

Name

Legal Capacity to Contract

Contractual Capacity: The minimum mental capacity required by law for a party who enters into a contractual agreement to be bound by it. Common law recognizes three classes of persons who are generally not considered to have sufficient capacity to be bound by their contracts:

Minors: In virtually all states, unmarried persons under the age of eighteen (18) are permitted to enter into any contract an adult can, provided that the contract is not one prohibited by law for minors (e.g., agreement to purchase cigarettes or alcohol). However, unlike those entered into by adults, contracts entered into by minors are generally *voidable* by the minor.

Mentally Impaired or Incompetent Persons: Like-wise, contracts entered into by persons who are, at the time of contracting, intoxicated (voluntarily or not) or mentally incompetent are generally voidable.

Intoxication: A condition in which a person's normal capacity to act or think is inhibited by alcohol or some drug.

Minors

At common law persons under the age of 21 were designated "infants" and had only a limited capacity to contract. From January 1, 1970, the Family Law Reform Act 1969 reduced the age of majority to 18 and authorised the term "minor" as an alternative to "infant." "Minor" is now the preferred term. The capacity of a minor to contract is still regulated by the common law, modified by the Minors' Contracts Act 1987 which repealed a troublesome statute, the Infants Relief Act 1874.

The general principle is that a contract made by a minor with an adult is binding on the adult but not on the minor. If, after attaining his majority, he ratifies it by an act confirming the promise he made when a minor, he is bound. There need be no consideration for the act of ratification. A contract by a minor is not void and any money or property transferred by him under the contract can be recovered only if there has been a total failure of consideration.

Mentally Impaired or Incompetent Persons:

People with severe mental illness, severe mental retardation, or severe senility lack capacity. A person who lacks the ability to understand the consequences of his or her contracts lacks capacity. A person ruled as permanently insane has mental incapacity.

Intoxication:

A contract made by a person so intoxicated as not to know the consequences of his act is not binding on him if his condition is known to the other party. It appears, however, that such a contract is not void but merely voidable, for it was held in *Matthews v. Baxter* (1873) LR 8 Ex 132 that if the drunken party, upon coming to his senses, ratifies the contract, he is bound by it.

Section 3 of the Sale of Goods Act 1979 makes the same provision for persons who are incompetent to contract by reason of "drunkenness" as for minors and the mentally incompetent. No doubt, the same rule would be applied to persons intoxicated by drugs other than alcoholic drink, either by a broad interpretation of "drunkenness," or at common law. Individuals using drugs such as marijuana or crack cocaine, or inhaling products such as glue or aerosols are also considered Intoxication

Design a PowerPoint presentation with at least 5 slides that shows which groups of individuals lack the capacity to be bound by a contract. The presentation should include politically correct and appropriate for classroom use pictures and captions.

**Save the Powerpoint as Legal Capacity
Upload to Mr. Stives**