

# Constractual Capacity

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## Contractual Capacity

Is the legal ability to enter into a contractual relationship, courts in general presume the existence of contractual capacity; but when the person is young or mentally incompetent, capacity may be lacking or questionable, that is why the law has giving special protection to those who bargain with youth or for those who are mentally challenge.

# Intoxication

- Intoxication is a condition in which a person's normal capacity to act or think is inhibited by alcohol or some other drug.
- A contract can be either voidable or valid. Courts look at objective indications to determine if contract is voidable
- If voidable. A person has the option disaffirm. Person may ratify the contract expressly or impliedly. Stricter standard because intoxication is a voluntary act
- If the person was sufficiently intoxicated to lack of mental capacity the agreement may be voidable even if the intoxication was voluntary.
- For the contract to be voidable the person must prove the intoxication impaired their reason for judgment.
- Many courts are reluctant to allow contracts to be avoided because it is difficult to determine whether a party was sufficiently intoxicated.

# Intoxication

**Disaffirmance** : People who are intoxicated by alcohol or drugs at the time they enter a contract are sometimes able to disaffirm those contracts. To disaffirm a contract for this reason, a person must have been so intoxicated at the time of the contracting that he or she did not understand the nature or effect of the transaction.

**Ratification** : An intoxicated person, after becoming sober, may ratify a contract just as a minor on reaching majority. Implied ratification occurs when a person enters into a contract while intoxicated and fails to disaffirm the contract within a reasonable time after becoming sober.

\*Courts are usually not very sympathetic to people who claim they were intoxicated when they signed a contract. Generally a court will only allow the contract to be voided if the other party to the contract knew about the intoxication and took advantage of the person, or if the person was somehow involuntarily drugged.

# Minors

Minors:(Contractual purposes, minors are considered 18).

**Contracts by Minors General Rule:** A minor can enter into any contract that an adult can. A contract entered into by a minor, however, is voidable at the option of that minor, he or she just needs to manifest it (clearly show) an intention not to be bound by it. The minor voids the contract by Disaffirm

**Disaffirmance:** A minor may disaffirm the contract at any time while still a minor and within a reasonable time after reaching the age of majority. Most states do not require restitution.

\*To disaffirm, a minor must express his or her intent, through words or conduct, not to be bound by the contract, not merely a portion of it. For instance, the minor cannot decide to keep part of the goods purchased under a contract and return the remaining goods.

## Exceptions of Disaffirmance:

1. Misrepresentation of age (or fraud)- In many jurisdictions, misrepresentation of age prohibits the right of disaffirmance.  
\* Usually, minors can disaffirm contracts even when they have misrepresented their age. However, many States have enacted laws to prohibit disaffirmance in such situations.
1. Necessaries- Minor remain liable for the reasonable value of necessaries (goods and services).  
\* Depending on the minors' customary living standard, contracts for necessaries are enforceable only to the level of value needed to maintain the minor's standard of living.
2. Ratification- After reaching the age of majority, a person can ratify a contract that he or she formed as a minor, thereby becoming fully liable for it.

- Ratification is the act of accepting and giving legal force to an obligation that previously was not enforceable. A minor who has reached the age of majority can ratify a contract expressly or impliedly.
  - Express ratification – takes place when the individual, on reaching the age of majority states orally or in writing that he or she intends to be bound by the contract.
  - Implied ratification – takes place when the minor, on reaching the age of majority, indicates intent to abide by the contract.

# Mental Incompetence

Contracts made by mentally incompetent persons can be void, voidable, or valid

**Void :** If a court has previously stated a person is mentally incompetent and then make a contract that contract is automatically does not exist (Void)

**Voidable:** A contract is voidable if the person at the time of the contract does lacked the mental capacity to understand the contract

**Valid:** The person had a metal capacity at the time the contract was formed  
Some people have lucid intervals temporary periods of significant intelligence , judgment and will, during such intervals, they will be considered to have the legal mental capacity to enter a contract