Who is Competent to Contract?

“Every person who has attained the age of majority, is of sound mind and is not otherwise disqualified from contracting, is competent to contract”

[Section 11]

Sound Mind

“A person is said to be of sound mind for the purposes of making a contract if, at the time when he makes it, he is capable of understanding it and of forming a rational judgment as to its effect upon his interests.”

1. A person who is usually of unsound mind, but occasionally of sound mind, may make a contract when he is of sound mind.
2. A person who is usually of sound mind, but occasionally of unsound mind, may not make a contract when he is of unsound mind.
3. Examples, Idiots, lunatics and drunken
4. Where a person is usually of sound mind, the burden of proving that he was of unsound mind at the time of execution of a document lies on him who challenges the validity of the contract.
5. The liability for necessaries of life supplied to persons of unsound mind is the same as for for minors. [Section 68]

Not Otherwise Disqualified

“Certain persons are disqualified from contracting, partially or wholly, so that the contracts by such person are void.”

If, by any provincial legislation, a person is declared “Disqualified Proprietor”, he is not competent to enter into any contract in respect of the property.

An alien enemy, during war, cannot enter into a contract with an Indian subject.

A statutory corporation cannot enter into a contract which is ultra-vires its memorandum.

Municipal bodies are disqualified from entering into contracts which are not within their statutory powers.

Age of Majority

“Every person domiciled in India attains majority on the completion of 18 years of age.”

1. An agreement entered into by a minor is altogether void
2. Minor can be a beneficiary
3. Minor can always plead minority
4. Ratification on attaining majority is not allowed
5. Contract by guardian
6. Liability for necessaries