

Statute of Frauds

by Sophia



WHAT'S COVERED

In this lesson, you will learn about a particular law that serves an important role in contract enforcement. Specifically, this lesson will cover:

1. Purpose of the Statute of Frauds

As a general rule, a contract need not be in writing to be enforceable.

➔ **EXAMPLE** An **oral agreement** to pay a high-fashion model \$1 million to pose for a photograph is as binding as if the language of the deal were printed on vellum and signed in the presence of twenty bishops.

Note that an agreement that is spoken and not written is called an oral agreement, not a “verbal” agreement. While commonly heard, this usage of “verbal” is incorrect because the word “verbal” means “of words” and can be either written or spoken.

For centuries, however, a large exception has grown up around the **Statute of Frauds**, first enacted in England in 1677 under the formal name “An Act for the Prevention of Frauds and Perjuries.”

As may be evident from the title, the purpose of the Statute of Frauds is to prevent the fraud that occurs when one party attempts to impose upon another a contract that did not in fact exist. The law thus aims to provide evidence, in areas of some complexity and importance, that a contract was actually made. To a lesser degree, the law also serves to caution those about to enter a contract.



TERMS TO KNOW

Oral Agreement

A meeting of the minds that is expressed in spoken but not written words. An oral agreement that meets the other requirements of a contract (legality, capacity, and consideration) is legally enforceable unless it falls under the Statute of Frauds’ requirements for a writing.

Statute of Frauds

Legislation that requires certain types of contracts to be in writing such as a contract involving real estate, a contract in consideration of marriage, a contract that cannot be performed within one year, a contract to answer for the debt of another, a contract to make a will, or a contract involving the sale of goods for \$500 or more. There are certain exceptions to this requirement, such as when performance has been completed or where there has been promissory estoppel.

2. Application of the Statute of Frauds

Today, all 50 states have some form of a Statute of Frauds. In general, the types of contracts that most states require to be in writing include:

1. A contract in consideration of marriage, including prenuptial agreements.
2. A contract involving an interest in real estate, including sale or lease of land and mortgages.
3. A contract involving a particular service that cannot be fully performed within one year of the contract's finalization.
4. A contract to answer for the debt of another. This is called a "surety" contract, such as co-signing a loan.
5. A contract by the executor of a will to pay a debt of the estate with his or her own money.
6. A contract for the sale of goods exceeding \$500 (as stated in the Uniform Commercial Code).

There are some exceptions to the Statute of Frauds where a contract will be enforced even if it falls into one of the listed categories and is not in writing.

In the case of part performance, where a party relied on the contract and began to perform with the knowledge of the other party (who benefitted from the performance), the contract will be enforced to avoid an injustice.

Where a contract cannot be completed within a year but was fully performed, a court may enforce it because a court may consider full performance to be strong evidence of a contract.

In a situation where all parties admit to the existence of the contract, it may be enforced despite the lack of a writing. In addition, there is always **promissory estoppel** that acts as an exception to the Statute of Frauds.



TERM TO KNOW

Promissory Estoppel

A legal doctrine that allows a person to recover in contract when a promise has been made and that person has detrimentally relied on the promise. An example would be a promise to convey real estate to a party in possession who has made substantial improvements to the property in reliance on the promise.



SUMMARY

In this lesson, you learned that the **purpose of the Statute of Frauds** is to avoid the fraud that occurs when one person attempts to impose upon another a contract that did not really exist. You also learned that the **the Statute of Frauds can be applied** across several types of contracts, but that there are notable exceptions to the law that allow the contract to be enforced.

Best of luck in your learning!

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