These notes refer to the Contracts (Rights of Third Parties) Act 1999 (c.31) which received Royal Assent on 11 November 1999

CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

EXPLANATORY NOTES

SUMMARY

3. The Act reforms the rule of "privity of contract" under which a person can only enforce a contract if he is a party to it. The rule means that, even if a contract is made with the purpose of conferring a benefit on someone who is not a party to it, that person (a “third party”) has no right to sue for breach of contract.

4. The Act sets out the circumstances in which a third party is to have a right to enforce a term of the contract (section 1), the situations in which such a term may be varied or rescinded (section 2) and the defences available to the promisor when the third party seeks to enforce the term (section 3). It makes it clear that section 1 does not affect the promisee’s rights, or any rights that the third party may have which are independent of the Act (sections 4 and 7(1)). The Act does not apply to certain contracts (whether wholly or partially) (section 6).