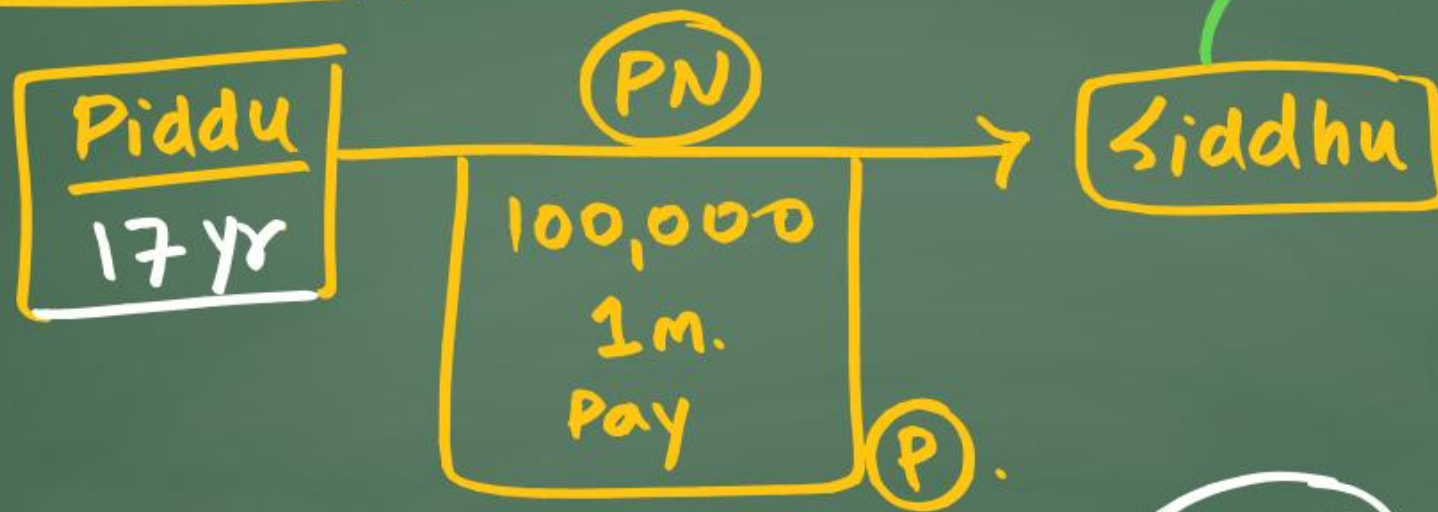




Concept Building

Case-1



Court (+)

18 yrs
 PN = Valid
 | एन डूजि
 Not possible
 (x) Ratijy (x)

Minor - PN एनडूजि = Valid

Case-2

Beneficiary

≡
Minor



Major - PN - एनडूजि - Minor = Valid

- Other party - liable ✓
- Bound ✓
- IPA ✓



SECTION 12 :- SOUND MIND / senses (चैतन्य)



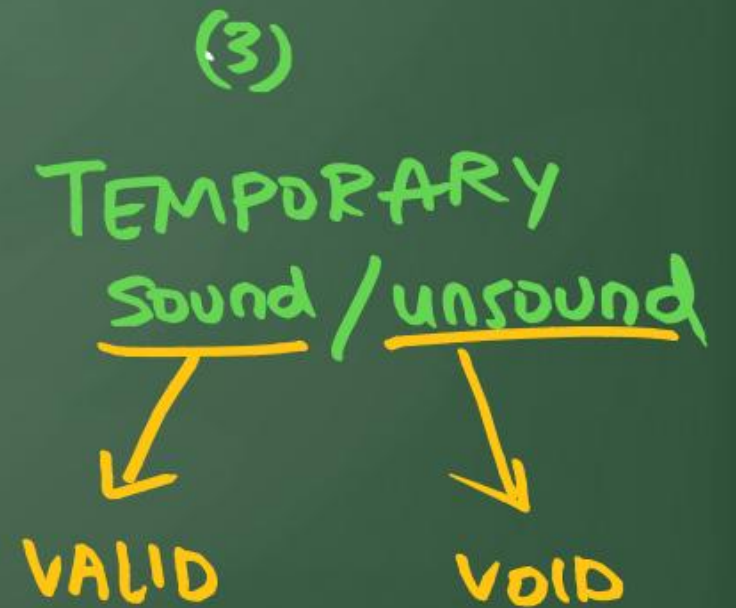
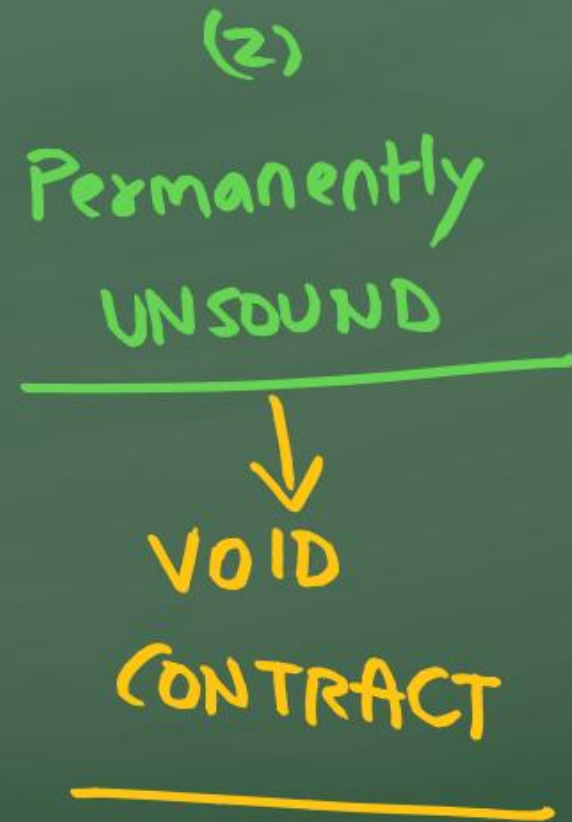
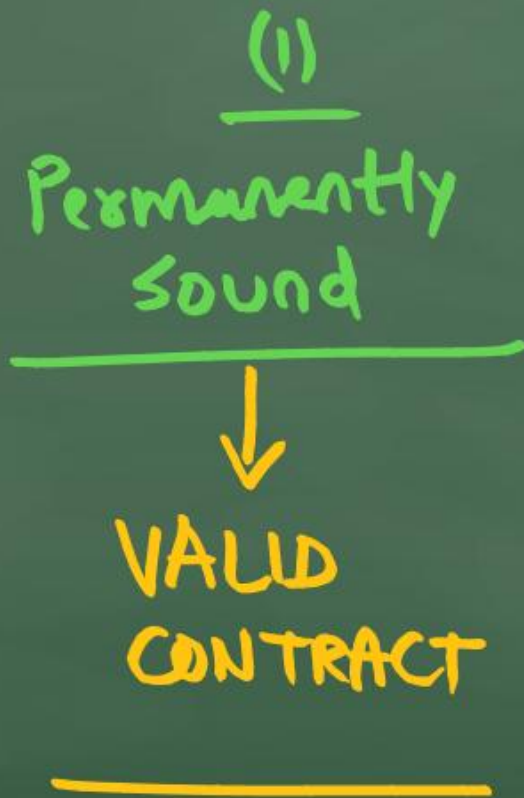
status :- At the time of making the contract.



(1) understand the contract

(2) Rational judgement (✓)(x)(-)(+)

SITUATIONS -



★ (C) NOT TO BE DISQUALIFIED :- If a person is disqualified by any law from contracting either partially / wholly then such contract with that person will be **VOID**.

★ Situations / Examples :-

(1) Foreign Sov. / Ambassadors - eq: India ← China embassy.
↓
Sov. / Amba. (immunity)

(2) Alien enemy → country → citizen (Nation - war)

(3) Convict - अपराधी → But **Bail** - allowed if court says so.

(4) Insolvent (undischarged)

(5) Corporation (company) eq: ultra vires acts.

★ SHEET-1 LAWS / RULES Related to MINOR :-

A person domiciled in India & attained majority ^{upon completing 18 yrs. of age} then such person will be competent. But if age is less than 18 (even by a day) = Incompetent. = **MINOR**

★ (1) Contract with a minor is **Void ab Initio** = void from the beg.
Ref: case law - Mohori Bibi vs Dharmoo Das Ghose

(2) Cannot Ratify :- Contract made with a minor cannot be ratified after attaining majority [Eg:- Watch mortgage]

(3) Minor as beneficiary :- A minor can enter into contract & bind the other party. A **PN** made in minor's favour is valid.

Rejer
Star
Sheet

As per sec. 30 of IPA, minor can be admitted as a partner with consent of all the partners.

★ SHEET-2 →

★ (4) Pleading Minority → A minor can always plead minority and use it as his defence even though he has falsely represented his age as major. As Rule of Estoppel doesn't apply to Minor

★ (5) Contract by Guardian :- A guardian can enter into a valid contract on behalf of a minor. But in case immovable property only a certified guardian (approval from court) can sell the minor's property on his behalf.

(6) Minor cannot Bind guardian / parents liable :- unless acting as Agent

(7) Minor can't be held liable for specific performance

(8) Minor can't be Insolvent means he is not personally liable.

★ Sheet 3:-

★ (9) Joint contract by major & minor :- Major will be only liable and minor will not be held liable unless acting as an Agent.

★ (10) Surety (Guarantor) of minor will be liable if minor defaults

(11) Minor as a shareholder :- Minor can never be directly allotted shares by the co. but indirectly through transfer or transmission from his parents / guardian, he can be.

(12) Liability of TORTS :-
Minor is liable for civil wrongs.

Remaining 2 points :- Necessity and Agent on the next sheet.



AMP
EXAM 68

Liability for
Necessaries



5

Section 68 - Necessaries supplied to a minor can be recovered, but only from the minor's property, not personally. For a minor's estate to be liable for necessities -

- The goods must be essential for the minor's support, based on their standard of living. *
- The minor should not already have a sufficient supply of these goods. X
- Necessaries refer to basic needs like food, clothing, education, or expenses related to important life events, such as funerals. Luxuries or non-essential items are excluded. The focus is on utility, not extravagance. X

Estate
|
Liable
necessaries

FIRM

minor
Share

500,000

★ Expenses on minor's education, on funeral ceremonies come within the scope of the word 'necessaries'. ✓

★ The whole question turns upon the minor's status in life.

Utility rather than ornament is the criterion

★ SHEET-4

It is a matter of utility rather than ornament

★ (13) → Liability for Necessaries :-

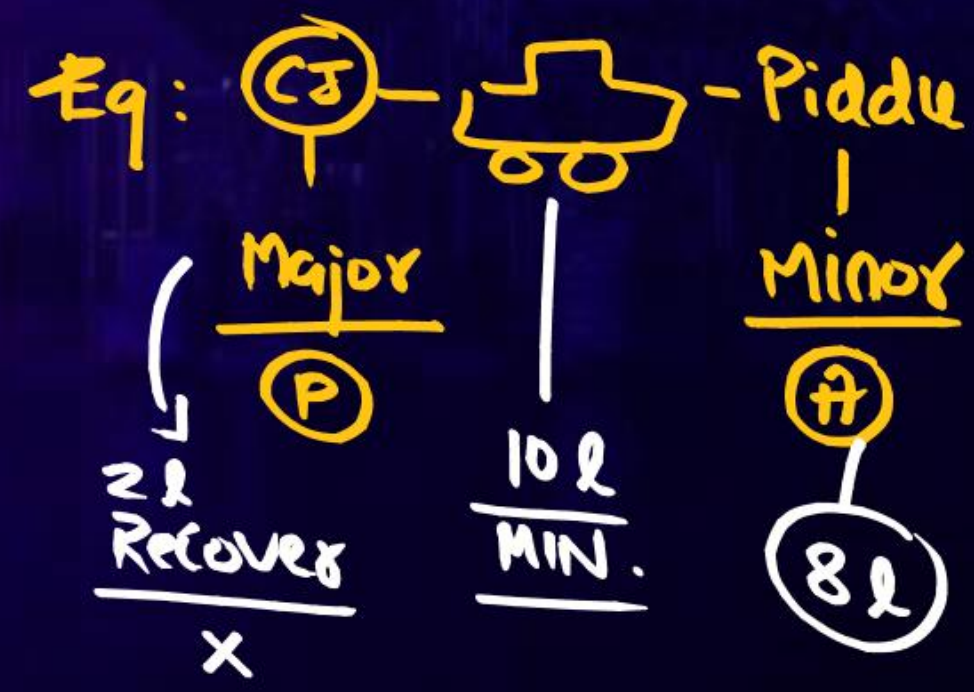
★ As per sec. 68 - a minor when supplied for necessities by a person can be liable for the expenses but not personally. It means amount can be recovered from minor's property or his estate (limited)

- But necessities should be related to basics of life without which one cannot live.
- It depends on minor's status in life & his std. of living
- He should not have such goods already in sufficient qty.
- Eg includes funeral exp, education, food, shelter etc.

<u>9</u> <u>14th</u>	<u>Minor can be an agent</u> *	A minor can act as an agent but is not personally liable for their acts <u>Yes</u>
	<u>Example 5</u> - A minor can operate a bank account and draw cheques, but is not liable for bounced cheques <u>NI</u> - draw ✓	

★ SHEET-5 :-

★ A minor can be an agent but he will not be liable personally means Principal will be held liable. Minor can draw NI or deliver or endorse but he won't be liable.



FREE- CONSENT → SEC 13 & 14

(1) Consensus ad idem

same thing in the same sense

(2) No fundamental errors should be there -

- Na - Nature of Transaction

- P - Person / Party involved

- SM - Sub-matter of the contract

In such cases
Real consent
is missing or
Absent

It should not be caused by C/V/F/M/M.

15 16 17 18

VOIDABLE

20/21/22

VOID



CONSENT IS FREE WHEN NOT CAUSED BY



15

1. Coercion



16

2. Undue Influence



17

3. Fraud

18

4. Misrepresentation

VOIDABLE

@

**The Option of
ONE Party
(Aggrieved)**

5. Mistake

20, 21, 22

VOID

15

15 - Coercion



Definition of Coercion

Committing or threatening to commit any act forbidden by the Indian Penal Code or unlawfully detaining property to induce compel someone to enter into an agreement.

Source of Coercion

Coercion can come from any person not necessarily a party to the contract.

Target of Coercion

Coercion can be directed at anyone, not just the contracting party.

Effect on Contract

Section 19

A contract induced by coercion is voidable at the option of the party whose consent was obtained by coercion.

Return of Benefits

(Section 71)

Any money paid or property delivered under coercion must be returned or repaid by the person who received it.

★ Summary sheet for Coercion & Undue Influence [Sec. 15 & 16]

★ Section 15 :- Coercion :- Committing or threatening to do any act forbidden by law or IPC or unlawfully detaining other person's property to compel other person to enter into an agreement

★ EFFECT = Sec. 19 = voidable @ the option of aggrieved party
Threatening to commit suicide is also considered as Coercion.

Section 16 :- Undue Influence :- Where the parties relation subsist in such a way that one party is in position to dominate the will of other party & uses such position to gain undue advantage.

Essentials -

(1) Relationship

(2) Dominate position

(3) Undue Adv. ^{motive of}

(4) Budding Proof on Aggrieved party

Dominate :-

(1) Real / App.

(2) Mental distress

(3) Fiduciary Rel.

(4) Unconscionable bargain

Effect - 19A
voidable ✓



BASIS	COERCION - (15)	UNDUE Influence - (16)
Nature	Physical Pressure.	Mental / moral pressure
CRIMINAL	YES, IPC eg: threat / commit	No, as only mental pressure
Parties - Relationship	Not Required	YES, close relationship is necessary.
Exercised by whom ?	Anyone, in fact a stranger can also exercise.	Always exercised between the contracting parties.
enforceability	Voidable ✓	Voidable ✓
Any benefit received.	Any benefit in form of money or property must be Returned between the parties.	

★ SECTION 17 :- FRAUD :-

Fraud means an act done by a party or his agent or with his connivance with an intention to deceive the other party or to induce him to enter into an agreement. Essentials :-

★ (1) Representation / Statement must be false.
eg: false fact / suggestion, concealment, omission, promise made w/o intention of performing

(2) It must be related to a FACT.

(3) It must be made before the contract concludes.

(4) Party must be in knowledge of FALSITY or in state of recklessness.

(5) } → Got induced

(6) } other → Relied & entered into agreement

(7) } Party → suffered LOSS.

Effect / Remedies :-

(1) Rescind the contract

(2) Sue for damages

(3) Insist for specific performance



Mere Silence does not amount to FRAUD

General Rule



2 Exceptions - Means silence will be fraud when -

1	<p><u>Duty to Speak</u> - FIDUCIARY</p> <p>When <u>there is a relationship</u> where it's <u>obligatory</u> to <u>disclose information</u>. - FACT</p> <p><i>Example 21 : A sells a horse to B (his daughter) and hides its unsoundness (Fraud).</i></p>
2	<p><u>Silence Equals to Speech</u> - S = S FALSE</p> <p>When <u>silence creates a misleading impression</u>.</p> <p><i>Example 23 : A says goods cost Rs. 50,000 (fact), but says they're worth Rs. 50,000 (opinion).</i></p>

Exceptions

Means silence will be fraud when ✓

WHEN THERE IS A
FIDUCIARY RELATIONSHIP
OF
TRUST

DUTY TO SPEAK

LAWYER – CLIENT ✓
PARENT – CHILD ✓
BUSINESS PARTNERS ✓

SILENT ABOUT MATERIAL
FACTS

SILENCE = FRAUD

WHEN SILENCE CREATES A

↓
Silent → MISLEADING ✗
AND
FALSE ✗
IMPRESSION ✗

कुछ गड़बड़ है तो बोलो
और
कुछ नहीं बोला

मतलब बिना कहे कह दिया कि
सब ठीक है

✓ SILENCE = SPEECH ✓



Concept
Building

★ MISREPRESENTATION = SEC. 18 :-

★ ⇒ When a person makes a statement which is false which he believes it to be true.

★ ⇒ Such statement is made without any intention to deceive the other party as that person had no knowledge of the fact. Hence, we can call it an

innocent person making a false statement.

Effect = Aggrieved party can rescind / repudiate the contract immediately but not after taking a benefit from the contract.



BASIS

FRAUD

DR. BP. KI

MISREPRESENTATION



I - Intention

Intention to deceive

No such intention (X)



K - Knowledge

Yes, Knowledge of Falsity

No such / without-Knowledge

B - Believe

Person believes that the info is UNTRUE

Person believes it to be TRUE

D - Damages

Damages - (✓)

Damages - (X)

R - Rescind
Repudiate

Cancel - (✓)

Cancel (✓)

P - PROTECT
PLEAD

Can't protect himself by saying that truth can be discovered.

Party can always plead that injured party could have discovered the truth.



MISTAKE

LAW

FACT

INDIAN

FOREIGN

BILATERAL

UNILATERAL

Ignorance of Indian law is not an Excuse

mistake of Fact

Contract will be VOID

Both

Subject-matter Mistake
VOID
Void-ab-Initio

ONE

Normally Valid but not in the case of Fraud & Misrep.

VALID Contract

★ Summary Sheet :- Consideration / Object = Unlawful = SEC:23 Double FF II PP →

★ If consideration & object is unlawful then such agreement = void/illegal

★ (1) Forbidden by law :- Any act which is prohibited / punishable under any Act or statute, then agreement based on that will be void.

★ F (2) when consideration / object - if permitted then it would defeat the purpose of any Act / Statute or its provision either directly / indirectly

D (3) Agreement which are entered to promote FRAUD = VOID

F (4) when consideration / object involves injury to any person or his property
Injury means any criminal or wrongful harm, such agree. = void

I (5) when consideration is Immoral :- In such scenario agreement will be void.

I (6) opposed to Public Policy :- In the next star sheet

P (6) opposed to Public Policy :-



Flow for writing the answer for this topic →



TIP :-

sub heading ← ①
(6)th — Heading

9 Points
में से
कोई भी एक
point पर Q.

opposed
to
Public
Policy

Unlawful
object
—
Considerⁿ

= **VOID**

(PP)
↓

M·U·J·E·C·Public O.S·M
1 2 3 4 5 6 7 8 9

D·FF 11 PP
1 2 3 4 5 6



Stifling
Prosecution

valid

Not Valid

Compoundable
offence

Non-Compoundable
offence ✕

Compromise
allowed

No Compromise is
allowed (Crime)

✓ Valid ✓

Void



CM

M
&
C



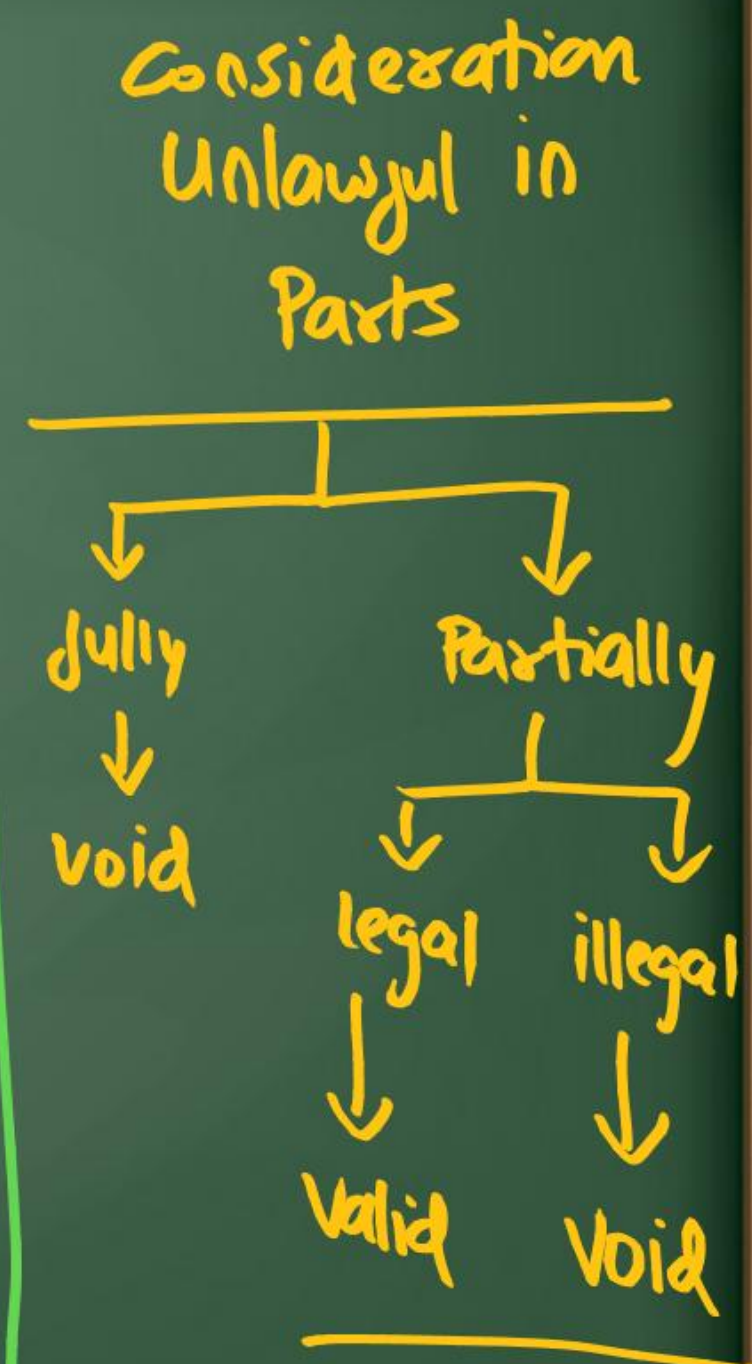
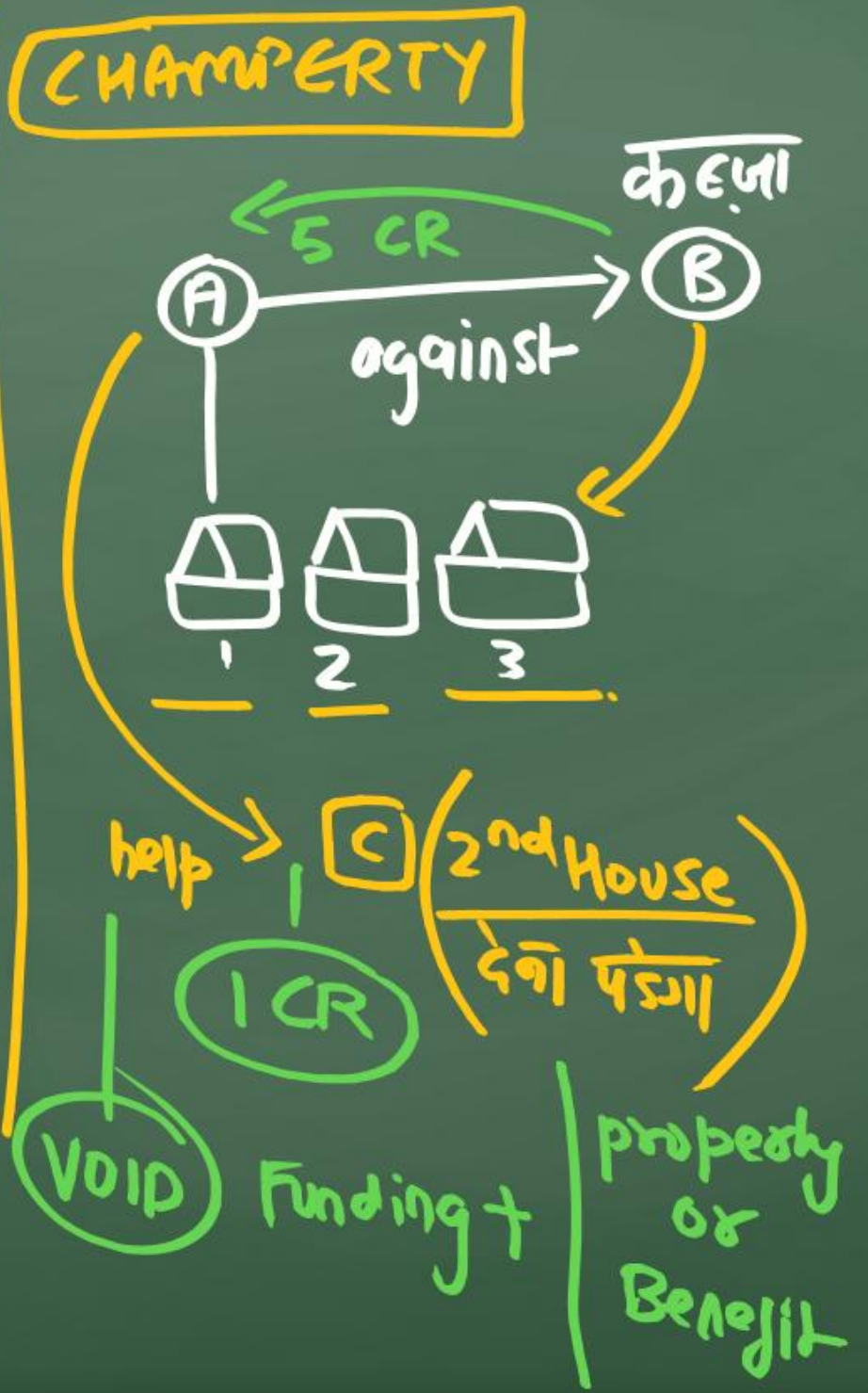
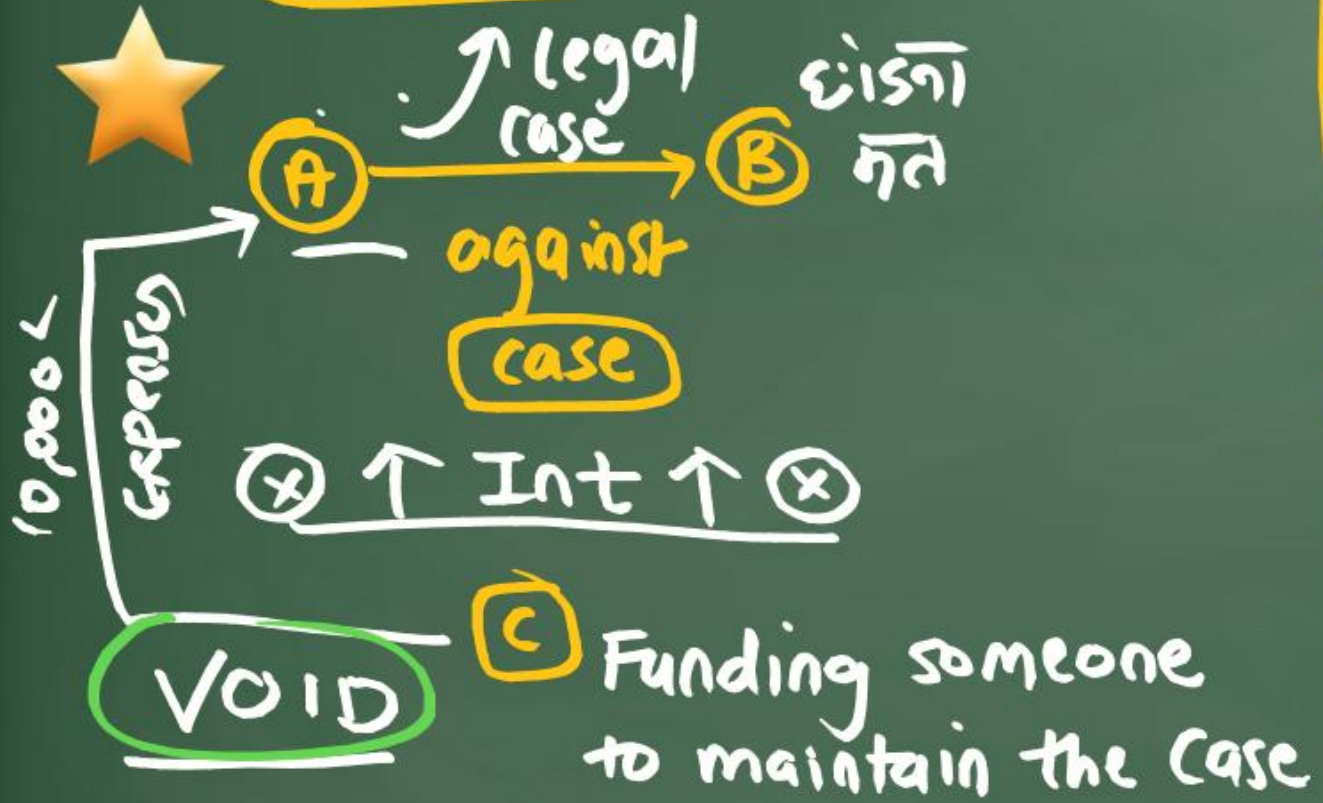
TYPE	Description	Example
<p style="text-align: center;">C</p> <p style="text-align: center;">Maintenance & Champerty</p>	<p>Maintenance involves <u>funding someone's lawsuit with no interest</u>, while <u>champerty is funding in exchange for a share of the proceeds.</u> <i>Share</i></p> <p>These agreements are <u>void</u> if motivated by malice or injustice.</p> <p><u>Condⁿ :-</u></p>	<p>Example 39 -</p> <p>A offers B ₹2000 to sue C just to annoy C, despite the issue being solvable mutually. This is a maintenance agreement and is void.</p> <p>Example 40 -</p> <p>A agrees to pay expenses to B if he sues C and B agrees to pay half of the amount received from result of such suit. This is an agreement of champerty.</p>
<p>The agreement for supplying funds by way of Maintenance or Champerty is valid unless -</p> <ul style="list-style-type: none"> • It is unreasonable so as to be unjust to other party or • It is made by a malicious motive like that of gambling in litigation or oppressing other parties by encouraging unrighteous suits and not with the bonafide object of assisting a claim believed to be just. 		



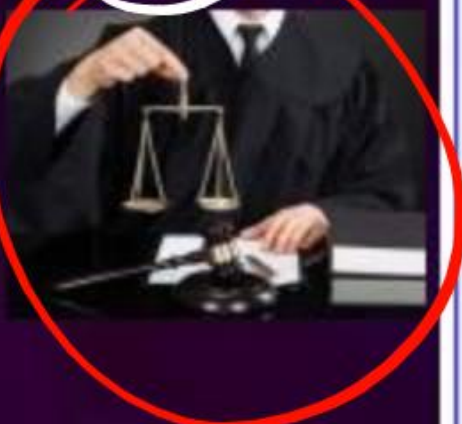
Read.

★ Concept Building :-

★ Maintenance

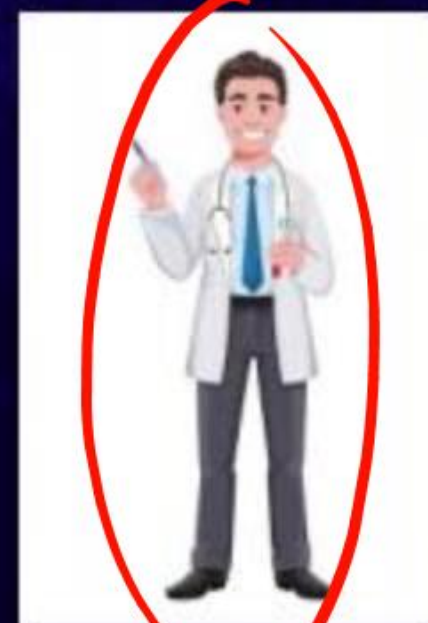


Witness



U

TYPE	Description	Example
<p>Interference with Justice</p> <p>J</p>	<p>Agreements to induce <u>judicial or executive officers</u> to <u>act corruptly or partially</u> are void, as they interfere with the justice system and governance.</p>	<p>A agrees to pay B, a witness in a trial against A, to stay absent from the trial. This contract is void due to interference with the justice system.</p>
<p>Interest Against Obligation</p> <p>O</p>	<p><i>legally bound</i></p> <p>Contracts creating personal interest contrary to one's duty or obligations are void.</p>	<p>A manager agrees to pass a contract to X if X pays him ₹2,00,000 privately. This agreement is void as it creates a personal interest against the manager's obligation to the company.</p>
<p>Consideration Unlawful in Part</p>	<p>If any part of the consideration is unlawful, the entire agreement is void unless the illegal part can be severed.</p>	<p>A agrees to sell land to B, but part of the consideration involves illegal activities. If the illegal part cannot be separated, the entire contract is void.</p>



★ 27 General Rule: Any agreement in restraint of Trade/Biz/Profession will be void. It means if you enter into an agreement where you stop any person from exercising a lawful TBP = void.
★
★ But there are few exceptions -

(1) Sale of Goodwill :- Goodwill is an amount enjoyed by the Biz which has been earned through reputation & loyal customers. Agreement restraining any similar business will be valid restriction if →
[Reasonable TIC + local limits + similar Biz + as long as buyer/successor continues the Biz]

→ Banner = sub. to Agree. b/w the P
(2) Agreement with an outgoing partner :- Such agreement will be valid if restrictions are reasonable in terms of local limit & time. If such condition is fulfilled then o/g Partner can agree not to have similar Business as of the firm.

★ Continuation :-

★ (3)

★ Restraint of trade :- Valid
ROT (Reasonable)
Sub to the agreement

→ Blw the Existing partners / Active = valid ✓

→ Blw the Ex. & o/g partners = valid ✓

⇒ Sec. 11 of IPA says that existing partners can enter into an agreement which says not to have competing Business as firm.

⇒ Under service agreement :- when an employee enters into an ROT agreement with his employer, not to have competing Biz during his employment - is Valid.

★ SECTION 28 :- Restraint of Legal Proceedings :-

★ General Rule :- Agreement restricting legal right of any person is void.

★ But, if such restriction is completely / absolutely (100%) is restricting any party from enforcing the legal right to go to the court then only it is void.

However, (Exception) :-

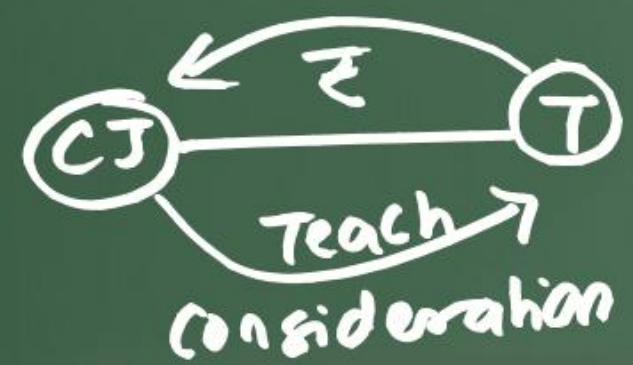
(1) Forbearance means waiting for a period of time before suing is not void.

(2) Arbitration is a valid contract & allowed. In fact, reference of arbitration in the agreement for any future dispute = allowed

concept-Clarity.



Situation I →



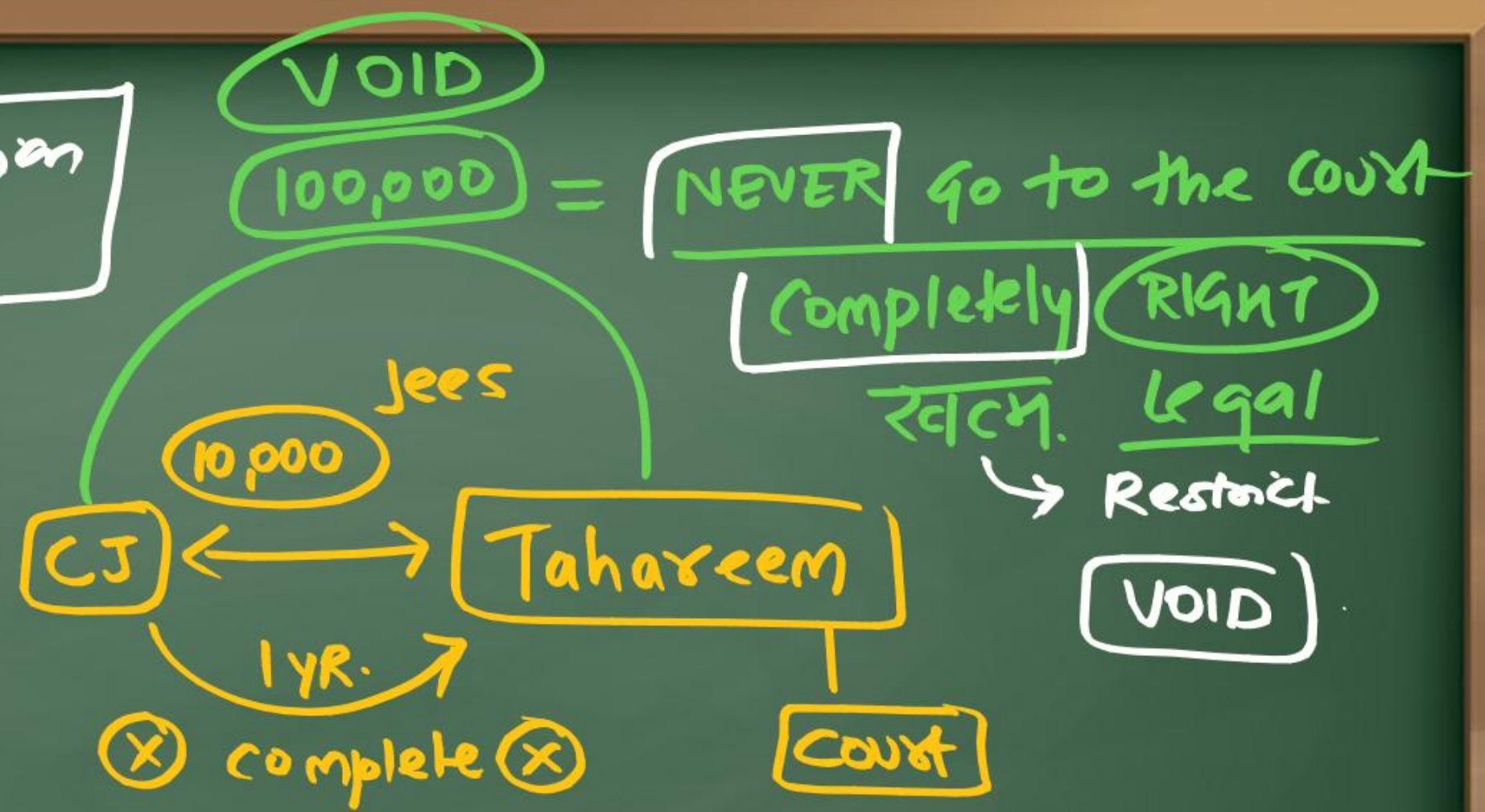
3 month

Do not sue me
WAIT

FORBEARANCE

Valid
Allowed ✓
to sue

Situation II



VOID

100,000 = NEVER go to the court

Completely RIGHT

रक्षित. Legal

Restrict

VOID

Not allowed

VOID

30 Wagering Agreement

- ★ ● **An agreement by way of a wager is void.**
- ★ ● It is an agreement involving payment of a sum of money upon the determination (HAPPENING OR NON-HAPPENING) of an uncertain event
- ★ ● **The essence of a wager is that –**
 - Each side should stand to win or lose, depending on the way an uncertain event takes place
 - in reference to which the chance is taken and
 - in the occurrence of which neither of the parties has legitimate interest.

Essential of a Wager

Wagering agreement

void? (✓)

Illegal? (✗)



1	<u>Promise of Payment</u>	There must be a promise to pay <u>money or something of value</u>
2	<u>Conditional Event</u>	The promise depends on whether a <u>specific event happens or not.</u>
3	<u>Uncertainty</u>	The event's <u>outcome</u> must be <u>uncertain</u>
4	<u>Two Parties</u>	There must be <u>two parties</u> , each <u>standing to win or lose</u> - win/lose
5	<u>Intention to Bet</u>	Both parties must intend to <u>bet</u> when making the agreement
6	<u>No Other Interest</u>	The parties should have no interest in the <u>event</u> except for the <u>money at stake</u>

★ TRANSACTIONS SIMILAR TO WAGER :-

★ (1) LOTTERY :- WAGER = VOID

→ Gov. license = VOID

→ Gov. license (X) = VOID + illegal.

★ (2) Crossword Puzzle competitions } → chance/luck = Wager = void

→ skill/intelligence = Valid if prize \downarrow 1000 ₹

★ (3) Speculative transaction = Rejer next - ~~X~~ sheet

★ (4) Horse Race → PRIZE value — 500 ↑ = Not a wager
— 500 ↓ = Wager

Agreement similar to Wager but are NOT :-

(1) Chitjund

(2) Stock market
Speculation

(3) Skill based
Games/Competn

(4) Contract of
Insurance



Concept building

VALID

Stock Market

Actual transaction

Sale — Purchase

Shares

Delivery

SPECULATIVE
guess

Actual Transaction (X)

Delivery (X)

Gambling (✓)

PROFIT book

100,000

Settle

दरमि

Contract PRICE

MKT Price

eg:

(CJ)

Jeweller

10 Kg = silver

hold

@ 90,000 / Kg. (CP)

Aug. = sept.

@ 100,000 / Kg. (MP)

10 x 10,000 = 100,000

PROFIT.

VOID