

Contract Disputes in New York

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Navigating contracts can be tricky. Sometimes, you may not even know when something is or is not a contract. This article was written by LawNY to help you better understand your rights and responsibilities in the context of contract law.

First, it is important to understand the basics of contract law. Upcounsel has an easy-to-understand overview of contract law principles here: [Law of Contracts Overview | Upcounsel](#)

Statute of Frauds in New York

The Statute of Frauds in New York requires some types of agreements to be in writing to be valid contracts. If these agreements aren't in writing, a judge might declare that the contract is void.

According to New York General Obligations Law § 5-701, which is the Statute of Frauds in New York, the following contracts need to be in writing:

- Agreements Not Performable Within One Year:
 - If a contract cannot be completed within a year, it must be in writing.
 - For example, if you make a contract with someone to remodel your house and the remodeling project will take more than one year, that contract must be in writing.
- Special Promises:
 - Any promise to answer for the debt, default, or failure of another as a guarantor or surety must be in writing. A guarantee or suretyship agreement is a legal promise made by one party (the guarantor or surety) to be responsible for the debt, obligation, or performance of another party (the debtor) if the debtor fails to meet their obligations.

- The most common example of this is when you co-sign a loan or act as a guarantor for a lease agreement.
- Marriage Consideration:
 - Agreements made in consideration of marriage, such as prenuptial agreements or promises to transfer property upon marriage, must be in writing. If someone says they'll give their house to their fiancé when they get married, this promise has to be written down to be enforceable.
 - Marriage consideration does not include mutual promises to marry. A mutual promise to marry is when two people agree to get married to each other. This type of promise doesn't need to be in writing to count as an agreement.
- Subsequent Promises on Discharged Debts:
 - If someone makes a new promise to pay a debt that has been discharged in bankruptcy, this must be in writing.
- Public Auction Sales:
 - When something is sold at a public auction, there must be a written record that includes details such as what was sold and the price.
 - For example, if a car is sold at an auction, the auctioneer needs to write down the car's details and the final price for the sale to be enforceable.
- Insurance Policy Assignments:
 - Contracts for transferring life, health, or accident insurance policies, or for naming beneficiaries, must be in writing to be valid, except for some industrial insurance policies.
 - For example, if someone wants to transfer their life insurance policy to another person, they need to put it in writing for it to be legally enforceable.
- Compensation for Negotiation Services:
 - Contracts to pay someone for helping negotiate loans, real estate deals, or business opportunities must be in writing to be valid.
 - For example, if a broker is promised a fee for helping arrange a real estate sale, that agreement has to be in writing to be enforceable.

The contract writing doesn't need to be formal. It can be a note or memorandum that includes essential terms, such as:

- The parties involved.
- The subject matter of the contract.

- Important terms (like price or duration).

While the Statute of Frauds requires certain contracts to be in writing, there are exceptions:

- Admission Under Oath:
 - If the party being sued admits in court, through testimony or in their legal pleadings, that a contract was made, the court will consider the agreement enforceable, even without a written document.
- Promissory Estoppel:
 - Promissory estoppel is a legal rule that applies when someone makes a clear promise and another person reasonably relies on that promise only to suffer harm because the promise wasn't kept. For this to apply, the harm caused by breaking the promise must be serious, more than just "unfair" or "unjust." This rule isn't used in every case, and it can't be used to avoid other legal requirements, like written agreements under the Statute of Frauds.
 - For example, a landlord promises to reduce a tenant's rent if they make necessary repairs to the apartment. The tenant, relying on this promise, spends their limited savings to fix things like a broken stove and leaking pipes. The tenant shows the landlord that the tenant made the necessary repairs, but the landlord later refuses to reduce the rent as promised. The tenant could potentially use promissory estoppel to claim damages for the money they spent on repairs because they relied on the landlord's promise in good faith.
- Partial Performance:
 - If someone starts doing what they promised in a contract—like making partial payments or delivering part of the goods—they may still be able to enforce the contract, even if it wasn't fully written down. However, this doesn't apply if the contract can't be finished within a year.
 - For example, a homeowner agrees verbally to pay a contractor for fixing a leaking pipe, with the contractor agreeing to start work in exchange for payment in installments. The contractor begins the repair, spends several hours working, and fixes part of the pipe, but then the homeowner refuses to pay the first installment, claiming no formal written contract exists. In this case, the contractor could argue partial performance, since the

contractor already started the repair. This would mean that the contractor may be able to claim payment for the work done even without a written agreement.

- Merchant Exception:
 - Verbal agreements between merchants can be enforceable if one party delivers goods or sends written confirmation of the agreement's terms, and the other party does not object within ten days. This helps facilitate business transactions between merchants.
 - For example, if a supplier calls a retailer and agrees to ship goods, then sends a written order confirmation, the retailer must object within ten days if they don't want to honor the deal.

Statute of Limitations

A statute of limitations is a law that sets a maximum time period after an event within which legal proceedings must be initiated. Once this period expires, individuals or entities can no longer file a lawsuit or bring a claim related to that event. Statutes of limitations vary depending on the type of claim or offense, and Section 213 of the New York Civil Practice Law and Rules (CPLR) deals with the statute of limitations for contracts and claims.

1. General Rule for Contracts:

- The statute of limitations for most written contracts is six years. This means you have six years from the date of breach to file a lawsuit.

2. Oral Contracts:

- For oral contracts, the statute of limitations is generally three years.

3. Claims Involving a Debt:

- If you're pursuing a claim to recover a debt or money owed under a contract, the six-year limitation applies.

4. Exceptions:

- There may be exceptions to these time frames based on specific circumstances or different types of claims (like fraud or certain torts or the age of the person affected) which could extend or alter the limitations period.

If you don't file your claim within the specified time period, you may lose the right to pursue it in court. It is important to know your deadlines.

**I want to sue someone about a contract but I can't afford an attorney.
What do I do?**

Small claims courts are a type of civil court that are designed to resolve disputes involving relatively small amounts of money. The plaintiff presents evidence while the defendant can argue their side. The judge makes a decision based on the facts presented, and the winning party may receive compensation or other remedies. Anyone 18 or older can sue, and if you're under 18, a parent or guardian can sue for you. Only individuals can sue; businesses and organizations cannot.

You can file in the county where you or the defendant live, work, or have a business address. Court websites often have helpful information, and you can use a court locator to find the right one. If you have questions about your local small claims court, your county clerk's office likely will be able to answer basic questions about what you need to file and how you need to file it.

The New York Attorney General has developed an excellent guide to small claims courts found here: [A GUIDE TO SMALL CLAIMS & COMMERCIAL SMALL CLAIMS in the NEW YORK STATE CITY, TOWN & VILLAGE | NY CourtHelp](#)

Make sure you understand the financial limit for compensation for your local small claims court. Typically, you can sue for up to \$5,000 in City Courts and up to \$3,000 in Town and Village Courts. If you want to sue for more than this, you may need to file a civil lawsuit. You should know that a civil lawsuit usually is more complex, requires lawyers, and takes longer to resolve.

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