

CASE DIGEST

CONTRACT; CONTRACTUAL DOCUMENT; MEMORANDUM OF UNDERSTANDING (MOU): THE CONTENTS OF AN MOU DETERMINE ITS BINDINGNESS ON PARTIES.

EAGLE SIGHT LIMITED v. ROTBAMS
NIGERIA LIMITED

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EAGLE SIGHT LIMITED v. ROTBAMS NIGERIA LIMITED

(BADA; SIRAJU; AFFEN, JJCA)

Eagle Sight Limited (Appellant) is a clearing, forwarding and haulage company and owner of a Mack Trailer with Reg. No. XP 19 KRD. Sometime in April 2011, the trailer was contracted to convey a 40ft container containing raw materials from Apapa Wharf to Rotbams Nigeria Limited (Respondent) premises at Ogba Industrial Estate, Ikeja, Lagos for a fee. The trailer broke down somewhere along the way and was impounded by officials of LASTMA who towed it to their premises. A fine was subsequently imposed, and the trailer's release was contingent upon payment of the fine. Mr Lawrence Egwuon (the driver) who needed money to pay the fine, requested and received the sum of ₦150,000 from the Respondent for that purpose and gave an undertaking in writing to return the money. The fine was paid but the mechanical fault that occasioned the breakdown of the trailer could not be readily fixed, whereupon the broken-down trailer was towed (along with its consignment) from LASTMA office to the Respondent's premises where the consignment was eventually offloaded. The trailer remained at the Respondent's premises for quite some time, and the parties exchanged correspondence. The Appellant alleged that the trailer was wrongfully detained by the Respondent for five months and that its solicitor paid several visits to the Respondent's premises in a bid to secure the release of the trailer to no avail. The Appellant by a writ of summons subsequently initiated a suit claiming against the Respondent certain reliefs.



The Respondent counterclaimed. Upon the conclusion of trial, the High Court of Lagos State (trial court) dismissed the main claim but entered judgment in terms of the counterclaim and in favour of the Respondent. Aggrieved by the decision of the trial court, the Appellants appealed to the Court of Appeal. One of the issues raised for determination by the Appellants is: *Whether the Respondent be bound by the Memorandum of understanding entered between the Appellant and its trailer driver entitling the Appellant to escape vicarious liability for their driver's negligence.*

Learned Counsel for the Appellant argued that Clauses 1 - 10 of the Memorandum of Understanding (MoU) clearly established a relationship of independent contractor in favour of the driver of the Trailer; and that the MoU is complete and final with nothing to await formal contract and maintained that the elements of a valid contract are complete in the MoU. Learned Counsel further stated that the MoU which sets out the respective obligations of the parties and allowed the driver free hand to operate the Appellant's vehicle was binding on the parties, and the court's duty is merely to interpret the agreement in light of what the parties agreed and urged the court to hold so.

Learned Counsel for the Respondent on the other hand contended that no probative value should be attached to the MoU for being plagued by several defects, and maintained that it is a mere MoU that is not even binding on the parties, and that moreso, having not been informed of the existence of the MoU at the point of consummating the haulage contract, the Respondent cannot be bound by the MoU in much the same way an agreement between a contractor and his employer prohibiting subcontracting does not bind a subsequent subcontractor and urged the court to so hold.

In resolving this issue, the Court of Appeal held that:

Even though a letter of intent or MoU generally speaks to the future happening of a more formal relationship between the parties and the steps each party needs to take to bring that intention to reality, the intention of the parties is to be garnered from the actual contents of the MoU. Thus, a contractual document may be labelled as a letter of intent or MoU when it is in fact a complete agreement between the parties setting out their respective rights and obligations with nothing left to be done at a later date. Thus, the MoU is binding between the Appellant and the driver/operator of the trailer, but whether that bindingness extends to a third party (such as the Respondent), or the MoU can be given effect in the manner the Appellant sought to do before the lower court is a different matter entirely.

Issue resolved in favour of the Respondent.

Helen Christian, Esq., for the Appellant
Biobaku Oramiyan, Esq., for the Respondent

This summary is fully reported at (2023) 1 CLRN.

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