In the matter of an Arbitration

The seat of Arbitration is in England & Wales

In accordance with the London Arbitration Centre Rules of Procedure

Date of Award; 20th August 2020

Between;

XXXXXXXXXXXXX

(the 'Consumer')

And

Rainbow Day Nursery (Bromley) Limited

(the 'Trader')

DECISION

The issue in dispute

This is a claim arising from the situation caused by the government lockdown following the coronavirus pandemic in the UK. The Consumer is the parent of a child who had been attending a private nursery. The Trader is the business which runs and operates the private nursery.

After the lockdown came into effect, the Trader closed the nursery, refunded sums paid in advance and suspended any further charges until the nursery was allowed to re-open. The dispute arises from a decision taken by the Consumer not to return her child back to the nursery.

I add here and it is important to stress that the decision by the Consumer not to return her child to the nursery is not in any way connected to the action of the school and/or the coronavirus pandemic. I understand the decision was taken by the Consumer on the basis of personal reasons.

Parents of children are required to give notice before removing a child from the nursery. A notice provision is quite normal in contracts for private education. The Trader states that the period of notice runs from the date from when the nursery is open. The re-opening of the nursery has been provided in line with government guidance. The Consumer believes the notice provision commences on the date it was given.

The issue is this:- whether the contract provisions as to notice are suspended during the period when the supply of services by the Trader and payment for those services by the Consumer have been suspended for the period of the government imposed lockdown.

The contract

In about October 2018, the Consumer placed her child with the nursery. I have not seen signed terms and conditions but I am informed by the Consumer that she signed terms and conditions which contained the provision as to notice as follows;-

"...... We require one month's notice of your intention to leave which must be provided in writing to the nursery manager. The deposit shall not be returnable unless one full month's notice in writing is provided."

I have been supplied with a full copy of the terms and conditions by the Trader which I have annexed to this decision. There is absent any provision dealing with business interruption which is not surprising given the unusual and extraordinary situation created by the coronavirus pandemic. The only other relevant provision of the terms and conditions which needs to be brought out is;-

Variation

There shall be no variation of this agreement unless it is in writing.

The circumstances of the dispute

I have been provided a timeline by the Consumer and a much more detailed timeline by the Trader. I have set out below the timeline provided by the Trader, almost word for word, because it contains all the pertinent information concerning the issue in this case which I have to decide. There is no divergence between the parties as to what happened following the closure of the nursery due to the coronavirus pandemic.

Timeline provided by the Trader

Timeline.

March 23rd 2020

(the nursery is) closed to all children with the exception of the key worker children on the instruction of the government due to the COVID-19 pandemic. Parents received notification to this effect and were reassured that they did not have to pay any fees during the closure. This was unlike many settings that charged for the closure period.

The operational plan for the nursery was sent on the 23rd was clearly communicated to the parents relieving them of the burden of the nursery fees. They were allowed to walk away and not have any financial burden placed upon them until the point in time we were allowed to reopen.

"No fees wi	ill be charged	for parents wh	o do not fal	ll into the Ke	ey worker	category from	the 1st Ap	oril
2020"								

April / May

The nursery sent out a total of 6 emails with activity ideas on how the parents could support their child when not at nursery.

13th May 2020

Email sent to parents explaining the plan to reopen the nursery and requesting that parents respond by the 14th May to inform us of their intention to return to the nursery. The letter outlined exactly how the children would be welcomed back to nursery and what the parents needed to do if they did not want their child to return. We did not receive a response to this email from AC's parents until 18th May. At this point we accepted the resignation of the space and did not require any further action as the months' notice which would commence as per our letter

"Letter to parents Rainbow reopening 1st June

It was clearly stated that we would retain the deposit to cover the fees for the months notice.

See email below.

Dear parents,

We hope that this letter finds you and all your children well. Please excuse the lengthy attached communication but there is a great deal to take into consideration in light of the government's latest updates asking Nurseries to reopen. We understand that everyone will have different feelings about sending their child back to nursery. We will endeavour to work will all families to accommodate preferences. The first stage of the planned re-opening will necessitate you as parents replying to this email by 14th May. Unfortunately we are all facing some difficult decisions as parents and nursery staff but hopefully if we work together then we can meet the needs of all the children, staff and business.

- Inform us of the date you would like your child to return to the nursery.
- If for any reason you will not be sending your child back on the dates given below.
- Any concerns that you have in relation to your child's return.

We will begin working on how we can best implement these measures in the coming weeks and we will share these with you. We will need to know how many children we are expecting back from each nursery to allow us plan the return to work for our team. Once we have this detail we can finalise the details which will be compiled taking into consideration the well-being of the staff, children and their families.

Kindest Regards,	

• Letter to parents Rainbow reopening 1st June

Key statement

We would kindly remind parents that we require one months' notice or a half terms notice for a funded child if you want to terminate your child's place at the nursery. Any notice period will

commence from the day that your child can return to the nursery see below. If you choose not to send your child to the nursery you will still be obliged to pay for the services offered.

18th May

We did not receive a response to this email from (the Consumer's child) parents until 18th May.

At this point we accepted the resignation of the space and did not require any further action as the months' notice which would commence as per our letter

"Letter to parents Rainbow reopening 1st June

It was clearly stated that we would retain the deposit to cover the fees for the months' notice.

19th May the nursery accepted the resignation.

20th May Nursery sent out further communications to (the Consumer's child) parent's in the form of a Question and Answer document to offer further clarification on the notice period being effective from the date the child returned and started to pay fees again.

What happens if I do not want to send my child back to nursery?

Parents/carers may choose not to return their child to the nursery because of several reasons during these difficult and uncertain times. In this case, we will require one months' notice from the date your fees are reinstated. During the one-month notice that is required your child is free to attend their normal sessions, as these will be charged as normal. The deposit can be used to cover the last month's fees or if you use childcare vouchers the final invoice can be settled as normal. Then the deposit will be refunded to your bank account.

Do I lose my deposit if my child does not return to the nursery after the lockdown period?

We will not be able to refund your child's deposit unless you have served notice prior to our closure. We are happy to offer the normal sessions for the duration of your child's notice and if any of the deposit remains, we will refund the balance.

We did not have this communication questioned by (the Consumer's) parents about the information sent.

27th May 2020

Invoice for June was issued for the parent's records. The parents questioned this and we informed them they could ignore this as it did not need to be paid as per our earlier communications the deposit would be used to offset any outstanding fees.

29th May 2020

March invoices re issued to show credit on the account and deposit to be used to offset the June invoice. This is shown on the statement part of the invoice.

10th June

Email from parents of (the Consumer) enquiring about the deposit. This came as a surprise as the invoice sent on the 29th May had shown that the deposit was used to pay the final months fees.

Responded to the parents as below.

Dear XXXXX,

Thank you for the email and I hope that you are all well. (The Consumer's child) was due to return to the nursery on the 22^{nd} June and as per your previous emails (the Consumer's child) will not be returning to Rainbow. We require a months' notice to terminate the contract which starts from the 22^{nd} June. We will therefore need to use the deposit to cover the months' notice period.

We have a deposit of £1423.75 on account

Minus One month's fees £1267.50

Refund Due £156.25

We have also placed a credit on your account for the days we closed in March for £372 so the total amount for us to refund is

£156.25

£372

Total £528.25

Please can you forward the bank details and we will arrange the money to be transferred to your account.

Parents contested the above despite that this had been communicated many times prior to the 10th June and no questions had been raised.

We have had several phone calls and email exchanges during the time leading to arbitration. I feel that we have acted in a fair and professional manner throughout the whole process of (the Consumer's child) withdrawal.

We have offered the care for (the Consumer's child) at the nursery from the 22^{nd} June for one full month so that the parents can use this deposit. Parent's chose to leave the country but have failed to respect that the services they booked need to be paid for. We request one months' notice and this months' notice needs to be served during the time we are charging for Nursery provision. We cannot be expected to allow parents to give notice when we are not trading. This is unfair and could bankrupt the nursery.

I have attached the email trail to show evidence of the information shared with the parents and all the efforts that we have gone to as a business to be considerate to the client. It is noted that the parents have continued to pay rent on the property that they have vacated despite the fact the they are not using this property. We are providing a service that they have chosen not to use but are refusing to give us the just notice from the time that we have re-instated fees.

Email with this sent on the 11th June

Dear XXXXXXX,

Thank you for the email and I would like to discuss with you to try to resolve the issue. When is the best time to call you ?My direct line is

0203 8698904

(The Consumer's child) would have to pay fees for the final month at nursery this month is from the 22^{nd} June when fees become due again. When we are not charging for services or not delivering services we cannot accept your child's notice. If you want I can send you the June & July invoice and when these

are paid you can then have your deposit returned in full. A full months fees are due in place of the notice that commences from the reopening of the nursery.

The letter sent out in May clearly stated our position in accepting the termination of your child's place.

I have attached a copy of the emails and key documents that we have sent to the parents to ensure clarity and fairness throughout.

The law

Fundamental to every contractual dispute is what the parties have agreed at the contract formation point. It is no function of any court or tribunal to substitute different terms in circumstances which were not foreseen by the parties when the contract was agreed. A detailed discussion on contractual interpretation can be found in the decision of Lord Neuberger in the 2015 Supreme Court decision https://www.supremecourt.uk/cases/docs/uksc-2013-0193-judgment.pdf

I extract here the relevant points to the circumstances of this dispute;-

- 19. The third point I should mention is that commercial common sense is not to be invoked retrospectively. The mere fact that a contractual arrangement, if interpreted according to its natural language, has worked out badly, or even disastrously, for one of the parties is not a reason for departing from the natural language. Commercial common sense is only relevant to the extent of how matters would or could have been perceived by the parties, or by reasonable people in the position of the parties, as at the date that the contract was made. Judicial observations such as those of Lord Reid in Wickman Machine Tools Sales Ltd v L Schuler AG [1974] AC 235, 251 and Lord Diplock in Antaios Cia Naviera SA v Salen Rederierna AB (The Antaios) [1985] AC 191, 201, quoted by Lord Carnwath at para 110, have to be read and applied bearing that important point in mind.
- 20. Fourthly, while commercial common sense is a very important factor to take into account when interpreting a contract, a court should be very slow to reject the natural meaning of a provision as correct simply because it appears to be a very imprudent term for one of the parties to have agreed, even ignoring the benefit of wisdom of hindsight. The purpose of interpretation is to identify what the parties have agreed, not what the court thinks that they should have agreed. Experience shows that it is by no means unknown for people to enter into arrangements which are ill-advised, even ignoring the benefit of wisdom of hindsight, and it is not the function of a court when interpreting an agreement to relieve a party from the consequences of his imprudence or poor advice. Accordingly, when interpreting a contract a judge should avoid re-writing it in an attempt to assist an unwise party or to penalise an astute party.
- 21. The fifth point concerns the facts known to the parties. When interpreting a contractual provision, one can only take into account facts or circumstances which existed at the time that the contract was made, and which were known or reasonably available to both parties.

In some circumstances, the Court or Tribunal can imply terms into a contract to make the contract work. A detailed discussion on implied terms can be found in the decision of Lord Neuberger in the 2015 Supreme Court decision <u>Marks & Spencer v BNP Paribas</u>.

https://www.supremecourt.uk/cases/docs/uksc-2014-0158-judgment.pdf

The problem with the implying terms into any contract is that the term sought to be implied must not be contrary to any express term contained in the contract. In this case, there is an express term which deals with notice by the Consumer which I have already set out on page 2 above.

The other relevant legal consideration in this case is that in relation to the doctrine of *frustration of contracts*. Put briefly, the doctrine of frustration enables the parties to set aside a contract where an unforeseen event makes contractual obligations impossible or changes the party's principal purpose for entering into the contract. The consequences are that the parties are discharged from the contract and may seek remedies available under Law Reform (Frustrated Contracts) Act 1943.

Finally, I should mention that it is for government, through Act of Parliament, to alleviate any consequences caused by extraordinary circumstances such as war or pandemic.

Application of the law

The starting point in law is the contract agreed by the parties and the Trader's terms & conditions under which the child is placed with the nursery. Next is to determine whether the contractual provisions have been varied. In this respect, the contract tells us that "There shall be no variation of this agreement unless it is in writing".

The evidence which I have been shown is a series of letters or notices from the Trader to the Consumer opposed to the contractual provisions. When I say *opposed*, I don't mean any more disadvantageous to the Consumer but divergent to the provisions in the Trader's terms and conditions;-

Guidance published on 22nd March 2020

- No fees will be charged for parents who do not fall into the Key worker category from the 1st April 2020
- Fees for the Key Worker children who attend the setting will be invoiced as normal unless the Government instruct us to do otherwise.

Letter attached to the Email to the Consumer 13th May 2020;

Fees when we reopen

We have tried to be as fair and transparent with our fees during the Covid-19 crisis. On reopening the nurseries we will commence charges for your child when their room reopens. A number of parents may want to delay the return of their child to the nursery or withdraw them early if they are commencing school in September. We would kindly remind parents that we require one months' notice or a half terms notice for a funded child if you want to terminate your child's place at the nursery. Any notice period will commence from the day that your child is allowed to return to the nursery see below. If you choose not to send your child to the nursery you will still be obliged to pay for the services offered.

Email to the Consumer dated 20th May 2020 timed at 17.00 which enclosed;

- Frequently asked questions document
- Covid-19 management policy
- Safe play and interaction
- Terms & Conditions

When one reads the Frequently asked questions document, almost the entire content is divergent to the Trader's existing terms and conditions. In conclusion the Trader states;

Policies and procedure changes following our Covid-19 risk assessment

We have reviewed many of our policies and procedures during this unprecedented situation and have made changes following our risk assessment. These changes are to address the new guidance on the environment that we need to provide for the children while maintaining their safety and the safe working environment for staff. These are available to read on the Nursery website.

Revised & new policy list

- Covid-19
- Health & Safety
- Children arrival & departure from nursery
- Cleaning
- Safe play & interaction
- Staff work practice
- Sick children's
- Settling in children- Welcome Packs
- Terms and conditions

When one looks at the terms and conditions, attached to the Email (not available on the Traders website at the date of the decision) these are identical to those applicable before the nursery closed on 23rd March 2020.

I don't expect the Trader to have been in a position to consider how the coronavirus pandemic impacted on the terms and conditions when the nursery was forced to close to all (except children of key workers) but by 20th May 2020, I would have expected there to have been some change or at the very least I would have expected the Trader to have been in a position to draw attention to potential issues with the terms and conditions created by the coronavirus pandemic.

Instead, the Trader has set out changes divergent to the terms and conditions but then at the same time attached the existing terms and conditions as if to affirm the contents. I am sure in my mind that the Trader did not intend to do this but with hindsight this represents a missed opportunity to formalise what appears to be a very reasonable and conscientious approach taken by the Trader.

By attaching terms and conditions to the email dated 20th May 2020, this shows the Trader has been consciously aware of the impact of the coronavirus pandemic on the terms and conditions. Even If the Trader had stated in the email dated 20th May 2020, that the attached terms and conditions are varied to the extent of the matters set out in this email, there would have been an issue to resolve as to whether a variation to the terms and conditions had been agreed. I can see an excellent approach by the Trader towards dealing with health and safety issues arising from the coronavirus pandemic but in my mind I can't see the same standard of care when dealing with the legal consequences to its own business.

The Trader tells me I feel that we have acted in a fair and professional manner throughout the whole process of (the Consumer's child) withdrawal. I cannot disagree with this but in the rush to do the right thing, the Trader has unwittingly left open the claim which has been made.

Advisory Note

This part of the decision is advisory and is just one opinion as to what should have happened from a legal perspective. It is made with the benefit of hindsight so no criticism is intended. This is because with the benefit of hindsight, everything looks so simple. I appreciate sagacious insight is not possible when a new and extraordinary situation begins to unfold as happened here.

I have taken by example the submission by the Trader that It is noted that the parents have continued to pay rent on the property that they have vacated despite the fact the they are not using this property. We are providing a service that they have chosen not to use but are refusing to give us the just notice from the time that we have re-instated fees.

In the guidance published dated 22nd March 2020, the Trader stated *No fees will be charged for parents who do not fall into the Key worker category from the 1st April 2020.* With hindsight, I believe this was an unwise concession which the Trader committed without at the same time obtaining from parents a corresponding concession on notice. In my opinion, the Trader ought to have advised parents that the existing terms and conditions apply *unless* parents agreed a variation to the contract. Clearly, not many parents would have continued to pay fees when the nursery was closed but at the same time not many parents would have refused to agree a variation of the notice provision in the contract because by agreeing the variation, this relived them of their contractual obligation to continue paying fees during the government imposed lockdown.

If parents refused to agree a variation, fees would still have been payable and it would have been for parents to argue that the doctrine of frustration applied to the circumstances of the case. I have been informed by the Trader that the Trader continued to organise a limited range of activities during the period of the lockdown. I also note, during the government lockdown some private schools were able to put in place online tuition. This may not have been possible with a *toddler room child* as in this case but the point being made is that the doctrine of frustration would not necessarily succeed depending on the circumstances. Like the Trader says, a child absent from school through sickness does not discharge liability to pay fees. Certainly, nobody knew on 23rd March 2020 how long schools would remain closed. If the lockdown, had been short and brief, then there would have been less impact on both the Trader and parents.

I must stress there can be no criticism of the Trader in the circumstances of the case because in the rush to do the right thing, the Trader, in my opinion, has to coin a phrase 'tripped up'.

Conclusion

On the basis of the matters set out above, I cannot up hold the submission made by the Trader that;-

As the nursery stopped charging fees the terms and conditions that would ordinarily apply have now become void as we are not providing services and not charging fees. This in short means that we are not implementing the T&C's as per below we would have been entitled to charge fees as below. Parents are expected to pay fees even if their child is sick or on holidays.

I cannot find any legal basis for this submission on the facts of the case.

Calculation of sums payable by the Trader

I dismiss the claim by the Trader for £1267.50 set out in the invoices dated 1.6.20 (invoice no. 13518) and 12.6.20 (invoice no. 13840). The parents gave notice to remove the child on 18th May 2020. The first date on which fees became payable was on 22nd June 2020. By reason of the concession made by the Trader to its own terms and condition, a credit of £372.00 is due to the Consumer together with the deposit held by the Trader in the sum of £1423.75.

I am aware that the Trader was already in the process of refunding £528.25. I do not know if this has occurred. If this sum has already been re-paid, then the sum ordered to be repaid below should be reduced by this amount by the Trader when making the payment to the Consumer.

Given that I find that the Trader's terms and conditions remain valid, I ought to add that there would be some difficulty now if the Trader was to argue for full payment of fees during the period of the lockdown.

I find that the parties have changed their position following the notice from the Trader published on 22nd March 2020 in relation to fees and therefore it would not be equitable for the Trader to go back on this. The law would not allow this under *Doctrine of Promissory Estoppel* (if either party wants to read up on the doctrine). Finally, I also order the Trader to reimburse the Consumer £120.00 cost of the Arbitration.

ORDER

IT IS HEREBY ORDERED that the Trader pay the Consumer the sum of 1,915.75 within 14 days of the date hereof.

Date 20th August 2020

Signed

Mr Ayub Sadiq

ADR Official appointed by the London Arbitration Centre Limited



London Arbitration Centre Limited ;Correspondence address and registered office; LAC Postal Communications, 62 Tunstall Drive Accrington Lancashire BB5 5DG United Kingdom (Company registration no. 08945377)

ANNEX

Registration

We do not have a registration fee but a deposit is required on acceptance of offer of a place.

Acceptance

• A deposit of one month's fees shall be paid by the parent/guardian to the nursery on the acceptance of the offer. This deposit will be kept as a security deposit and it is refunded when your child leaves the nursery. The deposit is not deductible from the first month's fees.

Payment of nursery fees

- Payment of nursery fees to the nursery for the child's attendance at the nursery shall be made by the parent/guardian monthly, in advance on the first day of each month (the due date). Fees are paid by Standing order set up to be paid on the 1st of the month in advance.
- We accept Childcare vouchers and Tax Free Childcare payments. Parents need to provide the nursery with the relevant information to allow these payments to be set up.
- The nursery reserves the right to increase the said fees at any time upon giving one calendar month's written notice of proposed increase to the parent/guardian.

Calculation of fees

- The nursery closes for 5 days in total (1 Week). These 5 days are spread across Christmas period and staff training days during the year. These closure dates are not charged as we calculate our fees over 51 weeks.
- The nursery closes for Bank Holidays which are charged as normal.
- The fees payable by the parent/guardian are calculated by taking the child's weekly attendance fee, multiplying the same by 51 being the number of weeks the nursery is open and dividing by 12 to give a monthly payment which is required in accordance with clause 3 bullet 1.
- The nursery does not permit the payment of fees on a daily or weekly basis.
- The nursery does not permit the pro-rata reduction of payment of fees if the child is absent from the nursery due to illness or holidays whilst the nursery is open.

Cancellation (before starting at the nursery)

- After an offer has been made by the nursery but before acceptance by the parent/guardian either party may cancel the offer by serving 7 days written notice.
- After acceptance of the offer by the parent/guardian either party may terminate this agreement by
 the service of three calendar months' notice in writing. The deposit shall not be returnable to the
 parent/guardian unless three months' notice in writing is provided to the nursery manager. Reduction
 of days requires the same notice period.
- 3 + months' notice will allow full refund
- 2-3 months' notice 50% refund
- Less than 2 months' notice no refund

The nursery will charge an administration fee of £100 per applicant if the place is cancelled after the offer has been accepted.

Termination or Changes to bookings

- After starting the Nursery, there is a minimum commitment of 3 months attendance. Should you leave
 before the end of the 3 months you will be charged for all fees due until the end of your 3 month
 commitment. We require one month's notice of your intention to leave which must be provided in writing to
 the nursery manager. The deposit shall not be returnable unless one full month's notice in writing is provided.
- The nursery reserves the right to exclude any child without giving a reason.
- Fees are payable in lieu of notice.

At least a full terms notice is expected when leaving to start school. Children that continue to attend nursery at the start of the month the school term begins will be subject to full payment of fees as the school will receive any free nursery education entitlement due. Places required after the start of the month the school term begins are not guaranteed.

6a. Change of Booking patterns

- Parents will need to give a months' notice to change the days of attendance.
- If number of days increase or decrease the deposit requested will reflect the current booking pattern.

6b. Swap Days

• The nursery works with parents to offer swap days. These swap days are to facilitate a change of days in the same week and are subject to availability.

Non-solicitation of staff

If a parent employs one of our staff within a six months of the staff leaving the nursery, they will be responsible for the cost of replacing that member of staff.

 Parents are obliged to inform the nursery if they are intending to ask any staff member to care for their child outside of the nursery. i.e. Babysitting services

Variation

There shall be no variation of this agreement unless it is in writing.

General Information

Illness

- Please do not send your child to nursery if you feel they are unwell. Remember that germs travel!
- Sickness and diarrhea. Children will not be admitted to nursery until they have been clear of symptoms for 48 hours
- Medication can be administered as long as the child's name appears on the bottle and a medicine
 form has been signed. Children must have been taking the medication for at least 24 hours before
 being allowed to nursery to allow for possible allergies
- A separate medication policy explains other procedures used within the nursery. All procedures are available to view on the website.

Safeguarding Children

Rainbow Day Nursery is committed to safeguarding and promoting the welfare of children and young people and expects that all staff and volunteers to share this commitment. We at RDN have a duty of care to report or discuss any situations or concerns with the local authority.

• It is important to inform staff of any bumps or bruises that your child may have incurred at home.

- Please inform staff of any incident at home that may affect your child's behavior eg. Birth of a
 new baby, loss of a relative or pet, break up with a partner etc as this could impact on the child's
 behavior.
- If your child sustains an injury at nursery you will be informed. Details of the accident will be recorded on a form which you will be asked to sign as confirmation that you have been informed.
- For all other child protection issues please refer to our policies and procedures.
- Information about all children is confidential and as such staff will not discuss any child with another family.
- The parents are responsible for updating the nursery on changes to personal information new addresses, phone numbers, and emergency contacts.
- Parents need to inform nursery staff of any changes to the person collecting their child daily.

Equal Opportunities

- The nursery respects all cultures, ethnic and religious needs that you or your child may have.
- Our children will be finding out about many different cultural and religious festivals that are not necessarily part of your culture and you will be kept informed of any related activities.
- We operate an 'open door' policy and as such parents and carers are welcome at the nursery at all times

Acceptance

The above terms and conditions are considered to be fair and reasonable. In the event of any term found by a Court of Law to be unreasonable then that clause shall be removed but the agreement shall remain in full force and effect.

The parent/guardian has read and understands the Terms and Conditions contained and undertakes to be bound by the same.

Acceptance

I have read the terms and conditions of Rainbow Day Nursery and agree to be bound by the same.						
Child's Name						
Signed	Parent/Guardian					
Signed	Parent/Guardian 1					
For office use only						
Deposit Paid:	Date					