

Foakes v. Beer (1884), 9 App. Cas. 605
- Case Briefing

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Style of Cause/Procedural History

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The nature of the proceeding in the *Foakes v. Beer* case in 1884 was an appeal. This case was initially heard at the trial court, the High Court of Justice, Queen's Bench Division, but could not be resolved due to the complexity and significance of the contract law issues involved, so it was then appealed to higher courts, the Court of Appeal, and ultimately the House of Lords. These higher courts were better equipped to handle this case's complexities and establish a legal precedent that would influence future contract law decisions.

Facts

Dr. Foakes had a debt owed (indebted) to Mrs. Beer and was obligated to pay £2090. Dr. Foakes did not contract to pay the future installments of £150 each, nor did he receive any new security, such as negotiable paper (deed or written contract). Dr. Foakes and Mrs. Beer entered into an agreement whereby Foakes would immediately pay £500 and the balance over five years if Mrs. Beer would take no proceedings on the judgment. The contract was not under seal. Dr. Foakes paid £500 and all of the agreed installments. Mrs. Beer sued Dr. Foakes after the last principal payment for not paying the interest.

Issues

Did the forbearance agreement have enough consideration for the contract to be legally enforceable?

Decisions

No, the decision made was to reverse the original decision (in favor of Foakes) as the forbearance agreement did not have enough consideration for the contract to be legally enforceable.

Reasons

The Court was resolving the issue of whether Mrs. Beer was legally enforced by the agreement not to take legal actions against Dr. Foakes after receiving the stated payment. The decision made was in the favor of the respondent, stating that the contract did not legally bind her. According to the judgment, since the contract was not under seal, it was not legally enforceable unless there was consideration, which could be a promise, an extra payment or any benefit, provided by the appellant. However, Dr. Foakes didn't provide any. Although he argued that making the principal payment was his consideration, it was not, as he had already been obligated to make this payment before this contract was formed. In the judge's opinion, a pre-existing ("antecedent") obligation is not sufficient to be a consideration for a new contract, and it is unreasonable to give the force of a binding obligation to a non under-seal contract where only one party can benefit (a "gratuitous contract"). Therefore, Mrs. Beer was not legally binded to the agreement, which means she didn't have to hold on to her end of the agreement.

Comments

The most important lesson is that past considerations (or obligations) can not be used to make new present and future contracts legally enforceable. Knowing this would allow one or businesses to protect themselves from participating in and making unfair agreements for any purposes. To make a contract legally enforceable, one can sign the contract under seal or both parties have to provide some benefits to the other under the contract.