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**CASE COMMENT: HYDE V WRENCH**

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**Prapti Raut\***

**INTRODUCTION**

A counter-offer is an offer made in response to another offer that, in terms of contract law, has the effect of rejecting the first offer and recommending new terms. A landmark case in English contract law that clarifies the legal ramifications of a counter-offer is *Hyde v. Wrench*.<sup>1</sup> The court's ruling in this case established that a counter-offer nullifies the initial offer and prevents its subsequent acceptance, as it is considered a rejection of the initial offer. The case continues to be a cornerstone in contract law, demonstrating the significance of clear acceptance for the construction of legally enforceable agreements. According to Section 7 of the Indian Contracts Act, for an acceptance to be legally binding, it must be unconditional and complete.<sup>2</sup> This principle is essential for comprehending the dynamics of offer and acceptance in contract formation which is laid down in section 2(a) of the Indian Contracts Act, 1872.<sup>3</sup>

This case also emphasizes how crucial it is for parties to a contract to communicate clearly with one another. It emphasizes that in order for a contract to be legally valid, any changes made to the original terms must be expressly approved by both parties. This guarantees mutual understanding and clarity, which are essential for upholding contractual duties and averting conflicts.

**FACTS OF THE CASE**

In *Hyde v. Wrench*,<sup>4</sup> the plaintiff, Mr Hyde, was first offered £1,200 by the defendant, Mr Wrench, to sell his Luddenham estate through an agency. Mr. Hyde turned down this offer. On June 6, 1840, Mr Wrench then made another offer to sell the estate for £1,000, with the caveat that this was the last one and that he would consider other applications if the £1,000 was not deposited in the bank by Michaelmas. Until then, the land would be exempt from

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\*BA LLB, SECOND YEAR, MAHARASHTRA NATIONAL LAW UNIVERSITY, MUMBAI.

<sup>1</sup> *Hyde v Wrench* (1840) 49 ER 132.

<sup>2</sup> Indian Contracts Act 1872.

<sup>3</sup> Supra Note 2.

<sup>4</sup> Supra Note 1.

all taxes and penalties.

Mr Hyde made a counter-offer of £950. Mr. Wrench took a few days to consider it and communicated with Mr. Hyde, stating that he was awaiting a response from his tenant. In a letter to Mr. Hyde dated June 27, Mr. Wrench declined the counteroffer and expressed his unwillingness to sell for the low price. After that, Mr Hyde accepted the £1,000 initial offer and asked Mr Wrench to give his legal representative the go-ahead to proceed with the sale.

Mr. Wrench declined to give Mr. Hyde the land in spite of this. As a result, Mr. Hyde claimed that the offer had not been withdrawn prior to his acceptance and launched a lawsuit demanding specific performance of the contract. In response, Mr. Wrench filed a general demurrer to the particular performance lawsuit.

## LEGAL ISSUES

1. Can the original offer be accepted after a counteroffer has been made and rejected?
2. Was there a binding contract formed between Mr. Hyde and Mr. Wrench?
3. If the defendant, Wrench, has breached the contract by refusing to sell the farm to Hyde (Plaintiff)?<sup>5</sup>

## CONTENTIONS

### From the Plaintiff's side

From the plaintiff's point of view, Mr Hyde contended that his acceptance of the initial £1,000 offer was legitimate and legally enforceable, claiming that Mr Wrench had not formally retracted the offer prior to his acceptance. Mr. Hyde requested particular execution of the contract, arguing that Mr. Wrench was required to sell him the estate in accordance with those conditions because the £1,000 offer was still available for consideration at the time he accepted it.

### From Defendant's Side

MrMrench, representing the defendant, contended that MrMryde's counter-offer of £950

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<sup>5</sup>Case Analysis: Hyde v. Wrench' (LawBhoomi, 1 June 2023) [https://lawbhoomi.com/case-analysis-hyde-v-wrench/#Rule\\_and\\_Analysis](https://lawbhoomi.com/case-analysis-hyde-v-wrench/#Rule_and_Analysis)

amounted to a rejection of the initial £1,000. He maintained that the initial offer was essentially withdrawn by this denial, making it unavailable for acceptance. As a result, Mr. Wrench thought the parties had no legally enforceable agreement because Mr. Hyde's acceptance of the initial offer could not bring the original offer back. The court noted that making a counter-offer does, in fact, amount to rejecting the initial offer; once an offer is turned down, it is final and cannot be accepted again unless the original offeror makes a new one. Since Mr. Wrench did not make a second offer of £1,000, the court decided in his favour finding that there was no legally enforceable agreement.

### **COURT'S OBSERVATION**

Lord Langdale, presiding over the court, noted that Mr Hyde had effectively rejected Mr. Wrench's initial offer of £1000 when he offered a counter-offer of £950. "I do not know what is," said Lord Langdale, "if this [counter-offer] is not a rejection of the offer." The court also held that an offer is dead when it is rejected and cannot be resurrected by another acceptance. In this instance, Mr. Wrench had the option to accept or reject Mr. Hyde's counteroffer which constituted a fresh proposal. The first offer was no longer available when Mr Hyde tried to accept it later.

### **JUDGEMENT**

The court made its decision in favour of Mr Wrench based on these findings. It was determined that the parties had not created a legally binding contract. Lord Langdale held: "Under the circumstances in this bill, I think there exists no valid binding contract between the parties for the purchase of the property."<sup>6</sup> The breach of contract claim made by Mr. Hyde was rejected. According to the ruling, there was no legally enforceable contract between Mr. Wrench and Mr. Hyde, hence Mr. Wrench was not required to sell his estate to Mr. Hyde for £1,000 as per the ruling. The court decided that Mr. Hyde's attempt to accept the initial offer was unsuccessful because his counteroffer removed his ability to do so.

### **ANALYSIS**

A fundamental tenet of contract law was established by the Hyde v. Wrench case: an acceptance must be unconditional and absolute in order to be enforceable. This means that the provisions of the initial offer, in their entirety, must be accepted by the offeree. A

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<sup>6</sup> Supra Note 5.

counter-offer is made when the terms and circumstances of the initial offer are changed; this essentially ends the original offer. Because it guarantees mutual consent and clarity in contractual agreements, this idea is essential.

Mr. Hyde's counter-offer of £950 in *Hyde v. Wrench* was obviously an attempt at bargaining, changing the conditions of Mr. Wrench's initial offer of £1,000. As per accepted legal notions, the initial offer was rejected by this counter-offer. An offer cannot be resurrected and accepted later if it is rejected by a counter offer unless it is specifically renewed by the original offeror. Since Mr. Hyde's counteroffer had effectively ended the offer, his subsequent attempt to accept the initial £1,000 deal was void.

Again emphasizing the need for unambiguous mutual assent, the court in *Tinn v. Hoffman & Co.*<sup>7</sup> determined that there was no contract because the offer and acceptance were not communicated clearly. The ruling in *Badrilal v. Municipal Council of Indore*<sup>8</sup> by the Supreme Court further established that no contractual duties arise between parties when an initial offer is approved following the denial of a counterproposal. The court emphasized that negotiations have not concluded and no legally enforceable agreement has been made unless there is an unconditional acceptance.

## COMMENTS

*Hyde v. Wrench* is a seminal case that clearly illustrates the importance of absolute and unqualified acceptance in contract formation. Since acceptance is the cornerstone of a legally binding agreement between parties, its significance in the Contracts Act is fundamental. The Indian Contract Act, 1872 states in Section 7 that acceptance must be unconditional and total. This clause emphasizes that in order for a contract to be binding, the terms of the offer must be explicitly and unequivocally accepted. In the *Hyde v. Wrench* case, the plaintiff declined the defendant's initial offer of £1,000 right away. Rather, the plaintiff countered with a £950 offer. According to the legal precept that a counter-offer is deemed to be a rejection of the first offer, this counter-offer essentially rejected the first offer.

In this instance, I completely agree with the court's decision and conclusion. The decision is a crucial reminder that any change to the original terms renders the original offer void, even if it takes the shape of a counteroffer. This rule guarantees that contracts are created on the

<sup>7</sup> *Tinn v Hoffman & Co* (1873) 29 LT 271 (Ex Ch).

<sup>8</sup> *Badrilal v Municipal Council of Indore* (1973) 2 SCC 388.

basis of clear terms and mutual consent, upholding the integrity of the offer-and-acceptance procedure. As such, the court's ruling upholds the essential principles of contract law, encouraging equity and transparency in business transactions, in addition to being legally sound.

## CONCLUSION

In contract law, the *Hyde v. Wrench*<sup>9</sup> case is a seminal ruling that highlights the ramifications of counteroffers. The decision made it clear that an initial offer that is turned down by a counteroffer cannot be taken back unless it is specifically repeated. This case serves as an example of how crucial it is for contracts to be formed with explicit and unequivocal approval, guaranteeing that all parties are in complete agreement. The decision rendered in this case has had a long-lasting effect on contract law by reiterating that in order to establish legally enforceable agreements, there must be complete and unqualified acceptance, protecting the integrity of contractual talks.



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<sup>9</sup> Supra Note 1.