QUESTIONS 1 – 10

Read the text below on the subject of frustration in contract law and decide which answer A, B, C or D best fits each space. **Put a circle around the correct answer on the answer sheet.** Do NOT mark more than one answer for each question.

There is an example at the beginning **(*)**. *(30 points)*

FRUSTRATION IN CONTRACT LAW

The doctrine of frustration in contract law was developed during the nineteenth century. The defining feature of the idea of frustration is that it refers to a supervening event, that is, something that happens unexpectedly which interrupts a planned situation. In the context of contract law, this means that something happens to prevent the contract from being carried out that neither party could have contemplated at the time the contract was signed. For example, in the case of *Taylor v Caldwell (1863)*, the judge **(*)** .... that a contract for the hire of a music hall was frustrated because the hall burnt down. The supervening event must, however, have a (1) .... impact on the performance of the contract – mere disappointment or inconvenience are not in themselves sufficient to give (2) .... to frustrated contracts.

What are the effects of frustration? In general, both parties are (3) .... from the performance of any future obligations. However, there are rules (4) .... factors such as advance payment. The rule is that any money which is payable or has been paid before the frustrating event occurs either ceases to be payable or is (5) .... by the party who paid this money. This rule is subject to two exceptions:

a) any payment made may be (6) .... in full or in part in order to reimburse specific expenses (7) .... in performing the contract
b) if (8) .... performance by one party has conferred a valuable benefit on the other party, then the court may require the latter to pay for it.

A typical case of frustration is illustrated by the following situation. SUN Enterprises own a piece of land in the countryside and they agree to lease it to GM Agriculture in order for them to carry out experiments in growing genetically modified crops. The lease (9) .... that the lease rental will become payable in ten months' time when the first crop has been grown. Six months later there has been so much opposition to the project from local people who are worried about health and safety issues that a public inquiry is ordered and GM Agriculture is forbidden to harvest the crop until the inquiry is complete. GM claims that the contract has been frustrated.

Unfortunately, there is no definitive answer to whether this situation is one of frustration. It depends on a variety of factors. Have the circumstances changed so much that the contract is incapable of performance? Was the supervening event reasonably (10) .... by the party claiming frustration? If so, this could seriously influence the court's point of view if it deems that a calculated and known risk was voluntarily taken.

ANSWER SHEET QUESTIONS 1 – 10

(*)	*A. concluded*	*B. held*	*C. decided*	*D. resolved*
(1)	**A.** fundamental	**B.** original	**C.** primary	**D.** important
(2)	**A.** basis	**B.** origin	**C.** rise	**D.** emergence
(3)	**A.** set free	**B.** liberated	**C.** let loose	**D.** discharged
(4)	**A.** presiding over	**B.** overseeing	**C.** directing	**D.** governing
(5)	**A.** retrievable	**B.** recoverable	**C.** refundable	**D.** regainable
(6)	**A.** maintained	**B.** preserved	**C.** retained	**D.** saved
(7)	**A.** incurred	**B.** suffered	**C.** used	**D.** sustained
(8)	**A.** fractional	**B.** limited	**C.** partial	**D.** part-done
(9)	**A.** pronounces	**B.** announces	**C.** provides	**D.** orders
(10)	**A.** predictable	**B.** anticipated	**C.** foreseeable	**D.** visualised