



Date: 9 Feb 2021

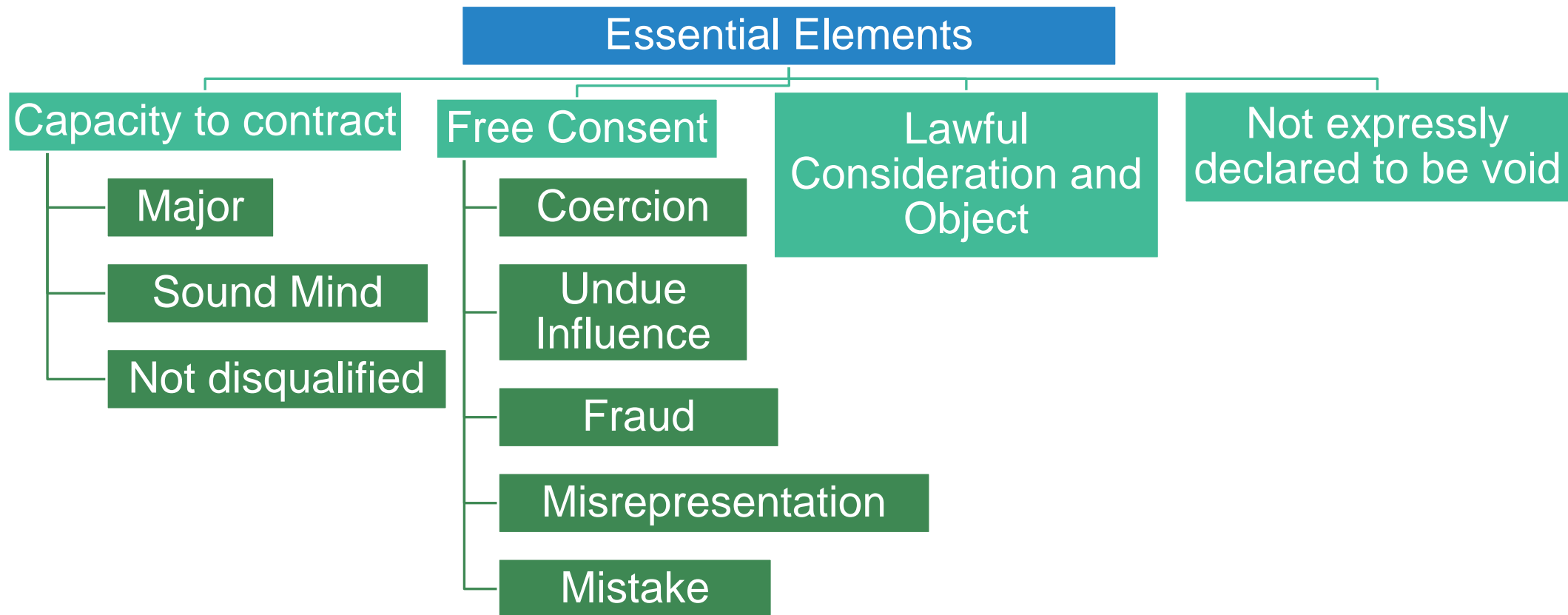
VIRTUAL COACHING CLASSES ORGANISED BY BOS, ICAI

FOUNDATION LEVEL PAPER 2A: BUSINESS LAWS

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Other Essential Elements of a Contract





Capacity to do Contract



Minors

DEBT



Disqualified by Law

Who Lacks the
Capacity to Contract?
According to Sec 11

Mental Incapacity



Minors Have No Capacity to Contract

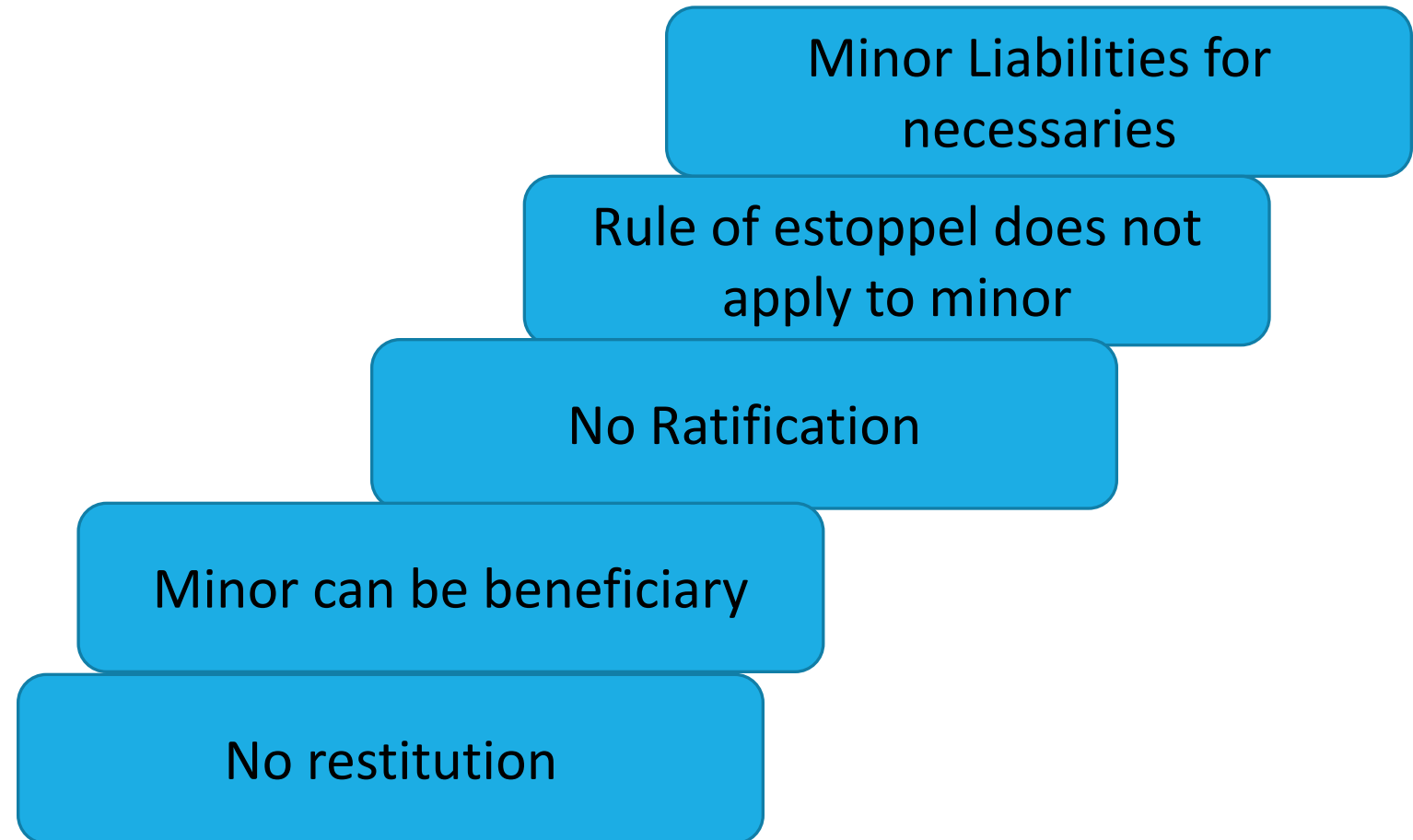
- ❑ Persons under 18 years of age.
- ❑ Contract with minors is void ab initio.
- ❑ Age of majority is 21 in following 2 cases :
 - Guardian appointed to minor or his property.
 - Minor's property is under supervision.



Mohiri Bibi vs. Dharmdas Ghose

- In this case a minor enters into a contract for Rs 20,000 with a money lender and mortgaged the property in favour of money lender.
- The money lender paid the minor Rs 8000. Later the minor wanted to set aside the mortgage.
- The money lender wanted refund of the said amount.
- The court said that agreement with minor is void-ab-initio, and question of refunding does not arise.

Nature and Effects of Minor's Agreements



A Person of Unsound Mind

A person is said to be of sound mind if at the time of entering the contract he is capable of understanding it & forming a rational judgement as to its effects upon his interests. [Sec 12]

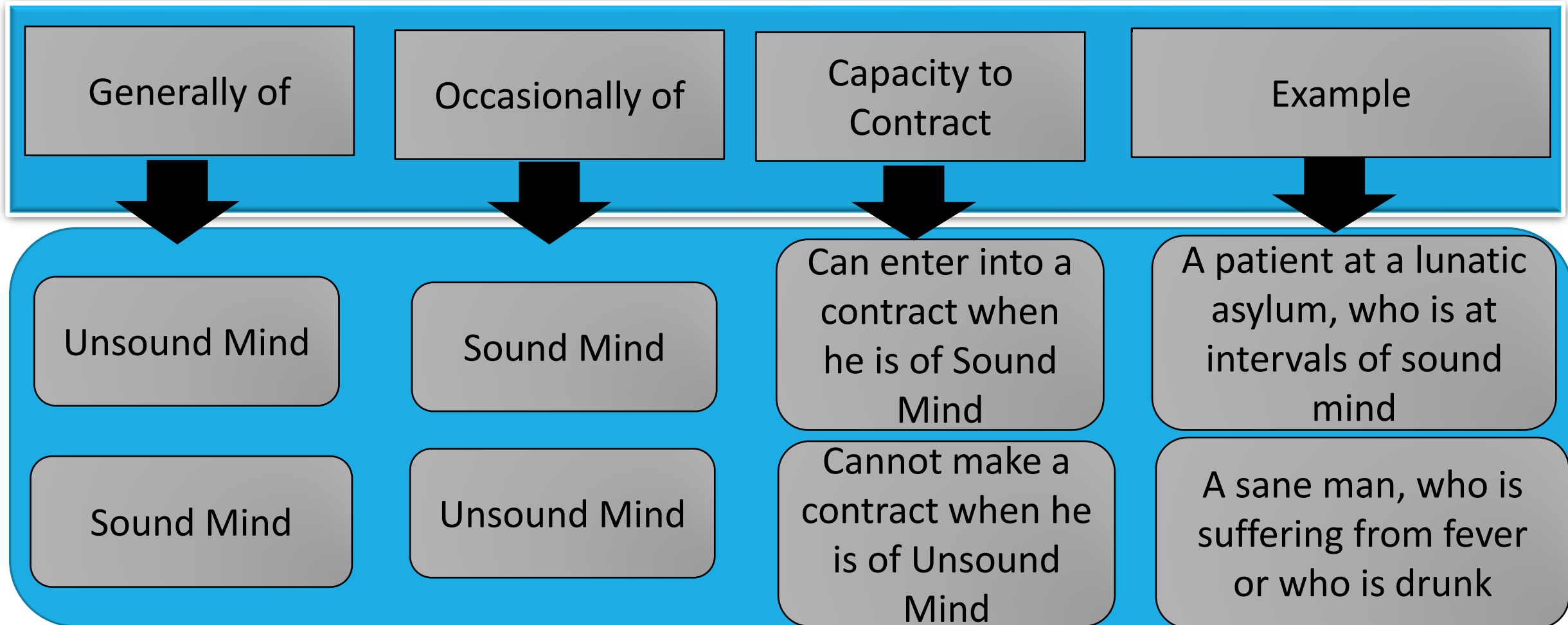
A Person of Unsound Mind

Lunatic

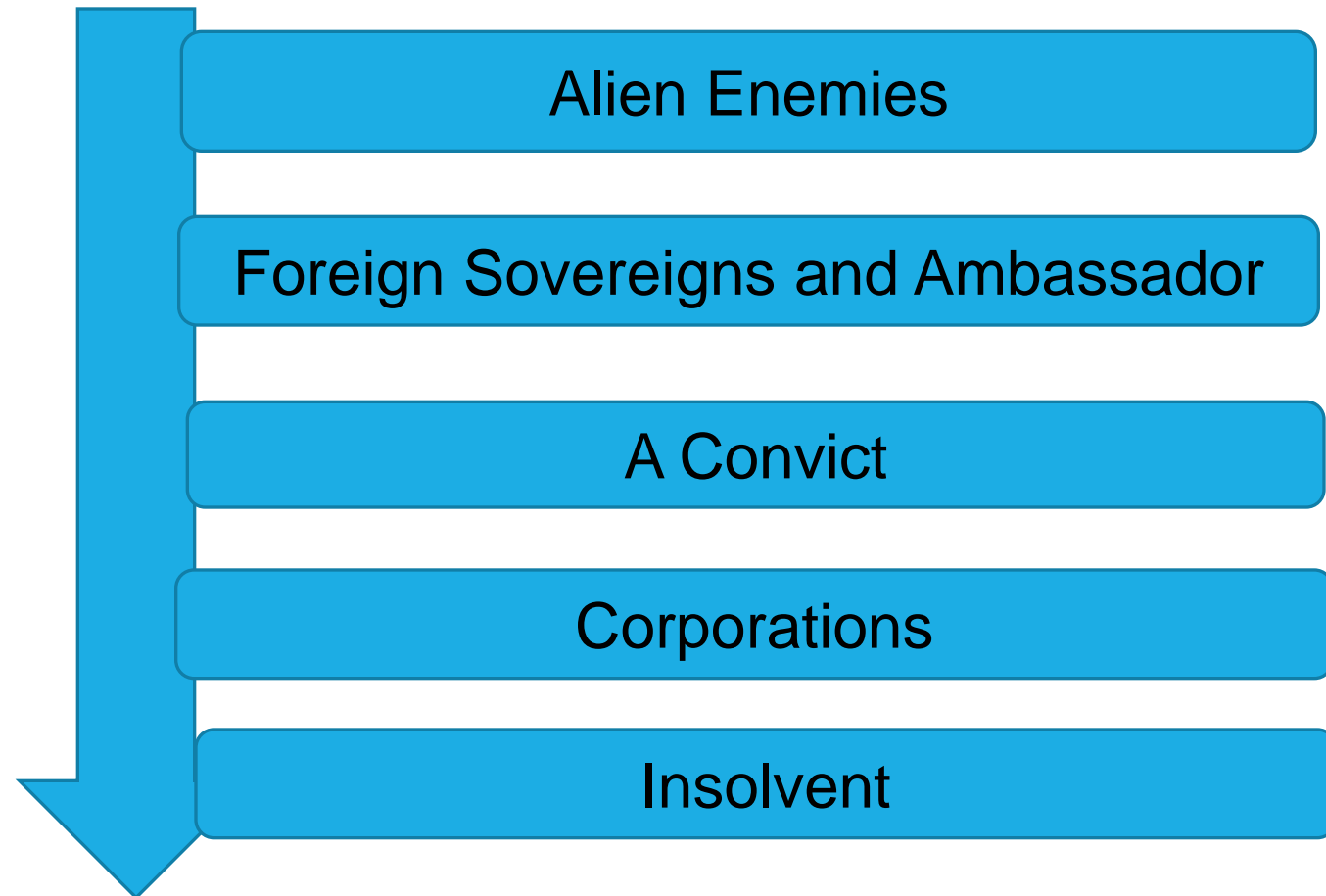
Idiot

Drunken and
Intoxicated

Contract with person of Sound/Unsound mind



Persons disqualified by Law





FREE CONSENT



Meaning – Free Consent

Consent means “willingness”. The willingness of the parties to a contract must be free. According to **Section 14**, consent is said to be free when it is not caused by:-

- COERSION
- UNDUE INFLUENCE
- FRAUD
- MISREPRESENTATION
- MISTAKE





Coercion – Section 15

- Coercion means to force or to compel him or her to act in a particular manner.
- In other words, a person uses ‘coercion’ against another if he threatens that other person.





Effects of Coercion

- Example - A threatens to shoot B if he (B) does not release him (A) from a debt which A owes to B. B releases A under the threat. The release has been brought about by Coercion.
- When consent to an agreement is caused by coercion, the agreement is a contract voidable at the option of the party whose consent was so caused (**Section 19**).
- A person to whom money has been paid, or anything delivered by mistake or under coercion, must repay or return it.



Undue Influence – Section 16

- Undue influence occurs when an individual is able to persuade another's decisions due to the relationship between the two parties.
- Often, one of the parties is in a position of power over the other due to elevated status, higher education, or emotional ties





A person is deemed to be in a position to dominate the will of another

- (a) Where he holds real or apparent authority over the other. E.g., the relationship between master and servant, doctor and patient.
- (b) Where he stands in a fiduciary relation.[Relation of trust and confidence] to the other. E.g., father and son, trustee and beneficiary, lawyer and client.
- (c) Where he makes a contract with person whose mental capacity is temporarily or permanently affected by reason of age, illness or bodily distress. E.g., Between a medical attendant and his patient.

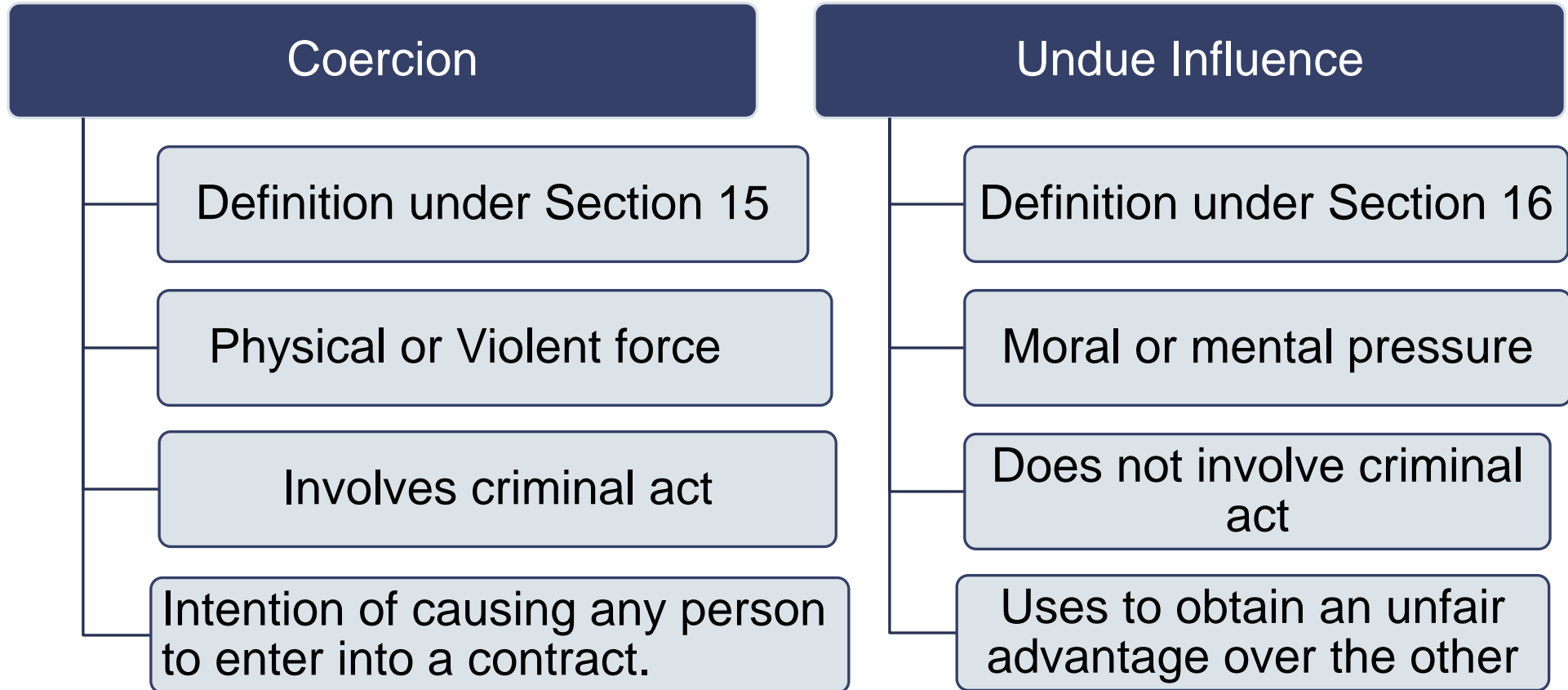


Examples

- (a) A spiritual guru induced his devotee to gift to him the whole of his property in return of a promise of salvation of the devotee. Held, the consent of the devotee was given under undue influence. Here the relationship was fiduciary relationship between Guru and devotee and Guru was in a position to dominate the will of devotee.
- (b) An illiterate elderly woman made a deed of gift of practically the whole of her property to her nephew who managed her affairs. Held, the gift should be set aside on the ground of undue influence.



Coercion Vs Undue Influence





THANK YOU