A particular application of the principle of good faith and fair dealing is to prevent a party, on whose statement or conduct the other party has reasonably acted in reliance, from adopting an inconsistent position. This translates directly into a number of provisions of the Principles, e.g. Article 2:202(3), which provides that a revocation of an offer is ineffective if it was reasonable for the offeree to rely on the offer as being irrevocable, and the offeree has acted in reliance of the offer, and Articles 2:105(3) and 2:106(2), under which a party by its statement or conduct may be precluded from asserting a merger clause or a no-oral-modification clause to the extent that the other party has reasonably relied on them. See also Article 3:201(3), which lays down that an apparent authority of an agent that has been established by a principal's statements or conduct will bind the principal to the acts of the agent, and compare Article 5:101(3), which provides that if a common intention of the parties as to the interpretation of a contract cannot be established, the contract is to be understood according to the meaning that reasonable persons of the same kind as the parties would give to it in the same circumstances.

The rule is, however, broader than any of these specific provisions. It is a general principle that a person should not be allowed to set up the invalidity of an act or another reason for its not being binding upon him when he has induced another person to alter his position on the faith of the act.

*Illustration 4:* An importer asked its bank to collect on a negotiable instrument. The bank mistakenly reported to the customer that the money had been paid and paid the customer its value. When it was discovered that the amount had not been paid, the importer had irrevocably credited the amount to its foreign business partner. The bank is estopped from reclaiming the payment.

**Referring Principles:**

- I.1.2 - Prohibition of inconsistent behavior