



VIT[®]
Vellore Institute of Technology
(Deemed to be University under section 3 of UGC Act, 1956)

Legal Aspects of Business

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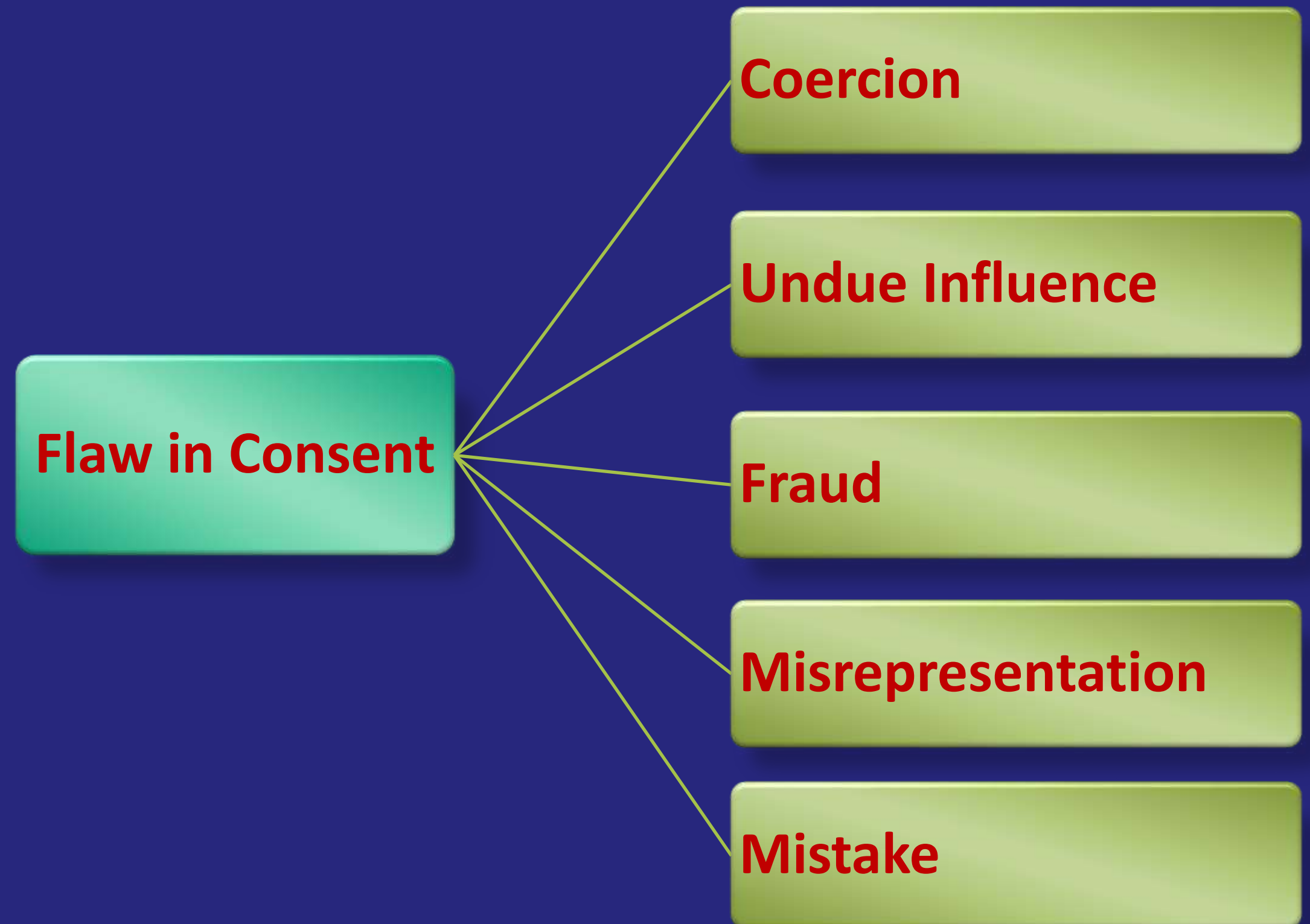
Recapitulate

Capacity of Parties

- Competent Person
- Incompetent person
 - Minor
 - Mental Deficiency
 - Disqualification by Law

Free Consent

Persons are said to consent when they agree upon the same thing in the same sense.



I. Coercion:

Compelled or use of force or under a threat.

Coercion includes fear, physical compulsion and menace to goods.

II. Undue Influence:

Compelled to enter into an agreement against his will as a result of unfair persuasion

This happens when a **special kinds of relationship** exists between the parties.

- a. Real or Apparent – **Example:** Master and servant, doctor and patient
- b. Fiduciary/Trust – **Example:** Father and Son, Promotor and company
- c. Mental Capacity – **Example:** Age, Illness, mentally disturbed, etc.,

III. Misrepresentation:

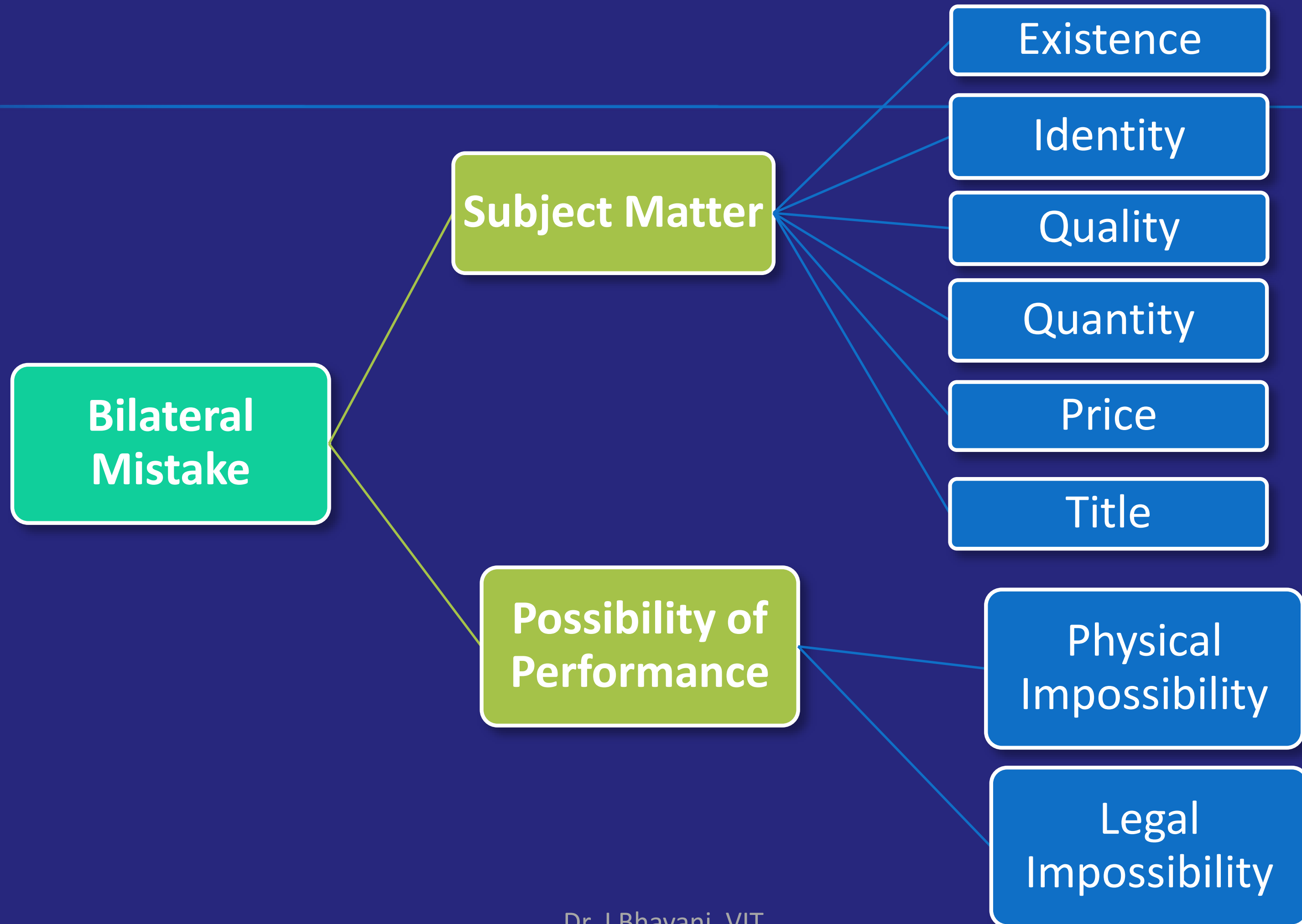
A representation, when wrongly made, innocently or unintentionally is said be misrepresentation.

IV. Fraud:

A representation, when wrongly made, with intentional, deliberate or willful misrepresentation with intent to deceive is said be fraud.

V. Mistake: Erroneous belief on something, it may be mistake of law or mistake of fact.





Review Questions

1. If both parties believe the subject-matter of a contract to be in existence, which in fact is non-existent, the contract is void. **True or False**
2. A threat amounting to coercion necessarily proceed from a party to the contract. **True or False**
3. A young widow was forced to adopt a boy under the threat preventing the body of her husband, who had just died, from being removed for cremation. Is this adoption valid under law?

Answer

1. If both parties believe the subject-matter of a contract to be in existence, which in fact is non-existent, the contract is void.

Answer: True

2. A threat amounting to coercion necessarily proceed from a party to the contract.

Answer: False

3. A young widow was forced to adopt a boy under the threat preventing the body of her husband, who had just died, from being removed for cremation. Is this adoption valid under law?

Answer: No, its voidable due to coercion