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GIBSON V MANCHESTER CITY COUNCIL (1979) WLR 294 (CB 43)

Manchester City Council was being run by the Conservative Party, which was operating a scheme selling council houses to occupants. Mr Gibson applied using a form of the council to enquire about details of his house price and mortgage terms.

In February 1971, the Treasurer replied:

“The corporation may be prepared to sell the house to you at the purchase price of £2,725 less 20% = £2,180 (freehold)... This letter should not be regarded as a firm offer of a mortgage. If you would like to make formal application to buy your Council house please complete the enclosed application form and return it to me as soon as possible.”

In March 1971, Mr Gibson completed the application form leaving the price field blank and returned it to the council. The Labour Party returned to power in Manchester in May and abandoned the scheme. Mr Gibson was told that he could not complete the purchase. He then sued the council, arguing that a binding contract had already come into force. The Council denied that there was a binding contract.

Issues:

Was there a binding contract between the parties?

Result:

There was no binding contract because the clear offer was not mirrored by clear acceptance. The council's reply consisted of vague wording “may be willing to sell”, and "If you would like to make formal application to buy your Council house, please complete the enclosed application form and return it to me as soon as possible."

Ratio:

A legally binding contract only exists when there is a clear offer mirrored by clear acceptance.

CARLILL V CARBOLIC SMOKE BALL CO (1892) EWCA CIV 1 (CB 45)

The Carbolic Smoke Ball Company made and supplied a product called “The Carbolic Smoke Ball”. Following an influenza epidemic, the company advertised in newspapers that it would pay €100 reward to any person who purchased its product and used it in accordance with the instructions and still contracted influenza. To demonstrate the sincerity of the reward, Carbolic deposited €1000 with a prominent British bank a fact that was also advertised. Mrs. Louisa Elizabeth Carlill saw the advertisement and purchased the product. She used the product in accordance with the instructions and contracted the flu. She contacted Carbolic and sought to make a claim for the reward. Carbolic argued that no contract had been formed.

Issues:

Was there a contract for the €100 reward or was the advertisement mere puffery?

Result:

The Court found for Carlill, finding that a unilateral contract existed between the parties. A unilateral contract was described as a contract in which the offeror makes a promise in return for the performance of an act by the offeree. The Court also stated that unilateral offers could be made to the whole world and did not need to be directed towards specific individuals. In these instances, the offeree is not required to notify the offeror of acceptance of the offer prior to commencement of the performance of the act. The deposit of €1000 with the bank distinguished the claim of the reward from mere puffery

Ratio:

- An advertisement can constitute a unilateral contract, which can be accepted by fulfilling the conditions of the contract. No formal acceptance is required.
- The determination of a offer will be determined objectively from the words and actions
- The terms of the contract (if vague) will be interpreted purposively from the contract.
- The offeror can determine how acceptance of offer will be made.