The text has been thoroughly revised line by line in the interest of accuracy, brevity and clarity. In view of the lapse of time I have omitted the Appendix on the historical developments leading up to Hedley Byrne and most of the Report of the Law Reform Committee which lead to the Misrepresentation Act 1967.

There have been considerable developments in the law relating to the effect of bribery, the measure of damages in deceit and under the MA 1967, and generally in the action for negligent misrepresentation. Some questions have been authoritatively settled by the decisions referred to above. Others appear settled by decisions of the High Court or Court of Appeal such as the effect of post-contractual fraud, and the effect on later underwriters of misrepresentations to the lead underwriter. Others remain unsettled and there are new ones. These include whether damages in deceit are those which flow from the transaction or the inducement, the measure of damages under the MA 1967, the availability of the defence of contributory negligence in such an action, the causative relevance of misrepresentations which are a minor or confirming cause, the efficacy of exemption clauses in commercial contracts covering misrepresentation, the requirements for imputed election, liability for paternity fraud, and any requirement for proof of diligence in actions to set aside a judgment for fraud.

In 1815 Savigny wrote (118 LQR at 151) that the purpose of legal scholarship was the adaptation and rejuvenation of inherited legal materials, creating an indissoluble community with the past, and fostering organic legal development. I believe that this is still true today. In Rowling v Takaro Properties Ltd [1988] AC 473, 501 Lord Keith wrote:

. . . it is necessary, before concluding that a duty of care should be imposed, to consider all the relevant circumstances . . . Their Lordships consider that question to be of an intensely pragmatic character, well suited for gradual development but requiring most careful analysis. It is one upon which all common law jurisdictions can learn much from each other; because, apart from exceptional cases, no sensible distinction can be drawn . . . between the various countries and the social conditions existing in them. It is incumbent upon the courts in different jurisdictions to be sensitive to each other's reactions . . . '

On a similar note Lord Goff, writing extra judicially in 'The Future of the Common Law' (1997) 46 ICLQ 745, 748 said: 'Comparative law may have been the hobby of yesterday, but it is destined to become the science of tomorrow.' If this is true of comparative civil law, comparative common law should be an a fortiori case. This edition, like its predecessor, attempts to facilitate these objectives.

> K R Handley 25 February 2014

Contents

Preface Key to abbreviations Table of statutes Table of statutory instruments Table of external cases by jurisdiction Consolidated table of cases Introduction Chapter 1 Scope Excluded topics Misrepresentation and mistake Misrepresentation and non-disclosure Estoppel and criminal responsibility Topics included Misrepresentations to persons other than the claimant Principles summarised Elements of the cause of action or affirmative defence Chapter 2 Representation Introduction The constituent elements Communication between two persons Relation to matter of fact Statements of intention, or otherwise relating to the future Statements of the representor's intention Statements part representation and part promise **Promises** Representation distinguished from promise Representation repeated as promise Statement of a third person's intention

Expressions of expectation, hope etc

Statements of opinion, belief or information

Statement of a third person's state of mind

Representations of representor's opinion, belief or knowledge

11

12

12

Contents Contents Representations as to matters of information or opinion Deliberate ambiguity 14 46 Falsity by omission or silence Fact represented as opinion or information 15 47 Pleadings Omission of essential qualifying facts 17 47 Distinction between representations of law and fact Silence in conjunction with something previously said or done 17 50 Statements of mixed law and fact Necessity to speak arising from statement by another 18 51 Inferences of law from known facts Duty to mention unusual features in well-known transaction 19 52 Fraudulent statements of law Except as above, silence is not a representation 20 52 Statements about documents Statements to be read together 20 54 Statements about contents of document 20 Ouestions of law and fact 56 Statements of the effect of a document 21 Chapter 5 Fraudulent and innocent misrepresentation 59 Statements as to nature of document 21 Fraud as distinguished from mere falsity 59 Exaggeration, puffing etc 22 Absence of honest belief renders misrepresentation fraudulent 60 Chapter 3 How a representation may be made 25 State of mind of representor 61 Express representations 25 Intention and motive of representor 61 Implied and inferred representations 26 When non-belief must exist 62 Representations implied from conduct 26 Representor's duty when he discovers statement was false 62 Bribery 31 Representor's duty when statement becomes false 63 Other implied representations 33 Innocent misrepresentation 63 Misrepresentations to lead underwriter 33 Absence of reasonable grounds compatible with innocence 63 Implied representations to surety Gross negligence not fraud 64 Chapter 4 Misrepresentation Irrational belief not fraud 65 Falsity in fact Forgetfulness will not support charge of fraud 65 Onus of proof Negligent representation may nevertheless support an action for damages Substantial falsity essential 66 Error in unimportant details Chapter 6 Inducement and materiality 40 67 Falsity must go to the fact represented Actual inducement necessary 41 67 Inconsistency is not falsity Two aspects of inducement 41 68 When falsity must exist Intention insufficient if actual inducement not shown 41 68 Continuing representations Intention to induce also necessary 42 69 Supervening events Representation may be spent 43 70 Meanings relevant for different issues Intention may be inferred 44 72 Representation prima facie has its natural meaning Representation where no obligation to speak the truth 44 73

45

Other inducing causes irrelevant

Ambiguous representations

Contents

Speculation as to effect of truth or silence not permitted	76
Complex representations	79
Representee must establish meaning	80
Materiality	80
Inducement and materiality separate questions	81
The natural result must be to induce the representee	84
Where there are no special circumstances	84
Is materiality a separate element in a cause of action for deceit?	84
Materiality and innocent misrepresentation	86
Special circumstances	87
Burden of proof	89
All the circumstances to be considered	89
Chapter 7 Change of position and damage	91
Relevant transactions	91
Actionable damage	92
Burden of proof: questions of law and fact	94
Chapter 8 Parties: the representor	95
Passing on representation of another	96
Vicarious liability	96
Actual authority of agent	98
Ratification	99
Company directors	(51)
Co-agents and sub agents	100
Forgery by agent	101
Principal cannot profit from fraud of agent	101
Fraud by corporation	102
Corporations: share subscriptions	103
Divided responsibility	103
Divided responsibility: large organisations	104
Agent committing fraud on principal	105
Fraudulent agent jointly and severally liable with principal	106
Damages for innocent misrepresentation - liability of agent	106

		-227	1		42000		1.	
Liability	10	a	principal	tor	an	agent's	negligent	
misrepres	entati	ions						106

Burden of proof and questions of fact and law		106
Chapter 9	Parties: the representee	109
D'	scontocs and their naincinals	100

Direct representees and their principals	109
Indirect representees	110
Class to whom representation is addressed	110

'Stock Exchange' misrepresentations	112
Burden of proof	113

Questions of law and fact		114
Chapter 10	When misrepresentation actionable	115

Questions of law and fact

Introduction	115
Damages for innocent and negligent misrepresentation	115
Rescission for innocent misrepresentation	115

Compensation in specific performance cases	110
Wisrepresentation of authority	110
Performance of ministerial duty at request of another	116

Chapter 11 The action for deceit	119
Parties	120
Standard of proof	120

Defences in actions for deceit	121
Representee's knowledge of the truth	121
Knowledge of agent	123

No duty on representee to enquire	124
Exclusion clauses	125
Avoidance of contract	127

Lord Tenterden's Act	127
Requirement for personal signature	129

Illegality	131
Statutory defence for issuers of traded securities	132
Contributory negligence	132

Contribution	132
Winding-up of corporation	133

Contents

Contents		
Release	133	Measure of damages
Limitation of liability	134	Damages in lieu of rescission
Chapter 12 Damages for deceit	135	Chapter 14 Rescission for fraud
The tort measure	135	Rescission for misrepresentation act of party not court
Unliquidated damages	136	Contracts induced by misrepresentation are voidable, not void
Principles of assessment: general	136	Representee has power of election
One-sided account	137	Representee not bound to elect unless confronted with choice
Two-sided account	138	An election is final
Contingent liability as damage	140	Election
How value determined	140	Knowledge of the facts
When value determined	141	Independent grounds for rescission
Smith New Court	142	Actual election to affirm
Loss due to supervening cause	144	Actual election to rescind
Whether loss from inducement or transaction	145	Communication of election
Reduction due to supervening cause	147	Election to affirm – estoppel
Loss of profits	148	Imputed election to affirm
Causation and hypothetical transactions	149	Kammins
Loss of chance	150	Peyman v Lanjani
Other recoverable consequential losses	151	Imputed election – unequivocal conduct
Exemplary damages	152	Imputed election not based on estoppel Exceptions to general rule that election must be communicated
Some miscellaneous principles	152	
Minors	153	Chapter 15 Rescission for innocent misrepresentation
Effect of contract on damages	154	Rescission for innocent misrepresentation under MA 1967
Concurrent claims by companies and individuals	154	Executory contracts
Unrealised benefits	155	Executed contracts
Equitable compensation	156	Damages in lieu of rescission
Chapter 13 The action for damages for innocent misrepresentation	159	Effect of assignment
Categories of misrepresentation	160	Damages in lieu of rescission: quantum Whether rescission or subsisting right to rescind necessary
Representee must be party to contract	160	
Defence of reasonable belief	160	Chapter 16 Action to enforce rescission
Contributory negligence	162	Rescission at law and in equity
Lord Tenterden's Act	163	Rectification as alternative to rescission
Exemption clause	163	Rescission must be total

Contents

Contents Rescission by guarantors Chapter 18 Misrepresentation as defence 197 Enforcing rescission 198 Specific performance Action to enforce rescission 198 Specific performance granted to representor subject to compensation Contents of order 199 Specific performance at suit of representee Restitution 200 Election before suit not required Tracing 202 Where contract void Stock-in-trade and livestock 202 Impersonation Specific property 203 Plea of non est factum Rescinding party not bound to maintain property 204 Misrepresentation as to exemption and other clauses Improvements and depreciation 205 Where defence of rescission available against assignee Services 206 Fraud as invalidating cause independent of reliance Money had and received 207 Fraudulent insurance claims Company cases 208 Principle not extended Sales by order of the court 208 Fraud subsequent to contract Repossession of goods 208 Claims for apportionment or contribution Misrepresentation and marriage 209 Chapter 19 Statutory provisions for misrepresentation Persons entitled to enforce rescission 209 Prospectuses The persons liable to proceedings to enforce rescission 211 Misrepresentations in company prospectuses Assignments of choses in action 211 The persons to whom the action is given Negotiable instruments

. 1 1	213	What must be alleged and proved by a claimant	240
nterests in land or personal property	213	Affirmative defences	241
Rescission against party other than representor	214	Affirmative defence of reasonable belief in truth	241
Rescission against original party other than representor	214		241
Chapter 17 Rescission – affirmative defences	210	Affirmative defences for statements by others	242
	219	Affirmative defence: knowledge of the truth	242
Representee's knowledge of the truth	219	Statutory remedy	243
llegality	219	Certification of share transfers	1,500
Agreement excluding power of rescission	219		243
		Sales by auction	244
Affirmation	222	Sale of Land by Auction Act 1867	244
Rescission unjust to representor or third parties	222	Sale of Goods Act 1979	245
iquidation of company	224		243
		Auctions (Ridding Agreements) Act 1927 and Auctions (Ridding	

226

228

The persons liable

Agreements) Act 1969

Land Registration Act 2002

Delay

MA 1967

Tangible movables

246

246

Contents

229

229

230

230

231

231

231

232

233

233

233

235

235

236

236

239

239

239

240

Contents Contents Chapter 22 Negligent misrepresentation 275 Partnership Act 1890 247 Chapter 20 Misrepresentations actionable by third parties Control mechanism: special relationship 276 249 Tests for special relationship English judgments procured by fraud 277 249 Inconsistent duty excludes special relationship 279 Innocent misrepresentation 250 Reliance must be reasonable English judgments in rem 280 250 Domestic decrees in divorce Control mechanism: voluntary assumption of responsibility 280 250 Remedy to be sought by action Control mechanism: relationship equivalent to contract 284 252 Parties negotiating for contract or in contractual relationship Fraud by corporation 285 253 Fresh facts sufficient without proof of diligence 286 Disclaimer 254 Slip rule not available for fraud Control mechanism that failed: Evatt and the requirement of 255 289 special skill Consent judgment may be set aside for misrepresentation 255 The rejection of Evatt 289 Foreign judgments procured by fraud 255 The control mechanism that proved unnecessary: financial inter-Foreign judgments in rem 256 290 est of adviser Setting aside awards 257 291 Control mechanism: special access to information Misrepresentation to public authorities 258 Control mechanism: statements on social or casual occasions 293 What must be proved 259 Control mechanism: impromptu answers 293 Principles now of limited importance 260 295 Remote representees Passing off 260 Duty to indirect representees: valuers and others 295 Patents 261 No general duty to indirect representees 297 Representations to Parliament 261 No duty to remote representees 299 Compulsory purchase orders procured by fraud Control mechanism: purpose and intention of representor 301 Fraudulent misrepresentations to third party Statutory duty to provide information 304 Negligent misrepresentation to third party Control mechanism: duty to closed class - Reeman 306 Fraud as element in other torts 263 Critique of Reeman 306 Secret profits obtained by misrepresentation to third parties 263 Public authorities: policy statements 309 Misrepresentations which disentitle representor to relief against Official action as representation 311 third party 263 Duty of care in exercising discretionary powers 312 Payments by third party to discharge debt 266 Negligent misrepresentation in exercising statutory powers 314 Chapter 21 Pleading and practice 267 Misfeasance in public office 316 Action to be tried as a test action 271 Critique of Welton 317 Proceedings commenced under alternative procedure 272 319 Liability of planning authorities under Hedley Byrne Arbitration 272 No distinction between information, advice, forecasts and Anti set-off clauses 320

273

threats

Contents

Nature of du	aty	321
No new duti	es of disclosure	321
Reliance cau	sing economic loss to third party	322
Liability of b	parristers for negligent advice	323
Immunity of	witness	323
Appendix A	Extracts from Tenth report of the law reform committee (innocent misrepresentation)	325
Appendix B	Statutory extracts	329
Index		331

Key to abbreviations

For ease of reading, case names are frequently referred to in abbreviated form. For those cases where the abbreviation is not taken from the first word in the name, the list below will assist readers in finding the complete reference in the table of cases. The underlined word is the preferred abbreviation.

Western Bank of Scotland v Addie
Commercial Bank of Australia Ltd v Amadio
County NatWest Bank Ltd v Barton
National Commercial Banking Corpn of Australia Ltd v Batty
Pacific Associates Inc v Baxter
Barclays Bank plc v Boulter
Smith v Eric S Bush and Harris v Wyre Forest DC

Solo Industries UK Ltd v Canara Bank

The Chevron North America New Brunswick and Canada Rly and Land Co v Conybeare

Australian Steel & Mining Pty Ltd v Corben
Mutual Life & Citizens Assurance Co Ltd v Evatt

Re Metropolitan Coal Consumers' Association, Karberg's Case Central Rly Co of Venezuela v Kisch

West London Commercial Bank v <u>Kitson</u>
R Lowe <u>Lippmann</u> Figdor & Franck v AGC Ltd
Rich (Marc) & Co AG v Bishop Rock Marine Co Ltd
Bristol and West Building Society v Mothew

Barclays Bank plc v O'Brien
Uxbridge Permanent Benefit Building Society v Pickard

Re Reese River Silver Mining Co Law Society v Sephton & Co R Leslie Ltd v Sheill

William Sindell plc v Cambridgeshire CC