(1) The duty of good faith or fair dealing as it applies in the formation of contracts of sale is normally a duty of candour and accuracy. The duty is a presumption of law (like the duty to mitigate damages). It thus operates both as an obligation in interpreting existing provisions and as an additional implied term where there are no relevant express terms to be interpreted.

(2) It does not operate as regards matters which it would be normal and possible for the buyer to investigate himself.

(3) Its effect may be expressly excluded, but the presumption of good faith, that is the duty of candour and accuracy, apply to the interpretation of any exclusion.

(4) A pre-contractual breach of the duty has no effect unless a contract is made. The effect on the parties only occurs when a contract is made.

(5) After the formation of the contract the application of good faith is broadly limited to a presumption of loyalty to the paramount or characteristic purpose of the contract. This may be applied in interpreting contractual provisions or implying terms where the seller and buyer remain in an alter-sale relationship.

(6) The presumption of good faith may have an indirect effect on a party's entitlement or otherwise to damages for breach of a contract, by means of its interpretative effect an the contractual provisions.

(7) Subject as above, the remedy, (apart from statute) for a breach of the duty of good faith is rescission, or where applied, equitable compensation.

Referring Principles:

1.1.1 - Good faith and fair dealing in international trade