

WARM UP

1 What reasons could a buyer have to cancel or terminate a contract for goods or services?

Cancellation clauses

Most contracts for the sale of goods and services contain cancellation clauses which specify the terms and conditions under which one or both parties may cancel an order or terminate a contract before its expiration. These clauses often indicate the time limit within which an order or service may be cancelled and the permitted reasons for cancellation, as well as any penalties which will be incurred.

An order may sometimes be cancelled by mutual agreement between the two parties. This is common in the case of longstanding business relations, when there is a genuine reason and when neither party will be subject to any damage or costs, apart from the loss of business. An example would be cancelling a sales contract for goods before they have been dispatched or put into production.

The law in most countries also sets out certain terms for cancellation. A common regulation is a **cooling off period*** which gives consumers the possibility to cancel an order and return goods without any penalty.

Contracts may also be terminated due to a **breach of contract*** and, depending on the severity of breach of contract, the damaged party can take legal action against the other one, suing for damages.

✳ Within the EU, for example, when buying goods by phone, mail order or on the Internet, it is possible to cancel a purchase within seven working days. This **cooling off period** starts on the day the goods are received. With distance selling, this is obviously the first moment the buyer can physically see the goods and he/she might decide the colour/size/quality, etc. is not right. The seller is obliged to give a refund for whatever reason, even if the buyer has simply changed his/her mind. There are some items which are not covered by this rule, such as food delivered by a supermarket and plane or concert tickets.

✳ A **breach of contract** is the failure or refusal to perform all or part of the obligations as written and agreed in the contract between two parties. It could be that one party does not carry out his/her contractual duties within the time limit or in the manner specified in the contract.

READING COMPREHENSION

2 **BEC** Read the text and decide if these sentences are true (T) or false (F). If there is not enough information, choose 'doesn't say' (DS).

- 1 All contracts have cancellation clauses.
- 2 A cancellation clause can state the deadline for cancelling a contract.
- 3 There can be charges to pay when you cancel a contract.
- 4 They are designed to protect both the seller and buyer.
- 5 A mutual agreement to cancel an order often happens when the two parties know each other well.
- 6 In the EU, there is also a cooling off period for goods sold in shops and supermarkets.
- 7 A cooling off period allows customers to return goods after two weeks.
- 8 If a party fails to fulfill his/her contractual obligations, he/she is in breach of contract.

	T	F	DS
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WRITING

3 Write a short essay on cancellation clauses, following these guidelines:

- when it could be necessary to cancel a contract;
- what buyers can do to protect themselves;
- mutual agreement to cancel a contract;
- legal clauses.