



# SQE1 FLK1 Diagnostic: The 10-Question "Health Check" Questions

A curated sample of audited FLK1 questions to test your application of the law.

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## Question 1:

Scenario: A claimant brings a claim for £100,000 in damages for breach of contract. The defendant makes a compliant Part 36 offer of £70,000 on 1 June. On 20 June, the claimant's solicitor uncovers a document that significantly weakens the claimant's case on causation. On 25 June, the claimant serves a notice of acceptance of the £70,000 offer. The defendant immediately purports to withdraw the offer, citing the newly discovered evidence.

Question: What is the most likely outcome regarding the settlement?

- A. The offer is accepted, and the defendant must pay the claimant's costs of the proceedings up to 25 June.
- B. The offer is accepted, and the defendant must pay the claimant's costs up to 22 June, with the claimant paying the defendant's costs from 23 June to 25 June.
- C. The offer is not accepted because the defendant withdrew it before the claimant's notice was processed by the court.
- D. The offer is accepted, but the claimant requires the court's permission to settle because the relevant period has not expired.
- E. The offer is not accepted because the claimant's discovery of the document constitutes a material change in circumstances.

## Question 2:

Scenario: A manufacturer agrees to sell a bespoke CNC machine to a factory for £50,000, delivery scheduled for 1 March. On 1 February, the manufacturer informs the factory that they will not be able to deliver the machine at all. On 1 February, the market price for an equivalent machine is £52,000. The factory insists the manufacturer perform. By 1 March, the market price has risen to £60,000. The factory purchases a replacement machine on 2 March for £60,000 and sues for damages.

Question: On what basis will the factory's damages be assessed?

- A. £10,000, being the difference between the contract price and the market price at the date of performance.
- B. £2,000, being the difference between the contract price and the market price at the date of the anticipatory breach.
- C. £10,000, provided the factory can show it acted reasonably in waiting until 1 March to mitigate its loss.



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- D. £0, because the factory affirmed the contract and therefore waived its right to claim damages for the initial breach.
- E. £8,000, representing the increase in market price between the date of the anticipatory breach and the date of performance.

**Question 3:**

**Scenario:** A solicitor acting for a seller in a property transaction receives a phone call from the buyer's solicitor. To expedite the exchange of contracts, the seller's solicitor says: "I will ensure the restrictive covenant indemnity insurance is in place by the time we complete next week." The solicitor fails to obtain the insurance because the insurer refuses the risk. The seller is now in breach of the sale contract.

**Question:** What is the most likely regulatory consequence for the seller's solicitor?

- A. No disciplinary action, as the statement was an expression of future intent rather than a guarantee of a present fact.
- B. The solicitor is personally liable to perform the undertaking or pay compensation, even if performance is impossible.
- C. The undertaking is void because it was not reduced to writing and signed by the solicitor.
- D. The solicitor is only liable if it can be proven that they acted dishonestly or with gross negligence in failing to secure the insurance.
- E. The firm is liable, but the individual solicitor is protected from regulatory sanction because they were acting on behalf of a disclosed principal.

**Question 4:**

**Scenario:** A private limited company has three directors. The company is experiencing cash flow difficulties but is not yet insolvent. The board meets to discuss a high-risk expansion. Two directors vote in favor; the third director, a specialist in finance, strongly disagrees, arguing the expansion will lead to insolvency. He records his dissent in the minutes but remains on the board to "steer the ship." Six months later, the company enters compulsory liquidation. The liquidator discovers that the expansion was the direct cause of the collapse.

**Question:** On what basis is the finance director most likely to face personal liability for the company's losses?

- **A.** Breach of the duty to exercise reasonable care, skill, and diligence, assessed against the standard of a reasonably diligent person with his specific financial expertise.
- **B.** Fraudulent trading, because he continued to allow the company to trade despite knowing the expansion was likely to lead to insolvency.
- **C.** Wrongful trading, because he failed to take every step a person in his position ought to have taken to minimise the potential loss to the company's creditors.
- **D.** Breach of the duty to act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members.



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- **E.** No liability, because he formally dissented in the board minutes and therefore cannot be held responsible for the majority decision.

#### **Question 5:**

**Scenario:** A driver negligently crashes into a cyclist, causing a broken leg. The cyclist is taken to the hospital. While waiting for surgery, the cyclist decides to hop to the bathroom on one leg instead of waiting for a nurse. He slips on a patch of wet floor that had no warning sign and suffers a severe spinal injury. The cyclist sues the driver for both the broken leg and the spinal injury.

**Question:** Is the driver legally liable for the cyclist's spinal injury?

- **A.** Yes, because "but for" the driver's original negligence, the cyclist would not have been in the hospital to suffer the fall.
- **B.** Yes, because it is reasonably foreseeable that a negligent injury will require hospital treatment where further accidents can occur.
- **C.** No, because the hospital's failure to signpost the wet floor is a third-party intervention that breaks the chain of causation.
- **D.** No, because the cyclist's own unreasonable conduct in hopping to the bathroom constitutes a *novus actus interveniens*.
- **E.** Yes, but damages will be reduced by 50% due to the cyclist's contributory negligence.

#### **Question 6:**

**Scenario:** A claimant is suing a former employee for breach of a non-compete clause. The claimant applies for an interim injunction to stop the employee from working for a competitor until the trial. The judge finds that there is a "serious question to be tried." However, the judge is concerned that the claimant's business might actually fail anyway due to unrelated market conditions, making the injunction potentially pointless or unfairly damaging to the employee.

**Question:** According to the *American Cyanamid* principles, what is the next specific step the court must take?

- **A.** Determine whether the claimant is more likely than not to succeed at the final trial.
- **B.** Evaluate whether damages would be an adequate remedy for the claimant if the injunction is refused.
- **C.** Require the claimant to provide an undertaking as to damages to protect the defendant.
- **D.** Assess the "balance of convenience" to determine which party would suffer the greatest irreparable prejudice.
- **E.** Refuse the injunction because the claimant has not proven that "irreparable harm" is certain to occur.

#### **Question 7:**



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**Scenario:** A VAT-registered limited company is undergoing a restructuring to prepare for a future sale. The company instructs a firm of solicitors to: (i) draft new employment contracts for senior management, and (ii) provide legal advice on the tax implications of a potential share sale by the current shareholders. The solicitors issue a single invoice for £10,000 plus VAT.

**Question:** To what extent can the company reclaim the VAT charged on this invoice?

- **A.** The company can reclaim the full 20% VAT because all legal services were provided to the company for the purpose of its business.
- **B.** The company can reclaim the VAT relating to the employment contracts, but cannot reclaim the VAT relating to the share sale advice.
- **C.** The company cannot reclaim any VAT because legal services relating to corporate restructuring are exempt from VAT.
- **D.** The company can reclaim the VAT relating to the employment contracts, but only if they are for "standard-rated" employees.
- **E.** The company can reclaim the VAT on the share sale advice provided the sale actually completes.

**Question 8:**

**Scenario:** An adult trespasses into a derelict warehouse at night to take photographs. The occupier knows that teenagers occasionally break in but has not secured the building. While walking across a balcony, the trespasser falls through a section of rotten floorboards that were obscured by shadows. The trespasser suffers a broken back and a smashed camera worth £2,000.

**Question:** What is the most likely outcome of a claim brought under the Occupiers' Liability Act 1984?

- **A.** The occupier is liable for both the personal injury and the property damage because they knew of the trespassers and the danger.
- **B.** The occupier is not liable because the danger was "obvious" to a person trespassing at night.
- **C.** The occupier is liable for the broken back, but not for the smashed camera.
- **D.** The occupier is not liable because the trespasser provided no "benefit" to the occupier, and thus no duty arose.
- **E.** The occupier is liable for both, but damages will be reduced by 100% because the claimant was engaged in an illegal act.

**Question 9:**

**Scenario:** A higher-rate taxpayer (pays 24% CGT on gains) sells:

- Painting (chattel/personal item): bought £5,000, sold £15,000 (gain £10,000).
- Non-residential land: bought £35,000, sold £40,000 (gain £5,000).  
Only sales in 2025/26.

**Question:** After Annual Exempt Amount (AEA), what's total CGT owed?



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- A. £2,880
- B. £3,360
- C. £2,640
- D. £3,120
- E. £2,400

**Question 10:**

**Scenario:** A homeowner is hosting a garden party. She has a large, clearly visible "Private" sign on a shed at the bottom of the garden. A guest, curious to see the homeowner's vintage tool collection, enters the shed. Inside, a heavy shelf that was improperly secured by the homeowner three years ago collapses, breaking the guest's foot. The homeowner had forgotten the shelf was loose. The guest is a self-employed carpenter and is now unable to work for six weeks, losing £5,000 in income.

**Question:** Is the homeowner liable for the guest's lost income under the Occupiers' Liability Act 1957?

- **A.** Yes, because the homeowner failed to take reasonable care to ensure the guest was reasonably safe in using the premises for the purposes of the invitation.
- **B.** Yes, because the homeowner's failure to secure the shelf constitutes a breach of the common duty of care to a visitor.
- **C.** No, because by entering the shed marked "Private," the guest exceeded the permission of the invitation and became a trespasser.
- **D.** No, because the homeowner can rely on an implied exclusion of liability for any injuries occurring in non-communal areas of the property.
- **E.** Yes, but the homeowner is only liable for the physical injury and not the consequential economic loss of £5,000.