

ZAMBIA STATE INSURANCE CORPORATION LTD. AND HELMOS TRANSPORT LTD. v JOSEPH CHANDA (TRADING AS LINK EXPRESS MOTORWAYS) (1990 - 1992) Z.R. 175 (S.C.)

SUPREME COURT
NGULUBE AG. C.J., SAKALA AND CHAILA J.J.S.
29TH OCTOBER AND 8TH DECEMBER, 1992.
(S.C.Z. JUDGMENT NO. 9 OF 1992)

Flynote

Contract-Release agreement-Accord and satisfaction - Effect on right of action.

Headnote

The case arose out of a claim against the first appellant under the principle of subordination as insurer of the second appellant. The respondent was awarded damages for the loss of use of an omnibus following a road traffic accident involving the second appellant's vehicle. The appellants' arguments on appeal are based on a release agreement signed by the respondent upon the request of the first appellant to forgo any further claims against the appellants upon receipt of the costs for repairing his omnibus. The Court discussed the implications of such an agreement in equity and law.

Held:

As there was no valuable consideration to render the release agreement binding upon execution, the respondent was not stopped from claiming his right to damages for the loss of use of the omnibus.

Cases referred to:

- (1) British Russian Gazette and Trade Outlook Ltd. v Associated Newspapers, Ltd. [1933] 2 K.B.6161.
- (2) Foakes v Beer [1884] A.C. 605.0
- (3) D. & C. Builders Ltd. v Rees [1966] 2 Q.B. 617.
- (4) Central London Property Trust Ltd. v High Trees House Ltd. [1956] 1 All E.R. 256.

p176

- (5) Lusaka West Development Co. Ltd. and Others v Turnkey Properties Ltd (1990-92) Z.R. 1.

Other works referred to:

Chitty on Contracts, General Principles (25th ed.).

For the appellants: S. Akalutu, ZSIC.

For the respondent: D. M. Luywa of D. M. Layaja and Co.

Judgment

NGULUBE, AG. C.J.: delivered the judgment of the Court.

For convenience we will refer to the respondent as the plaintiff and the appellants as the first and second defendants. The first defendant was made a party under the principle of subordination as an insurer of the second defendant.

The plaintiff's omnibus was damaged in a road traffic accident attributed to the negligence of the second defendant's servant or agent who drove the other vehicle which was in collision with the plaintiff's omnibus. The matter was referred to the first defendant who requested the plaintiff to obtain three quotations. The first defendant paid the repair costs based on the lowest of the quotations. The plaintiff asked to be paid for the loss of use of the omnibus but this was resisted by the defendants on the basis that when the repair costs were paid to the plaintiff, he had signed a form of release which included the following term:

"I/We hereby release and forever discharge and indemnify HELMOS transport and/or the Zambia State Insurance Corporation impeded from all claims competent to me/us whether now or hereinafter to be manifest relating to personal injuries, damages, loss of use of my/our vehicle ACC 4405 or consequential loss of any nature, and all actions or suits at law of whatsoever kind of nature, for or because of any matter or thing done, omitted or suffered to be done by HELMOS Transport prior to and including the date hereof."

The learned trial judge heard evidence and accepted the plaintiff's averment that at the time of accepting the cheque for repair charges and signing the release form the plaintiff had insisted that he would like to be compensated for the loss of use and he was verbally assured he could still make such claim. There was evidence from the plaintiff which the learned trial judge accepted that an official of the first defendant had told the plaintiff that while the first defendant would pay for the repairs the plaintiff must look to the second defendant for the loss of use. It was also common ground that the release form was signed by the plaintiff alone; that it was marked 'without prejudice' and that the first defendant's covering letter forwarding the cheque for repairs indicated that it was in respect of the repairs only. The learned trial judge was not impressed by the defendant's case based on the release form and entered judgment for the plaintiff for the loss of use to be assessed by the deputy registrar. It is against such judgment that the defendants have appealed to this Court.

We heard much argument in which Mr *Akalutu* advanced a number of legal propositions to the effect that a release agreement will discharge the other party's right of action for any balance and that a document of this kind need only be signed by the party to be estopped from renegeing on the agreement. There were also arguments that a written agreement

p177

should not be contradicted by oral evidence. These propositions, valid as they were, were not the issue in themselves and the answer to the problem raised lay in considering in what circumstances, in law and in equity, a claimant may be prevented from resiling from a release agreement. This presupposes that there was a valid and enforceable release, in the instant case, by accord and satisfaction.

One of the best definitions of accord and satisfaction was that formulated by Scrutton, L.J. in *British Russian Gazette and Trade Outlook Ltd v Associated Newspapers, Ltd.* [1] where he said, from page 643 -

"Accord and satisfaction is the purchase of a release from an obligation whether arising under contract or tort by means of any valuable consideration, not being the actual performance of the obligation itself. The

accord is the agreement by which the obligation is discharged. The satisfaction is the consideration which makes the agreement operative."

In the further discussion of the foregoing which follows, it should be borne in mind in this case that it was never in dispute that, in the ordinary course and at common law, the plaintiff was clearly entitled to damages for loss of use against the tortfeasor in any event. One question which arises is whether there was any valuable consideration for the agreement. Mr *Akalutu* contended that such consideration consisted of the defendant's agreeing to pay the repair charges without obliging the plaintiff to litigate. But the plaintiff was already on firm ground as far as liability was concerned and no question had been put forward by the defendants to the effect that there was any dispute. As this case demonstrates, the plaintiff was not reluctant to go to court. The position of the parties to this appeal could be likened to that between a creditor and a debtor: in general, a promise by the debtor to pay only part of the debt provides no consideration for the accord since it is merely a promise to perform part of an existing duty owed to the creditor. The part payment would in the circumstances also not be satisfaction. See for instance *Foakes v Beer* [2] the rule in which was followed in the case of *D. C. Builders Ltd. v Rees* [3]. In the latter case, Winn, L.J. said, at page 632:

"In my judgment it is an essential element of a valid accord and satisfaction that the agreement which constitutes the accord should itself be binding in law, and I do not think that any such agreement can be so binding unless it is either made under seal or supported by consideration. Satisfaction, viz, performance, of an agreement of accord does not provide retroactive validity to the accord, but depends for its effect upon the legal validity of the accord as a binding contract at the time when it is made."

We respectfully concur with Winn, L.J. We are aware that it may be argued that the part payment of debt rule at common law should not apply where a claim is unliquidated since the Court would normally not be concerned with the adequacy of consideration. However, the position in this case was more like the case of a creditor who has two claims, one liquidated (the repair charges) and the other unliquidated (the loss of use claim). In such a situation, if the debtor pays only the liquidated amount about which there is no dispute as to liability, the payment cannot constitute consideration for a promise by the creditor to accept such payment in full settlement of both claims: see the discussion at para. 214 Chitty on Contracts, General Principles, 25th ed.

p178

Whether it is described as a compromise or release agreement or accord and satisfaction, there was in this case no valuable consideration given by the defendants. Although, therefore, a genuine compromise could raise an estoppel on the principle articulated in *Central London Property Trust Ltd. v High Trees House Ltd.* [4] a party to an arrangement who subsequently insists on his or her legal rights can only be barred from his or her legal rights when it would be inequitable for him or her to insist upon them. In the *High Trees* case, the landlords accepted lower rents which were mutually negotiated with the tenants most of whom had deserted their flats to escape the bombings during the war and both sides acted upon the agreement. It was held that the original higher rent could not have been successfully claimed in respect of the period of war covered by the mutual agreement. Here, in this case before us, it is not inequitable for the plaintiff to insist upon his legal rights when he had received no consideration for the release agreement and there was thus no true

accord. What is more, the facts accepted below showed that, far from abandoning his other claim, the plaintiff made it plain he was insisting on the claim for loss of use and he received assurance that he could still pursue such claim. He may have been misled or induced by such an assurance so that it is inequitable for the defendants to take advantage and seek to enforce a gratuitous agreement which was patently unconscionable from any point of view. Equity requires that parties come with clean hands; the defendants' hands were not clean.

There was another argument based on the fact that the release form was marked 'without prejudice'. In view of what we have already said, it is unnecessary to dwell on this point save to point out that we still abide by the observations on such documents which we made in *Lusaka West Development Co Ltd. and Others v Turnkey Properties Ltd.* [5]. The general rule is that such a document is inadmissible although, had it been necessary to belabour the point here, we might have considered this an appropriate case to make an exception since the whole of the defendants' case rested on the alleged settlement based on the release form. The agreement alleged must fail on the other grounds discussed.

It follows that the appeal is unsuccessful and we uphold the learned trial judge. The plaintiff will have his costs to be taxed in default of agreement.

Appeal dismissed.