



An Introduction to Law

Session Four: Legal Skills: Negotiation Exercise: Multiple Choice Question and Answers

The Offer

Bobbi has made an offer to accept a £20,000 reduction on the contract price, which if accepted would mean Joe paying a balance of £10,000 to Bobbi in full and final settlement.

Option One: Accepting the offer

There are advantages to accepting the offer made by Bobbi. The matter will be concluded quickly, and with certainty of outcome, meaning that Joe will not have to think about it or deal with the financial and emotional burden of going through Court proceedings. This is important for Joe, as he has a potential contract offer from the football club in Spain, meaning he might want to finalise his domestic affairs. We do not know with any certainty at this stage what the actual difference in value of the pool, nor the compensation for disappointment would be if Joe sued on the contract, therefore we cannot say that a £20,000 settlement is more or less valuable than a damages figure awarded at trial.

Option Two: Rejecting the offer and proceeding to a court claim against Bobbi

The potential advantage to rejecting the case and suing Bobbi in the civil court is that Joe might ultimately be awarded a damages amount in excess of the £20,000 value of the proposed settlement. If, for example, evidence could be obtained showing that a pool of 1.8 metres amounted to a danger and was therefore of limited value, Joe might be awarded up to £50,000 (which is the estimated cost of the rebuild), or even achieve his primary desire of compelling Bobbi to rebuild. The danger is that court proceedings outcomes can be 'all or nothing' and so Joe is at risk of being awarded significantly less than the £20,000 currently on offer. Joe must also factor into his decision-making process the court fees and lawyers' costs, which are likely to be very significant indeed.

Option Three: Rejecting the offer and making a counter-offer

The significant advantage with this approach is that Joe might well increase the value he obtains from the settlement. For example, he might make a counter-offer to Bobbi that they 'walk-away' with no balance left to pay, thereby effectively settling the dispute for the sum of £30,000 (which would be a £10,000 increase to Joe's advantage from the current offer). The potential disadvantage with this approach is that, legally, the rejection of Bobbi's offer will mean that Bobbi cannot be compelled to 'keep open' the original offer of £20,000. So Joe risks losing out on a deal altogether if Bobbi is not inclined to accept the counter-offer. The other drawback is that Joe loses the certainty of being able to conclude this dispute quickly, and we know that Joe would be keen to get rid of this issue so that he can focus on his football career.

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