

Class 8

Working Group Problem

A sou-sou/susu (also known by many other names) is a rotating savings club commonly used in African, Caribbean, in some U.S. immigrant communities. The concept is simple: a group of people commit to putting an equal sum of money into a pool on a regular basis, and each collects the full amount paid in by all members when it is their turn. If ten people joined a sou-sou and each contributed \$100 per week, at the end of every week one club member would receive a \$1,000 lump sum. Eight people in the savings club would mean an eight-week cycle, with the sou-sou ending or beginning a new cycle after that. Many members use the payouts from these savings clubs to finance new businesses, make down payments, or even pay for college tuition.

An agreed-upon treasurer manages the pool and creates the payout schedule. Interest is not collected or paid on club assets, and members are not required to complete credit checks or sign any official paperwork. These groups operate based on established trust among their community members, and therefore often comprise close-knit groups of extended family, co-workers, or fellow churchgoers.

Jaden is deeply knowledgeable about antique teacup sets. He wanted to start an online antique ceramics business and needs funds to purchase inventory. A cousin told him about a sou-sou that was beginning in June. He joined the sou-sou with ten other people. The members decided to contribute \$1,000 per month each, and selected Landa as treasurer.

Four months into the eleven-month cycle, club member Ajay failed to make his monthly payment. This put Landa in a difficult position because tradition held her responsible for covering Ajay's missing contribution. Landa was unable to come up with the additional money, which means the pool is now short \$1,000, just when Jaden is scheduled to receive this month's payout.

1. Is there consideration in this agreement? Explain why or why not.

2. Is there mutual assent? Is it sufficient to form an enforceable contract?

What is Jaden's strongest argument in favor of contract formation?

What is Ajay's strongest argument against the formation of a legally binding contract?