



Name Of Assignment: Intention to create legal relations

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MODULE: CONTRACT LAW

The courts need to find an intention to create legal relations

In order for a contract to be legal, there are several conditions that must apply. Offer, acceptance, and intention are examples of well-known aspects. In addition, it is necessary that both parties intended to establish legal relations. For an agreement to be legally binding, all of the parties must intend to create legal relations between themselves. For instance, I and my friend may have agreed to meet at a restaurant. I may have a moral obligation to uphold this agreement, but no legal obligation to do so. This is due to the fact that, in general, parties to such contracts do not desire to be legally bound, and the law attempts to reflect such intentions.

Agreements made within a social or domestic context:

Evidence of intent may, of fact, refute the presumption of domestic or social agreements. There is no exhaustive list of strategies for refuting the presumption. 10 The validity of the presumption has already been disproved depends on the specifics of the case. The circumstances under which the parties entered into the agreement may convince the court that the presumption has been invalidated. Several considerations may influence the court's determination of whether the presumption has been disproved. The first factor is the location where the agreement is reached. The court is more likely to infer that the presumption has been rebutted when family members enter into an arrangement in a "commercial context."

For instance, *Balfour v. Balfour* (1919). The defendant, who worked in Ceylon, and his wife vacationed in England. The defendant returned to Ceylon alone, while his wife remained in London due to health concerns. The defendant committed to pay the wife £30 each month in spousal support, but failed to do so after their relationship ended. The wife then filed a lawsuit in court. The court determined that the wife could not prevail because she had offered no consideration for the £30 agreement. In *Jones v. Padavatton* (1968) , the same Balfour concept was applied when a mother offered to pay her daughter \$200 per month if she quit her employment in the United States and moved to Britain to study for the bar exam. The daughter believed the \$200 was in U.S. dollars, but the mother intended Trinidad dollars. Then the mother agreed to buy a home for her daughter to stay and use the rental revenue to support her. Yet, the daughter's marriage prompted the mother to seek ownership of the home. there is no any evidence to refute for the presumption.

The Appeal Court classified that the case *Balfour v. Balfour* (1919) on the basis that the parties weren't any longer together. When couples have separated, it is commonly assumed that they intend to be obligated under the contracts. For Instance, the cases of *Merritt v Merritt* [1970]. A man divorced his partners and moved in with another woman. The couple had an outstanding mortgage balance of £180 on their co-owned home. The husband made an arrangement whereby he would send the wife £40 each month to help her make the payments, and he would transfer his half of the house to her if she paid all charges associated with the loan until it was paid off. When the loan was paid in full, she filed a lawsuit claiming ownership of the property.

The court will take into account any reliance made on the agreements. If one person has acted to his harm or put his financial security at risk in reliance of the agreement, the court is more likely to assume that the parties meant for it to be legally binding. For instance, it is presented In the matter of *Simpkins v Pays* [1955]. The appellant, her granddaughter, and the plaintiff, who was a paying lodger who stay at same residence. They entered a weekly tournament sponsored by a newspaper and offering equal entry fees. They agreed that if one of them won, they will split the reward. One of their entries won, and the winner's coupon was filled out by the plaintiff, but only bore the defendant's name. The defendant earned money prizes worth £750 and refused to divide it with the other two. The plaintiff initiated suit to claim a portion from the rewards . The court determined that the presence of the plaintiff, an outsider of the family, rebutted the presumption that the agreement was a familial arrangement that was not intended to be legally enforceable.

Parker & Another v Clark & Another (1960) is a further example of this type. The appellants invited their friends, the claimants, to reside with them. The claimants were reluctant to accept the defendant's proposition since it would have necessitated the sale of their home. The defendants suggested that the issue could be remedied if they left the claimants a portion of their property through their will. Claimants accepted the offer, and sold their home, and moved in with defendants. However, disagreements arose between the parties, and the defendants later asked the claimants to leave. The claimants filed suit against the defendants for contract violation. The court determined that both parties intended to form legal connections and that agreements of this nature, particularly a plan to leave property in a will, can constitute a legally binding contract. It appears that the fact that the parties have performed in accordance with the agreement has determined the outcome of the cases.

Agreements made within a commercial/business context

The general presumption in business / commercial context is that the parties intend to form a legal relationships, and this presumption is important. Nonetheless, the presumption is susceptible to exception. In the case, of *Esso Petroleum v. Commissioners of Customs and Excise* (1976), the business agreement presumption were used. In connection with the Football World Cup in 1970, Esso devised a sales drive for its gasoline in which anyone who purchased four gallons of gasoline received a free coin from their Limited Edition World Cup Coin Collection. The dispute was whether Esso was required to pay tax because the coins were "manufactured in large quantities for general distribution." If so, the coins would be taxable and Esso would be required to pay an extra purchase tax. Esso contended that the coins were only a free giveaway and that the promotion was not meant to have legal ramifications. The House of Lords determined, by a 3:2 majority, that the parties intended to establish legal connections. Hence, Esso was required to pay purchase tax. The fact that the coins were given in a commercial context raises the assumption that the parties intended to be legally bound.

Furthermore, In the case of *Edwards v Skyways* (1964). The plaintiff was a pilot who worked for the defendant. He was planned for discharge. The defendants stated that if he withdrew his contributions towards the company retirement fund, they would provide a complimentary gift equal to business contributions. This was accepted, and the claimant withdrew his donations. The corporation later encountered additional financial difficulties and reneged on its agreement to provide the ex gratia payment. The agreement was established in a commercial setting, which created a strong assumption that it is legally enforceable. Therefore he entitled the funds.

The assumption in business and commercial agreement agreements may be countered by the insertion of an express clause stating that neither party intends to establish legal relations. For instance, the cases of *Rose & Frank Co. v. JR Crompton & Bros. Ltd* (1925).¹⁸, All parties were agreed to the manufacture and sale of carbonised tissue paper. There was an honourable clause in the contract that said the arrangement was not formal or legal and was not subject to the authority of the courts. The defendants breached the contract, and the plaintiffs filed a breach of contract lawsuit. The court determined that both parties agree that the inked agreement is not legally binding. Hence, when one party has breached the agreement, the other party will be unable to file a lawsuit against the breaching party. When certain parties make imprecise and overstated claims, the presumption is also rebutted.

In contrast, the *Kleinwort Benson Ltd V Malaysia Mining Corporation Bhd* cases (1989). The case displays the "comfort letters". In this case, the plaintiff the bank granted MMC Metals, a subsidiary of MMC, a loan. The bank requested that MMC guarantee a loan. MMC stated that it is not its policy to guarantee loans to subsidies but gave a letter of assurance stating: That "It is our policy to ensure that MMC (Metals) is always able to meet its obligations under the arrangements." The bank accepted the loan but demanded a higher interest rate, the market dropped, and MMC went bankrupt. Plaintiffs attempted to recover balance from MMC. For instance, the court ruled in favour of the plaintiff, mainly relying on the *Skyways* (1964) verdict that was overturned on appeal, with the judge stating that the *Skyways* case did not involve a promise supported by consideration and was therefore inapplicable here. As a result, the court decided that the declaration of no desire to make a legally enforceable agreement was not intended to serve as a promise, as it merely stated the existing situation and not any future intent.

Agreements made with public bodies or those which affect public interest:

Public bodies, such as the federal and local governments, must adhere to the law. The body of law that governs the actions of public entities is known as "public law." The public law should ensure that public entities behave lawfully, logically, fairly, and in accordance with the human rights of individuals whose lives they influence.

Many case studies, such as *Willmore v. South Eastern Electricity Board*, have been prepared in collaboration with public bodies or in the public's interest (1957). The plaintiffs in this case began as chicken farmers who reared chicks using infra-red heat, and the defendant corporation consented to provide energy for this purpose. However, the defendant failed to do so, resulting in the plaintiffs' financial collapse. It was determined that claims regarding the proper supply of energy were not made with contractual intent, and therefore there was no contract between the parties. In this case, a distinction was made between statutory undertakers exercising their statutory duties and contractors.

In other cases, such as *Robinson v. HM Customs Excise* (2000), judges will determine that certain aspects of an agreement are intended to be legally enforceable while others are not. As an informant, the claimant furnished Customs and Excise with information. Afterwards, he attempted to assert that the contract compelled him to pay a charge and expenses. In these conditions, the court ruled that establishing legal relations served no purpose. The choice must be made for reasons of public policy.

In conclusion, the necessity of purpose plays a limited role in creating legal connections, it is not totally true to conclude that it is useless. The doctrine of intention to create legal relations continues to play a role in the formation of a legal contract, and it is particularly significant in the area of social agreements, where its effect can be seen in the court's exclusion of several agreements from being enforceable on the grounds that the parties did not intend to create legal relations. Hence, it can be assumed that the intention criterion for creating legal connections is acknowledged.

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