



# Legal Relations & Consumer Rights

Financial Lit 2021



## Learning for this Unit:

- List essential elements of a contract
- Explain when a contract must be in writing
- Explain nature and purpose of warranties
- Identify your legal rights and obligations for goods
- Explain why and when you need legal advice
- Describe the small claims court process

# Contracts

- Not all laws are same in all states
- **Contract** - an agreement between two or more parties enforceable by law
- Not all are written
- **Examples:** going into store, agree to pay your merchandise; bring car in for repairs-you agree to pay fees
- Contracts have different parts or elements

# Element 1: Offer & Acceptance

- One party makes an offer and another agrees to pay
- **Example:** Party A **offers** land for sale for \$10,000. Party B **accepts** that offer and pays
- **Offer characteristics:**
  - Proposal must be **definite (specific in terms)**
  - Proposal must be made with **intention** that the offeror is bound by it
  - Proposal must be **communicated** by word or actions to the offeree

- **Acceptance:**

- Needs to be made in a *reasonable* manner
- Acceptance needs to be indicated by word or action
- **A definite and reasonable expression of acceptance is legal and binding if it is within a reasonable time**

## THE OFFER



Begin at 2:20

39 **BINDING ACCEPTANCE** This Offer is binding upon both Parties only if a copy of the accepted Offer is delivered to Buyer  
40 on or before March 16, 2021. Seller may keep the

41 Property on the market and accept secondary offers after binding acceptance of this Offer.

42 **CAUTION: This Offer may be withdrawn prior to delivery of the accepted Offer.**

43 **ACCEPTANCE** Acceptance occurs when all Buyers and Sellers have signed one copy of the Offer, or separate but identical  
44 copies of the Offer.

45 **CAUTION: Deadlines in the Offer are commonly calculated from acceptance. Consider whether short term**

46 **Deadlines running from acceptance provide adequate time for both binding acceptance and performance.**

# Element 2: Competent parties

- Both parties involved in an agreement need to be **competent**
- **Competent:** Having the knowledge, ability or skill to do something successfully.
  - Individuals who cannot read- bound if it has been read to them and they understand the terms
  - Unable to read or write, may sign with an X after the contract has been read to them
- Any case where a party is deemed incompetent, the agreement can be dismissed
  - **Minors** - anyone under the age of 18, may be able to **rescind** (cancel) their contracts without guardian approval. **However, the individual who made the offer, is still reliable for their offer**
  - **Intoxicated** - if any party is intoxicated, the agreement may be **voidable** (broken or dismissed)



## Element 3: Legal Purpose

- **Legal Bargain:** contract must not be contradicting to the law or interests of society
- Your agreement must be LEGAL
- Cannot make agreement on stolen goods, or illegally betting. **Those agreements will not stand**

# Element 4: Consideration

- **Consideration:** What one party will do for a good
- NEEDED in every contract
- **Example:** Mr. Gallagher has offered Mr. Feest his Cubs tickets for doing his taxes.
  - **Contract** - Mr. Feest does taxes for Tickets
  - **Consideration** - Doing the taxes
  - Legally bound because of the consideration
- **Non-Example** would be a gift without any consideration (just giving somebody something).
  - Not legally binding

## Element 5: Proper Legal Form

- For a contract to be *legal* there are some requirements for both a oral and written contract
- **Oral Contract** - agreement or contract that is discussed verbally, not written down
- **Written Contract**- Contract that is formally written down on paper

# Oral Contract

- Used for selling personal property
- Under \$500 good, over hard to enforce
- There are goods/services over \$500 that are enforceable
  - Dentist - you're agreeing to pay for services
  - Doctor - you're agreeing to pay for services
- Need to switch to a written contract when misunderstandings may arise





# Written Contract

- Legal agreement in written form
- Used when items are over \$500
- In certain instance, required by law
  - Buying/selling a house/business
- Written much more formal
- Require certain parts

**JUDGE JUDY 2021**





# You & the contract

- Read contract before you sign
  - May be additional parts you're not aware of
- Ask for explanation of parts you don't understand
  - Some may be complex
- Make sure contract has ALL conditions and promises
  - Parts not in contract cannot be enforced
- Do not accept a copy without the signatures on them
  - Do not want one party to add information after you have signed
- Keep your copy

# Implied vs. Expressed Contracts

- **Expressed** - contract that is expressed verbally or written.
  - Verbally, attempt to get on video record
  - Written, keep a copy
- **Implied** - made through an agreement.
  - Example: Pick up item at the store... implied you will pay for it

# Defective Agreements

- Agreement may become unenforceable because it is defective
- Defective - imperfect or faulty
- Agreement becomes defective if:
  - Fraud in the form of misrepresentation or concealment of facts
  - Threat or violence is used to make an agreement
  - Unfair influence and pressure on someone's judgement





# Consumer Rights

# Consumer Rights

- You have rights as a consumer (buyer)
- Allows you to make choices with your purchases:
  - Warranties
  - Merchandise
  - Legal claims

# Warranties

- **Warranty** - a written guarantee, issued to the purchaser of an article by its manufacturer, promising to repair or replace it if necessary within a specified period of time.
- **Expressed Warranty** - Assurance of quality or promise of performance by seller
  - May be a general statement
  - Example: This refurbished tv is just as good as a new TV
- **Implied Warranty** - Obligation imposed by law
  - Requires seller to ensure minimum standards of quality or performance
  - Buyer has a right to expect those minimums
  - Buy an air conditioner - should work properly

# Full vs. Limited Warranties

- **Full Warranty** - The product is totally guaranteed, including materials and workmanship for a specific time period
  - If the item does not perform in that time period, manufacturer will replace or repair
- **Limited Warranty** - States what limitations are of the warranty
  - 1 year warranty for watch - does not cover the battery
- **Magnuson-Moss Warranty Act (1975)** - any written warranty that could mislead reasonable consumers through false/fraud statements, promises, descriptions are prohibited
- **Extended Service Warranty** - offer to get a warranty for an extended period of time

# Requirements for Written Warranty

- Names & Addresses of warrantors
- Exactly what is covered (parts, workmanship, length of time, etc.)
- Step by step instructions for consumer to get warranty
- Legal remedies available to the consumer
- Duration of the warranty



# Legal Representation

- You always have the option to consult a lawyer
- Times to consult
  - **Writing** an important contract
  - Protecting or gaining rights
  - Obtaining protection against lawsuits
- **Legal Aid Societies** - organization in place to provide a lawyer for those who cannot afford
- Having legal representation can help you with contract, but also court

# Small Claims Court

- Wisconsin
  - \$10,000 or less for \$
  - \$5000 or less for personal injury
  - Evictions
  - Replevins (return of property) \$10,000 or less
- Helps solve various issues dealing with money, contracts, etc.
- How it works:
  - One party files a suit against the other
  - Summons is served to the defendant stating a trial date
    - May or may not need/get representation
  - If it is not solved out of court, you and the other party go to court to resolve the issue



