

An Analysis of Capacity and Minors

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ABSTRACT:

Alcohol, narcotics, or other substances may all contribute to intoxication, which can affect a person's ability to make legally binding agreements. Alcoholics may lack the judgement and mental clarity needed to properly comprehend and voluntarily engage into business agreements. Therefore, people may have legal options to nullify or withdraw agreements made while inebriated thanks to contract regulations. Similar to adults, those under a certain legal age limit are often assumed to lack the ability to form legally binding agreements. This assumption is justified by the possibility that minors lack the maturity, experience, and knowledge needed to decide wisely on contractual commitments. Minors often have rights under contract law, including the ability to reject or cancel agreements if they so choose. Fairness and the protection of vulnerable parties in contractual relationships depend on an understanding of the legal consequences of mental illness, drunkenness, and the status of children. Legal systems attempt to find a balance between fostering autonomy and protecting people who may be at a disadvantage owing to their circumstances by taking these aspects into account. This abstract emphasises the significance of determining a person's competence to agree to contracts while accounting for mental impairments, drunkenness, and a minor's age. It emphasises the need for legal systems that uphold people's rights, prevent exploitation, and also support their ability to contract freely.

KEYWORDS:

Capacity, Mental Illness, Minors, Voidable Contracts.

I. INTRODUCTION

Important factors in contract law include mental illness, drunkenness, and children since these conditions may affect a contract's capacity to be enforced and its legality. Let's talk about each of these elements separately:

Mental Illness: People who suffer from mental illnesses may not be able to sign contracts. According to standard contract law, parties must be mentally capable of comprehending the nature and implications of the contract they are entering into. A contract may be judged invalid or voidable if a party is shown to be mentally incompetent or unable to comprehend its provisions. This safeguards people with mental illnesses from being exploited or entering into contracts they do not understand [1], [2].

Alcohol, narcotics, or other substances may all lead to intoxication, which can impede one's capacity for good judgement and sound decision-making. According to contract law, a contract may be voidable if a party is so inebriated that they are unable to grasp or comprehend its provisions. It's crucial to remember that depending on the jurisdiction and the particulars of the case, the laws governing drunkenness and the enforceability of contracts may change [3], [4].

Minors: Under contract law, those who are under the age of majority are often given particular protection. Minors' contracts are often regarded as voidable at their own discretion. This implies that upon attaining the age of majority or within a reasonable period following, minors may decide whether to uphold or reject the contract. This safeguard gives children the chance to avoid unfair or harmful agreements since it is acknowledged that they may not have the capacity or understanding to enter into binding contracts. In the end, variables that may affect a contract's enforceability and validity include mental illness, drunkenness, and children. These factors are intended to safeguard those who may lack the competence or legal knowledge necessary to engage into binding agreements. In order to ensure that contracts are entered into willingly and with awareness of their ramifications, contract law recognises the need to strike a balance between autonomy and protection for vulnerable parties [5], [6].

II. DISCUSSION

We have determined that an agreement in the form of an offer and acceptance, consideration, and legal purpose are the basic "ingredients" of a contract. The standing of the individuals or parties to the transaction is another need for its legality. Anybody may have an agreement, but only those who were fully capable when they made it may legally enforce it. There are few exceptions to this basic right to sue and be sued, but generally speaking, the law presumes that most people have this contractual ability and are thus competent or able to enter into contracts [7], [8].

Which are:

- a. Companies (officially recognized business entities)
- b. Insane people and inebriated people
- c. Children.

A broad diplomatic immunity also applies to sovereigns and ambassadors, which prevents them from being sued in British courts unless they freely consent to it. While minors will be our main focus, it is important to quickly discuss the reasons for the limits. The limitations imposed by the law on capacity are often meant to safeguard individuals, since certain social groupings may be more susceptible to contract formation than others [9], [10].

Corporations

The incorporation process in company law provides corporations with protection for themselves and limits their obligation to other parties. However, it is important to safeguard shareholders, investors, and other parties that work with firms against unethical use of their funds. A company's authority is constrained by the instrument (often a document) that establishes it; in the case of a chartered corporation, the restriction may be found in the charter. Similar to how a registered business is restricted by the registration process, a statutory corporation will have its limitations established in the legislation (although the impact of this has been decreased by the Companies Act 1989, when a person enters into a contract in good faith with a company director).

Alcoholism and mental illness

The law also provides protection to persons who are intoxicated or of unsound mind while entering into a contract. According to the Sale of Goods Act, a person who is intoxicated or mentally unstable is responsible for the fair cost of necessities (see below). They would also be responsible if the contract was confirmed later, when they were in a soberer frame of mind. In general, if a person signs a contract while intoxicated or mentally ill, the deal is voidable if he can demonstrate that:

1. He was unclear about the transaction's nature,
2. This was known to the opposing side.

It may be argued that in the instance of drunkenness, the second criterion is nearly always likely to be met if the first one has been shown, as the other party is likely to notice if someone is so inebriated that they are acting recklessly. For a person who is intoxicated, this could seem to be a simple way out of an undesired contract, but keep in mind that the proof must support all of the aforementioned requirements and that the legislation is intended to protect someone who has been taken advantage of by the other party while in such a state. There may be a greater tendency to empathise with those who experience mental illness or involuntary intoxication, such as from a "spiked" beverage, but the law does not seem to make a distinction between these conditions and willingly intoxicated. Regarding the awareness of the other party, the Privy Council said in *Hart v. O'Connor* (1985) that the transaction will be recognised as a compact between two persons of sound mind if one party is oblivious of the other's incapacity and the condition of the afflicted party is not obvious. In this instance, a property transaction was deemed legally binding since the buyer was unaware that the seller had a mental illness.

The case of *Hart v. O'Connor* is an illustration of how the courts used an objective and fair approach while searching for outside evidence of agreement. It is theoretically unlikely to occur often. The legislation is consistent with criminal law, which places restrictions on when the defence of drunkenness may be utilised. In both situations, the court must be persuaded of the validity of the reasons, and it is doubtful that the court would feel much pity for a party that intentionally engages in heavy drinking in order to avoid an unwelcome contract.

The Mental Capacity Act of 2005's Section 7 has been updated to reiterate the principles relating to people with mental disabilities.

Sovereigns and Envoys

This category of restricted ability exists to safeguard people who work for their nation and to allow for the advancement of international relations free from obstacles caused by a lack of understanding of other legal systems (Figure 1). With the exception of a small number of more prominent occurrences, it is only actively seen in modest situations in practice.

Minors

Minors are the last group of people covered by the legislation on contractual capacity, and this chapter will concentrate on this group of people. A person under the age of 18 is considered a minor, while until the Family Law Reform Act was implemented in 1969, a person under the age of 21 was referred to as a "infant." The aforementioned Act reduced the legal majority age to 18 and established the word "minor." By limiting the minor's ability to contract, contract law adopts a rather paternalistic stance. On the other hand, if there was absolutely no protection for youngsters, there would undoubtedly be complaints that the legislation was excessively onerous on children. Given that a 16-year-old is legally entitled to marry, have children, and start working, the Law Commission's recommendation that minors be bound from the age of 16 rather than 18 seems appropriate nowadays. But caution has prevailed, maybe as a result of the influence of economic pressure in a contemporary consumer-oriented culture. Therefore, the goal is to safeguard children from their own inexperience and potentially risky transactions while not being too harsh on any adult who treats a child decently. Although a juvenile may enforce a contract against an adult party, it is generally assumed that contracts involving minors are unenforceable. However, certain agreements involving minors are legitimate and binding.

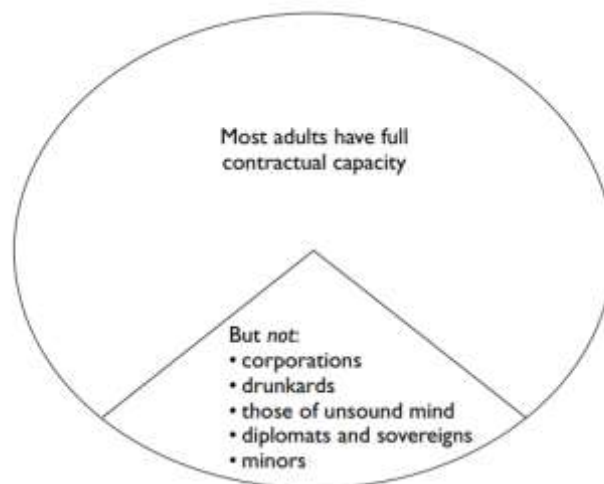


Figure 1: Group of more high-profile cases.

Necessaries

A contract for the selling of necessities will subject a minor to liability. Retailers wouldn't be willing to sell to kids on credit in any situation if all contracts with them were unenforceable. Therefore, the law considers a minor to be bound by a contract for the sale of necessities offered and delivered to them in order to allow a minor to get fundamental necessities for ordinary existence. In addition to goods like housing, food, and clothes that are necessary for survival, the word "necessaries" also refers to things that are crucial and appropriate for a minor's stage of development. Therefore, a minor in a relatively high social status will be responsible for paying more than a minor in a lower financial position. Therefore, there are two different definitions of necessities, depending on both social standing and a real need. This difference might seem a little biased, but if it weren't, someone who was affluent and could easily afford to make purchases would 'escape' from responsibility with the same amount as someone who was considerably poorer. The issue of how a shopkeeper is to determine a person's social standing must be raised (presuming he is aware of the legislation and has first determined the customer's age).

Voidable contracts

When a kid signs a continuous obligation agreement, the agreement becomes a third sort of contract with them that might be legally enforceable. This is a long-term contract, similar to one for housing rental. In this scenario, unless the minor repudiates the contract before turning 18 or within a reasonable period of time following, it will be recognised as legitimate. This allows the kid a chance to 'escape' if he subsequently regrets his activity while yet leaving a manageable arrangement for those dealing with the minor. In the case of *Edwards v. Carter* (1893), Lord Watson provided the following justification for the stance. The phrase "if he the minor chooses to be inactive, his opportunity passes away; if he chooses to be active, the law comes to his assistance" refers to the minor's option to withdraw from the contract; if he does not, it will be assumed that he is bound by it. In this instance, a young man was granted a marriage settlement in exchange for his promise to contribute any future financial gains to the same settlement. When he was an adult, his father left him a large inheritance. He renounced the deal he had made to invest it because he regretted doing so. It was decided that the agreement was enforceable since the repudiation was made too late. Is a minor's contract enforceable? (shown in Figure 2)

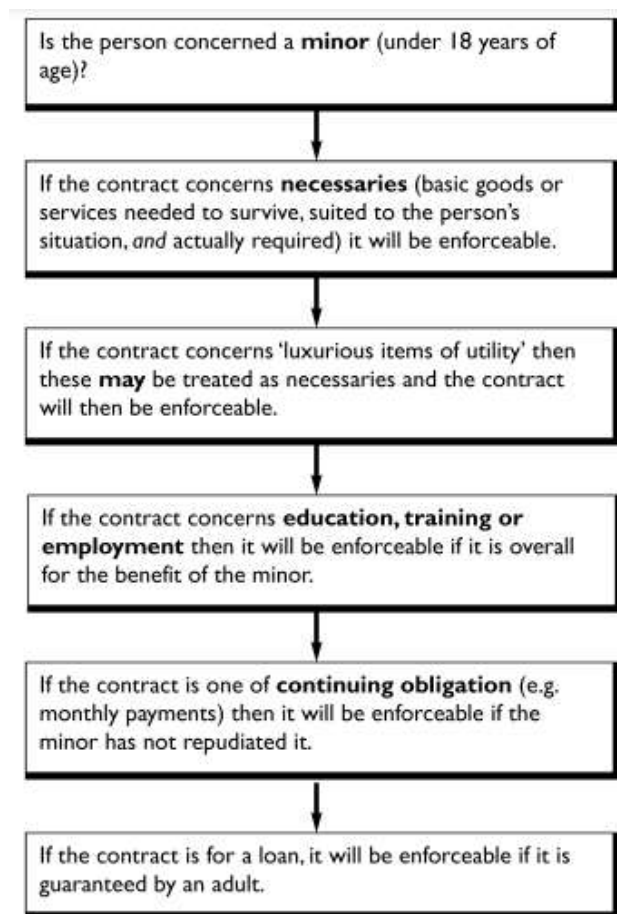


Figure 2: Illustrate a minor's contract enforceable.

It is unclear exactly what constitutes a reasonable amount of time, and the court will decide in light of the specific facts of each case. In *Edwards v. Carter*, it was contended that the minor was not affected by the arrangement until he received his father's assets. This certainly seems like a fair claim, but what if it had taken 10 years for the bequest to be received? The minor's degree of legal awareness might also be a point of contention. If it is assumed that such an agreement is binding, the minor's sole safeguard is his awareness of his legal right to reject.

Repudiating avoidable contract has the effect of ending the minor's responsibilities, but he is not entitled to get his money back unless there was completely no consideration. In *Steinberg v. Scala* (1923), a minor revoked a share purchase agreement. Upon this time, the minor's relationship with the corporation came to an end, but she was unable to recoup the cost of the shares upon purchase. Even academic experts disagree on the stance that applies to money owed at the moment of repudiation. The minor can be responsible for obligations acquired up to the point of repudiation.

1987's Minors' Contracts Act

The minor seems to be in a particularly protected and even privileged position as a result of all of these common law provisions. In fact, until recently, the legislation on an adult who had a sexual relationship with a teenager was seen to be exceptionally severe in certain situations, especially considering the wide range of experiences among young people. It seemed that an unfairness was coming from a law that was intended to protect in a situation where a juvenile had purposefully taken advantage of an adult by manipulating the law of contractual capacity to his advantage. However, this imbalance has been largely corrected with the passage of the Minors' Contracts Act 1987. The Act strengthens the position of the adult dealing with a juvenile rather than taking away his protection.

The two key clauses are as follows:

- a. Where a juvenile enters into a loan agreement, the guarantee provided by an adult is enforceable against the adult (s.2).
- b. If a juvenile obtains goods illegally via a contract that is unenforceable, the court may require restitution (the giving back of the items or of "other property" that represents the commodities) (Section 3).

Restitution

We observed that in the case of *Nash v. Inman*, the student had been wearing eleven waistcoats, leaving the tailor in the awkward situation of not being paid for them. To solve this issue, the Minors' Contracts Act of 1987, section 3, allows the court the option to order the return of goods under an unenforceable contract with a minor (it is important to note that the legislation indicates that the court 'may' order restitution, not that they always will). This implies that the court can decide not to impose restitution if a child has been taken advantage of by an adult. However, if a juvenile has taken advantage of an adult and used the law to avoid duties, restitution will help in certain cases to provide the other party with a remedy. Although they will be the ones with knowledge of the case's facts, the courts will have the last say on this matter.

Additionally, when the juvenile has traded in the items they have obtained in this manner for other items, those items may also be the focus of the restitution order. For instance, if a juvenile purchased a vehicle on credit, sold it, then used the proceeds to purchase a motorcycle, the court may require that the child return the motorcycle to the buyer of the automobile. There are several issues with the restitution clauses. Restitution of items of lasting worth, like antique jewels, is satisfying for the seller since he gets what he lost back. Restitution of clothes with a very low market worth that is now second-hand, however, is less satisfying. It might be claimed that restitution could be imposed in these situations if the court determines that it is required because it is clear from the evidence that a minor has misused the legal system. There is currently no provision for such an order, however. Additionally, under certain contracts, such as those for services or consumable goods, like meals, repayment is not an option.

When the initial items the minor purchased are now represented by money, a new issue develops. There shouldn't be an issue if they have been sold and the money is kept secure, for example in a designated envelope. However, problems arise if the funds are combined with other funds to purchase a costlier item or if they are deposited into a bank account that already has other funds in it and from which withdrawals have been made. There is now no comprehensive judgement, thus it will undoubtedly be up to the courts to use their discretion in these situations. Overall, notwithstanding the issues stated, the ability to order repayment does allow the courts the chance to render a fair decision in more circumstances than they could before the Minors' Contracts Act was implemented.

III. CONCLUSION

Any kind of intoxication, including alcohol, drugs, or other substances, may make it difficult for someone to make wise decisions. The notion of drunkenness in contract law acknowledges that a person under the influence may not have the mental clarity to comprehend the terms of a contract or provide sincere assent. Consequently, agreements made while intoxicated may be voidable or unenforceable. Minors, or anyone under a certain age (often 18), are also subject to certain legal requirements under contract law. Minors may not have the required experience or maturity to fully comprehend the ramifications of a contract since they are often thought to have limited legal capacity. The law normally recognises agreements made by minors as voidable, enabling them to withdraw from or revoke the agreement until they reach the age of majority or for a reasonable amount of time

beyond that. These legal guidelines are intended to protect the rights and interests of those who may be at risk owing to a mental illness, alcoholism, or youth. They guarantee that people are not obligated by agreements that they are not completely capable of understanding or agreeing to and provide some protection against exploitation. In conclusion, the legal rules governing mental incapacity, drunkenness, and children have a substantial impact on contract law by protecting those who may not have full legal capacity and addressing their particular situations. These guidelines contribute to a just and equitable legal framework for commercial agreements by striking a balance between safeguarding weaker parties and upholding the enforcement of contracts.

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