A NEED FOR THE CODIFICATION OF THE PRINCIPLE OF GOOD FAITH IN MALAYSIA, PARTICULARLY IN CONSUMER AND COMMERCIAL CONTRACT:

A COMPARATIVE STUDY WITH UNITED KINGDOM AND UNITED STATES.

By

Ahmad Najmi Bin Mohd Yusoff	(2011648196)
Abdullah Azman Bin Abdullah Suhaimi	(2011424118)
Mohd Safwan Bin Saleh	(2011838514)
Muhd Afia Farhan Bin Aziz	(2011667756)

Submitted in Partial Fulfillment of the Requirements for the Bachelor in Legal
Studies (Hons)

Universiti Teknologi MARA Faculty of Law

December 2013

The students/ authors confirm that the work submitted is their own and that appropriate credit has been given where reference has been made to the work of others.

ACKNOWLEDGEMENT

The principle of good faith had assumed increasing importance to those engaged in contractual relationship. The primary purpose of this research is to provide suggestions and recommendation for the implementation of the doctrine of good faith in Malaysia in the form of codification. We provide comparison with the standing in Malaysia, United States and United Kingdom jurisdictions in hoping that it will be able to give overviews on how the said principles are adopted, applied and enforced.

Though this research does not discuss all aspect of the principle of good faith nor does it cover every single section of the related statutes, nevertheless efforts and writing has been continuously made to complete this very research.

It is hoped that this research will provide useful guidance to students, academician, various government enforcement agencies, legal fraternities and also public at large. It is further hoped that this research would contribute to the further development of good faith in the country.

We have taken efforts in completing this research. However, it would not have been possible without the kind support and help of many individuals. We would like to extend our sincere thanks to all of them.

First, we would like to express the deepest appreciation to our advisor, Mrs. Rahimah Bee Binti Yusof who has shown the attitude and the substance of a genius: she continually and persuasively conveyed a spirit of adventure in regard to our project paper, and an excitement in regard to guiding. Without her supervision and constant help this dissertation would not have been possible.

We are also highly indebted to Dr. Sheela Jayabalan and Prof. Madya Dr Irwin Ooi Ui Joo for their guidance as well as for providing necessary information regarding the project & also for their support in completing the project.

Our thanks and appreciations also go to our colleague in developing the project and people who have willingly helped us out with their abilities.

ABSTRACT

This research seeks to provide for a suggestion with regards to the codification of the principle of good faith in Malaysia. This research is conducted due to the fact that the recognition given by the Malaysian jurisdiction as to its application of good faith is only restricted to certain types of contract and thus, limiting its application. This research draws upon mostly primary sources including journals, articles, cases, books, legal reviews, interviews and many more. The other goal of this research is to address the effectiveness of the principle of good faith in providing remedies for the innocent parties in the event of a breach of contract. On the other hand, this research looks into the application, acceptance and enforcement of the principle of good faith in other jurisdictions by comparing the extent of application of good faith itself. By the end of the research, there will be a determination as to whether Malaysia needs to amend the existing statute which governs the contractual agreement by including the principle of good faith into its provision.

TABLE OF CONTENTS

Ackno	wledge	ement	ii	
Abstra	act		iii	
Table	of Con	tents	iv	
List of	f cases		vii	
CHAI	PTER (ONE: INTRODUCTION		
	1.0	Introduction	1	
	1.1 Research Background			
	Problem Statement	3		
	1.3	Research Objectives	4	
	1.4	Research Methodology	5	
	1.5	Scope Of Research	6	
	1.6	Limitations	7-8	
	.1.7	Problems In Research	8	
	1.8	Significance Of Research	9	
CHAI	PTER 7	TWO: THE PRINCIPLE OF GOOD FAITH		
2.0	Defin	ition of good faith	10-	
			11	
2.1	Application of good faith in the United Kingdom			
	2.1.1	Current Position in Common Law	12	
	2.1.2	Early Attempt at introducing Good Faith in Common Law	13	
	2.1.3	Developments of Good Faith in United Kingdom	14-	
			15	
	2.1.4	Conclusion	15	
2.2	Position of Good Faith in United States			
	2.2.1	Uniform Commercial Code	16	
	2.2.2	Various States Acceptance to Good Faith	16-	
			17	
	2.2.3	Conclusion	17	
2.3	Position	on of Good Faith in Malaysia	18	
	2.3.1	Insurance Contracts	18-	

				19	
2.3.2		Hire-Pu	rchase Contracts	19-	
				20	
	2.3.3	Partners	hip Contracts	20-	
				21	
	2.3.4	Conclus	ion	21	
СНА	PTER 7	THREE:	CONSUMERISM LAWS IN UNITE	D KINGDOM,	
			UNITED STATES AND MALAYSIA	4	
3.0	Introd	uction		22	
3.1	Consu	Consumerism In The United Kingdom			
	3.1.1	Introduc	etion	23	
	3.1.2	Consum	nerism Laws of the United Kingdom	23	
		3.1.2.1	Consumer Contract Regulations 1999	23-	
				28	
	:	3.1.2.2	The Unfair Terms Act 1977 (UCTA)	28-	
				33	
	3.1.3	Conclus	sion	33	
3.2	Consu	ımerism Iı	n The United States	34	
	3.2.1	Introduction			
	3.2.2	Consum	34		
		3.2.2.1	Truth in Lending Act 1968	34-	
				35	
		3.2.2.2	Uniform Consumer Credit Code 1974	35-	
				36	
	3.2.3	Conclus	ion	36	
3.3	Consu	merism I	n Malaysia	37	
	3.3.1	Introduction			
	3.3.2	Laws on consumerism in Malaysia			
		3.3.2.1	Direct Selling Act 1993	37-	
				38	
		3322	Consumer Protection Act 1999	38.	