to provide the basis for a reasonable understanding of the material which comes later.

1.1

Contract – the essentials

Here are four common transactions:

buying goods in a shop,
going on holiday,
taking a job,
buying shares in a company.

In the eyes of the law, all of these transactions are **contracts**: they are *legally binding agreements between two or more parties*. In order to look at a contract at its simplest, without getting involved with legal jargon, think of a contract as really nothing more than two promises – one party promises to perform a particular task, and, in return, another party promises to do something else.

For example, a travel company promises to supply accommodation and transport, and in exchange for this a holiday-maker promises to give something in return, namely to pay a specified price for the holiday. This agreement is legally binding; in other words, the promises the parties have made to each other can be enforced in the courts. So if the holiday-maker fails to keep his promise by not paying the agreed price, then he has broken his contract and the holiday company can enforce the agreement against him to claim the money it is owed. The same applies, of course, if the company fails to fulfil its promise to supply the correct transport and accommodation to a reasonable standard.

We must distinguish, however, between the kinds of commercial agreement we have just mentioned, which do amount to contracts, and agreements which never create binding obligations. For example, an agreement to meet someone for a drink is clearly not a contract: admittedly promises have been made, but these promises will not be enforceable in the courts. Why is it, then, that some agreements, like the ones mentioned earlier, carry with them enforceable legal obligations, whereas other domestic and social agreements, like meeting colleagues or agreeing to give a friend a lift home, are not regarded by the courts as valid and enforceable contracts?

If we consider the transactions mentioned earlier, such as buying goods in a shop or buying shares in a company or indeed any agreement, it is apparent that the first stages of negotiations are always an **offer** followed by an **acceptance**. For example, a customer offers to buy something in a shop, and the shopkeeper then has the opportunity of accepting his offer and selling him the goods; a would-be shareholder offers to buy shares, and the company can then accept his offer by alloting him shares and registering him as a shareholder. All agreements begin like this: with an offer by one party to the other and then an acceptance of that offer. It is useful at this stage to look at some of the rules relating to the making of a valid offer and then at those relating to a valid acceptance.

Offer

An offer can take any form: *it could be made orally*, such as when a customer offers to

buy goods in a shop, or *it may be put in writing*, such as when an employer writes to a prospective employee to offer him a job.

An offer can be made to one specific individual; for example I. Cooper, in which case *only* I. Cooper may accept the offer. On the other hand, an offer may be directed at the world at large, in which case anyone may come forward and accept. This last point was illustrated in the famous case of *Carlill* v. *Carbolic Smoke Ball Co*. Before we examine this case, it is useful to note that, when referring to past cases, the first name mentioned ('Carlill' in this case) is the *plaintiff*, in other words the party bringing the matter to court, and usually the last name mentioned ('Carbolic Smoke Ball Co.' in this case) is the *defendant*, the party defending the action.

Carlill v. *Carbolic Smoke Ball Co*. (1893)
The Carbolic Smoke Ball Co. manufactured carbolic smoke balls, which it claimed would cure all types of illness. It placed an advertisement in a newspaper (see page 5) offering a reward of £100 to anyone who used smoke balls in the correct way and still caught the flu. It stated in the advertisement that as a sign of its sincerity it had put a thousand pounds in the bank. Mrs Carlill bought a smoke ball, used it in the correct manner, and yet still caught the flu. She claimed her reward of £100 from the company, but it refused to pay, so she sued it for breach of contract.

The court held: that the advertisement was an offer to the whole world. Anyone could make a valid acceptance as Mrs Carlill had done, so creating a contract. She was entitled to her £100 reward.

Having looked at how and to whom an offer can be made, lets now look at a practical situation which illustrates another important aspect of the making of a valid offer.

Driver sees a car he likes marked £200 in Sharp & Co. Motor Dealers' showroom. He walks in and says 'I'll have it. Just what I've been looking for. Here's your £200.' Mr Sharp informs Driver that in fact the car costs £2000, and that the last nought had been wiped off by mistake. Driver insists that, as the car is displayed at £200, that is the price they must sell if for.

This situation illustrates the point that *one must be able to distinguish an offer from an invitation to treat (an invitation to make offers)*. The law would say that Mr Sharp above is not offering the goods for sale to his customers, but is merely inviting them to come inside and offer to buy at the price marked. Viewed this way, the burden of acceptance is transferred from the customer to the dealer, Mr Sharp, and clearly in this case Mr Sharp has rejected the £200 offer because of the mistake.

Most displays or advertisements selling goods or services, like the one on page 11, are regarded not as offers which the customer accepts but as invitations by the advertiser to anyone to make him an offer to buy. The dealer will then consider the offer and decide whether to accept or reject it. Let's illustrate the rule with an actual case.

Fisher v. *Bell* (1961)
A shopkeeper displayed a flick-knife in his shop window. He was prosecuted for 'offering for sale' a flick-knife, which was a criminal offence.

The court held: that no offence had been committed since, according to the law of contract, the display of an article in a window is not an 'offer for sale', merely an invitation to treat – in other words, an invitation to customers to offer to buy.

CARBOLIC SMOKE BALL

WILL POSITIVELY CURE

COUGHS Cured in 1 week	**CATARRH** Cured in 1 to 3 months.	**HOARSENESS** Cured in 12 hours.	**THROAT DEAFNESS** Cured in 1 to 3 months.	**INFLUENZA** Cured in 24 hours.	**CROUP** Relieved in 5 minutes.
COLD IN THE HEAD Cured in 12 hours.	**ASTHMA** Relieved in 10 minutes.	**LOSS OF VOICE** Fully restored.	**SNORING** Cured in 1 week.	**HAY FEVER** Cured in every case.	**WHOOPING COUGH** Relieved the first application.
COLD ON THE CHEST Cured in 12 hours.	**BRONCHITIS** Cured in every case.	**SORE THROAT** Cured in 12 hours.	**SORE EYES** Cured in 2 weeks.	**HEADACHE** Cured in 10 minutes.	**NEURALGIA** Cured in 10 minutes.

As all the Diseases mentioned above proceed from one cause, they can be Cured by this Remedy

£100 REWARD

WILL BE PAID BY THE

CARBOLIC SMOKE BALL CO.

to any Person who contracts the Increasing Epidemic,

INFLUENZA,

Colds, or any Diseases caused by taking Cold, after having used the **CARBOLIC SMOKE BALL** according to the printed directions supplied with each Ball.

£1000 IS DEPOSITED

with the ALLIANCE BANK, Regent Street, showing our sincerity in the matter.

During the last epidemic of **INFLUENZA** many thousand **CARBOLIC SMOKE BALLS** were sold as preventives against this disease, and in no ascertained case was the disease contracted by those using the **CARBOLIC SMOKE BALL.**

THE CARBOLIC SMOKE BALL,

TESTIMONIALS.

The DUKE OF PORTLAND writes: "I am much obliged for the Carbolic Smoke Ball which you have sent me, and which I find most efficacious."

SIR FREDERICK MILNER, Bart., M.P., writes from Nice, March 7, 1890: "Lady Milner and my children have derived much benefit from the Carbolic Smoke Ball."

Lady MOSTYN writes from Carshalton, Cary Crescent, Torquay, Jan. 10, 1890: "Lady Mostyn believes the Carbolic Smoke Ball to be a certain check and a cure for a cold, and will have great pleasure in recommending it to her friends. Lady Mostyn hopes the Carbolic Smoke Ball will have all the success its merits deserve."

Lady ERSKINE writes from Spratton Hall, Northampton, Jan. 1, 1890: "Lady Erskine is pleased to say that the Carbolic Smoke Ball has given every satisfaction; she considers it a very good invention."

Mrs. GLADSTONE writes: "She finds the Carbolic Smoke Ball has done her a great deal of good."

Madame ADELINA PATTI writes: "Madame Patti has found the Carbolic Smoke Ball very beneficial, and the only thing that would enable her to rest well at night when having a severe cold."

AS PRESCRIBED BY

SIR MORELL MACKENZIE, M.D.,

HAS BEEN SUPPLIED TO

H.I.M. THE GERMAN EMPRESS.

H.R.H. The Duke of Edinburgh, K.G.
H.R.H. The Duke of Connaught, K.G.
The Duke of Fife, K.T.
The Marquis of Salisbury, K.G.
The Duke of Argyll, K.T.
The Duke of Westminster, K.G.
The Duke of Richmond and Gordon, K.G.
The Duke of Manchester.
The Duke of Newcastle.
The Duke of Norfolk.
The Duke of Rutland, K.G.
The Duke of Wellington.
The Marquis of Ripon, K.G.
The Earl of Derby, K.G.
Earl Spencer, K.G.
The Lord Chancellor.
The Lord Chief Justice.
Lord Tennyson.

TESTIMONIALS.

The BISHOP OF LONDON writes: "The Carbolic Smoke Ball has benefited me greatly."

The MARCHIONESS DE SAIN writes from Padworth House, Reading, Jan. 13, 1890: "The Marchioness de Sain has daily used the Smoke Ball since the commencement of the epidemic of Influenza, and has not taken the Influenza, although surrounded by those suffering from it."

Dr. J. RUSSELL HARRIS, M.D., writes from 6, Adam Street, Adelphi, Sept. 24, 1891: "Many obstinate cases of post-nasal catarrh, which have resisted other treatment, have yielded to your Carbolic Smoke Ball."

A. GIBBONS, Esq., Editor of the *Lady's Pictorial*, writes from 172, Strand, W.C., Feb. 14, 1890: "During a recent severe attack of the prevailing epidemic I had none of the unpleasant and dangerous catarrh and bronchial symptoms. I attribute this entirely to the use of the Carbolic Smoke Ball."

The Rev. Dr. CHICHESTER A. W. READE, LL.D., D.C.L., writes from Banstead Downs, Surrey, May 1890: "My duties in a large public institution have brought me daily during the recent epidemic of influenza, in close contact with the disease. I have been perfectly free from any symptom by having the Smoke Ball always handy. It has also wonderfully improved my voice for speaking and singing."

The Originals of these Testimonials may be seen at our Consulting Rooms, with hundreds of others.

One CARBOLIC SMOKE BALL will last a family several months, making it the cheapest remedy in the world at the price—10s., post free.

The CARBOLIC SMOKE BALL can be refilled, when empty, at a cost of 5s., post free. Address:

CARBOLIC SMOKE BALL CO., 27, PRINCES ST., HANOVER SQ., LONDON, W.

The final legal point to note involving a valid offer can be seen in the following situation.

> Dodger offers to sell his motorbike to Rider for £150 and gives him a week to think it over. Rider returns during the week with the £150 and says, 'Yes, I've decided to buy it. Here's your money.' Dodger replies, 'You should have made your mind up sooner. I sold it yesterday to Kneavil for £175.'

The problem Rider has encountered raises the question: can an offer be withdrawn once it has been made, as here, or should Dodger have waited for Rider to reply to the offer? The legal principle that applies here is that *the offeror (the person making the offer) may revoke (i.e. withdraw) any time before acceptance is made, but, in order to be effective, the notice of revocation must be received by the offeree (the person to whom the offer is made).*

In the situation above, although Dodger had the right to revoke his offer and sell his bike to Kneavil for more money, there is no evidence that notice of his revocation had been received by Rider before Rider's acceptance. Therefore Rider's acceptance constituted a valid contract which could be enforced against Dodger. Had Dodger written to Rider directly informing him of the revocation, and had the letter been received by Rider before his acceptance, Rider could not have made a valid acceptance. In fact had Rider heard of the revocation indirectly, perhaps by hearing from a friend that Kneavil had bought the bike, he could still not have made a valid acceptance. Two cases are worth relating to illustrate these points.

Byrne & Co. v. *Leon Van Tienhoven & Co.* (1880)
The facts are best expressed as a series of events, as follows:

i) On 1 October, Van Tienhoven sent a letter offering to sell Byrne some goods.
ii) On 11 October, Byrne received the letter and accepted by telegraph immediately.
iii) On 8 October, Van Tienhoven had changed his mind and had written to Byrne revoking the offer.
iv) On 20 October, Byrne received the letter of revocation (withdrawal of the offer).

The court held: that the letter of revocation was no good as it had not been received until after Byrne had accepted the offer, and so there was a contract between them which Byrne could enforce.

Dickinson v. *Dodds* (1876)
Dodds offered, in writing, to sell Dickinson, his house for £800. Before Dickinson accepted, he heard from another man that Dodds had changed his mind and had sold his house to someone else.

The court held: that as Dickinson knew that Dodds had changed his mind and sold his house to someone else, he could not now validly accept the offer.

Acceptance

Having established that an offer by itself cannot constitute an agreement, it is obvious that this offer must first be accepted in order to create a contract. *This acceptance can take place in any manner at all, such as orally or in writing.* Unless the offeror specifies a particular method, *any method will do provided that the acceptance is communicated and is received by the offeror.*

The main exception to the rule that communication must be received relates to **postal acceptance**, and is therefore of great importance in the commercial world. It is examined in the following situation.

> Slick Fashions Ltd offers to buy 1000 leather jackets from a manufacturer, Skintight Leather Ltd, to put into its shops as stock. Skintight replies immediately by letter accepting this offer and then proceeds to manufacture the garments. Owing to a postal strike, Skintight's letter of acceptance does not arrive for two weeks, during which time Slick Fashions has agreed to take the 1000 garments from Button-up Fashions Ltd instead. Skintight, having already invested very heavily in the production of 1000 leather jackets, is extremely worried. It wants to know whether its letter of acceptance constituted a valid contract with Slick Fashions, despite the postal strike.

As Skintight suspects, the real question here is *when* does the acceptance become effective so as to create a binding agreement. Is it when the letter is written? is it when it is posted? or is it only when it is received? The answer to this is that *when acceptance is made by the post, in most cases it becomes valid the moment it is posted, provided it has been correctly stamped and addressed.* This rule applies even if the letter never arrives at its destination. The application of such a rule is nicely demonstrated in the following case.

> *Household Fire Insurance Co.* v. *Grant* (1879)
> Grant wrote to Household Fire Insurance Co. offering to buy some shares in the company. The company posted a letter to Grant saying that it would accept him as a shareholder, but the letter never arrived. Later on a problem arose and it had to be decided whether or not Grant was a shareholder.
>
> The court held: that Grant had become a shareholder from the moment that the company put its letter of acceptance in the post.

Applying this rule to the situation involving Slick Fashions Ltd, if it can be established that Skintight's letter of acceptance was correctly stamped and addressed, which would be evident on its receipt after the postal strike, then the acceptance became valid as soon as it went in the post, thus creating a contract. Slick Fashions was therefore in breach of this by subsequently contracting with Button-up Ltd. Thus Skintight could claim compensation for the breach of contract.

Consideration, legal capacity, and intention

So far we have looked very briefly at the basic way in which an agreement is made – in other words, at the offer and at the acceptance – but these alone do not constitute a contract. Other elements are also essential. For example, both parties must give something in exchange, so, for instance, in a contract for the sale of goods, the customer gives money and the shop supplies the goods. In a contract of employment, the employer gives a wage in exchange for services of the employee. *This exchange is known as* ***consideration*** *(the element of exchange in an agreement) and without it there is no enforceable contract at all.*

It is important to note at this stage that with many contracts only mere promises to do something in the future are exchanged. However, such *promises are still regarded as good consideration.* For example, if you book your holiday you have made a contract with the tour company even though you have not apparently exchanged anything at all, apart from giving it a small deposit. The consideration for this agreement is nothing more than the exchange of promises: a promise by you that you will

pay the rest of the money, and a promise by the company to provide you with the accommodation and transport you have selected.

Not only must consideration be given by both parties, but, if the contract is to be valid, then *both parties must also be regarded as having legal capacity*; in other words, the law must recognise each party as being legally capable and responsible for entering into a commercial agreement. *Certain people (such as infants and mental patients) are obviously incapable of entering into certain types of transactions*, and as such deserve the protection of the law.

There is still one other essential element we must mention here, and that is that *both parties to the agreement must intend to create a legal relationship*; in other words, they must intend the promises they have made to each other to be legally enforceable. It is for this reason that the social and domestic agreements we mentioned before, like meeting a friend, do not amount to a contract.

Having established that *consideration, legal capacity, and intention to create legal relations are all essential elements in the formation of a contract*, it is also necessary to look at some of the specific rules relating to each of them.

Rules relating to consideration

Crawler decides to send his mother-in-law some flowers and arranges for them to be sent by Chuck-a-Bunch Ltd. The flowers arrive two days late, in a poor condition. Crawler's mum-in-law is extremely angry and wonders what action she can take against Chuck-a-Bunch Ltd.

The above situation illustrates the rule known as **privity of contract**. The essence of this rule is that, subject to certain exceptions, *no stranger to the contract (one who has given no consideration) can sue on that contract, even if it was made for his or her benefit*. Here, mum-in-law is a stranger to the contract: she has given no consideration, and the contract is only between Crawler and Chuck-a-Bunch. Mum-in-law therefore has no right of action. This rule is illustrated in the following case.

Tweddle v. *Atkinson* (1861)
Tweddle's father and father-in-law made an agreement with each other to pay various sums of money to Tweddle, the plaintiff, to help him in his marriage. The money was not forthcoming, however, and Tweddle, arguing that this money had not been paid after it had been promised, sued for breach of contract to get his money.

The court held: that Tweddle could not succeed. They said that the people who had made the contract were Tweddle's father and father-in-law. Tweddle himself was not involved; he had given no consideration and so was not a party to the agreement.

Lord Haldane commented on the importance of the rule of privity of contract in the case of *Dunlop Pneumatic Tyre Co. Ltd* v. *Selfridge & Co. Ltd* (1915) when he said, 'In the law of England certain principles are fundamental: one is that only a person who is a party to a contract can sue on it.'

Another rule relating to consideration is seen in the following situation.

Cutter is cutting his grass one day when he notices how overgrown his neighbour's grass is. Knowing that Weedy, his neighbour, is on holiday, Cutter also cuts Weedy's lawn. When he returns, Weedy is so pleased that he promises to give Cutter £5. When Weedy later refuses to honour his promise, Cutter wants to know whether he can enforce Weedy's promise to pay.

This illustrates the rule that *past consideration is no good*. This means that some benefit given in the past, such as Cutter cutting Weedy's lawn, which is not given in contemplation of a contract does not amount to consideration for a present promise. Thus, Cutter cannot enforce Weedy's promise to pay £5 for the work done since the only benefit on one side predates the agreement. Examine the following case.

Re McArdle (1951)
The occupants of a house carried out some improvements and general repairs to it at great expense. After the work had been done, those who were to benefit from the work in the future promised to repay the cost of the improvements. No money was paid, however, and the question arose as to whether the promise could be enforced.

The court held: that the consideration for the promise was past. The work had already been completed when the promise was made. The money could not be recovered.

The next situation deals with the final rule we will discuss on consideration.

Boring, a well known lecturer in law, is promised by his head of department that, if he carries on his lecturing duties as normal during a strike by all other lecturing staff, he will be paid twice his normal pay. Boring accepts and fulfils his part of the bargain by not joining the strike and continuing to give his tedious lectures as usual. The head of department then refuses to pay him any more than he usually earns. Boring wonders if he can enforce the head of department's promise of extra cash.

The problem here involves the rule that *the consideration given must be something more than one is already under a duty to give or to perform*. In this situation, although the head of department has given his promise to pay extra money, which is regarded as good consideration, Boring has not given anything in exchange for this. Continuing his classes is not consideration, as he was already under a contractual obligation to perform those duties; therefore, he could not enforce the promise of extra money. This situation is illustrated in the case of:

Stilk v. *Myrick* (1809)
Two seamen deserted during a voyage. The captain entered into an agreement with the rest of the crew whereby if they completed the voyage they would receive a division of the deserters' wages in addition to their own. The captain refused to honour this agreement.

The court held: that the captain's promise to pay was not binding – no consideration had been given by the seamen as, by their original contract, they were already bound to complete the voyage.

In *Hartley* v. *Ponsonby* (1857), however, a third of a ship's crew deserted, which prompted the captain to make a similar agreement. The consideration given by the remaining seamen in this case was the extra risk they were taking in sailing a dangerously undermanned ship and therefore they were able to enforce the captain's promise of extra money.

With this in mind, if Boring could show that he was giving something extra – something over and above his normal duties – he might be able to enforce the head of department's promise. So, for example, risking his neck fighting through a picket line of aggressive lecturers might amount to extra consideration for this purpose.

Rules relating to legal capacity

Let's first of all illustrate a typical problem relating to legal capacity by another situation:

> Swot, a seventeen-year-old law student, ordered a copy of *The business world and the law* from Reader, the local bookshop. He also ordered a beautifully upholstered swivel chair from Comfy Chairs Ltd, to help him relax while reading the book. Later on he refused to pay for the book and the chair. Both Reader and Comfy Chairs claimed payment from Swot, who has just read page 10 of this book and discovered that, as he is under eighteen, he is unable to make any valid contract with them.

The **Infants Relief Act 1874** (as amended by the **Family Law Reform Act 1969**) states that minors (those under eighteen) cannot make legally binding contracts for goods, unless the goods can be considered **necessaries**, or for **services** unless the contract is for the infant's benefit.

With regard to the above problem, Comfy Chairs and Reader will be able to enforce payment against Swot only if a contract exists, and in order for a contract to exist it is essential to establish that the goods are necessaries. *Necessaries can be anything for which the infant has a genuine purpose or requirement, having regard to his lifestyle*; so, a textbook for a student is arguably necessary. The swivel chair is more doubtful, however. Examine the case of:

> *Nash* v. *Inman* (1908)
> Inman, a student at Cambridge, who was under age, ordered eleven fancy waistcoats from Nash, a Saville Row tailor. He failed to pay for them, so Nash took him to court for breach of contract. Inman argued there was no valid contract as he was under age.
>
> The court held: that, as Inman already had plenty of waistcoats, those ordered from Nash were not necessaries and so there was no contract. Nash could not get the money from him.

It should be noted, however, that under the principles of **equity** (a system of justice by which the common law is supplemented in the interests of fairness) an infant will not be allowed to benefit from his fraud, and goods fraudently obtained would have to be restored to their rightful owner if the infant still had them.

As regards *contracts for services, they will be valid only if the contract is regarded as being for the infant's benefit*. Consider the following case.

> *Roberts* v. *Gray* (1913)
> Gray, who was under age, wanted to become a professional billiards player, so he made a contract with Roberts, a top professional, whereby they agreed to go on a world tour together and to play exhibition matches. Roberts spent much time and money organising the trip, but before they left on the tour an argument broke out about the type of billiard balls to be used and Gray called the whole deal off. Roberts sued him for breach of contract and Gray argued that, as he was under age, there was no contract.
>
> The court held: that, as the contract was for Gray's benefit, there was a legally binding contract and Roberts was given a sum of money in compensation.

It is for this reason that traders often require a signed declaration that a customer is over the age of eighteen. Look at the booking form on page 11 which requires such a signature.