

WHAT IS CONSIDERATION?

Exercise 1

Read the following text. It is about consideration in contract law. Choose the correct word from the text to complete the sentences below.

Offer and acceptance are not enough to make a contract. There also needs to be two other elements. They are:

- intention to create a legal relationship, and
- consideration.

What is consideration? Consideration is what one party promises to give to, or promises to do for, the other party. Both parties need to provide consideration to make a contract valid. There are many precedents in English law where judges decide what is good consideration and what is not.

Consideration is usually one of the following things:

- a promise to do something
- a promise not to do something in the future (sometimes called forbearance)
- goods
- services
- money.

A promise of a gift or of a free service does not usually create a contractual situation according to

English law. This is because one of the parties has not provided consideration. To make a contract both parties must give something or do something for the other in a kind of exchange. A lawyer describes this by saying that consideration must be reciprocal. It must travel in both directions. If consideration is a good thing for a party and is positive in nature, we say that he or she has gained a benefit. Receiving a payment of money would be an example of this. However, sometimes the consideration provided is negative in nature. Let's imagine an employee agrees in his or her employment contract not to start a business for two years after the contract terminates. He or she has promised not to do something in the future. We say that this party has suffered a detriment.

I promise to tidy a friend's garden because she is ill. I don't want to be paid. However, I am busy and I don't tidy the garden for her. Is our agreement a contract? No, it isn't. Why not? It is not a contract because one of the parties to the agreement has not provided consideration.

Consideration is a fundamental principle of English contract law.

- a As well as offer, acceptance and consideration, the parties to a contract need to have _____ to create a legal relationship.
- b To make a legally binding contract both parties must _____ consideration.
- c To find out what is good consideration for a contract I need to check the relevant _____ to see what judges say about it.
- d A promise not to do something in the future can be good consideration for a contract. Lawyers usually call this _____.
- e Both parties to the contract must provide consideration, in other words it must be _____.
- f If I receive something positive under the contract I gain a _____.
- g If I lose something under the contract I suffer a _____.