**Chapter 7: Formation of a Contract: Capacity to Contract and Legality of Object**

**Legal Capacity** – competence to bind oneself legally  
etc. wouldn’t expect a 4 year old to be able to bind themselves to pay $100 for a videogame

**Repudiate** – reject or declare an intention not to be bound by

**Minor or Infant** – a person who has no attained the age of majority according to the law of his or her province

**Age of Majority** – the age at which a person is recognized as an adult according to the law of his or her province

**Guardian** – a person appointed to manage the affairs of a minor in the place of his or her parents

**Necessaries** – essential goods and services

**Beneficial Contracts of Service** – contracts of employment or apprenticeship found to be for a minor’s benefit

A minor may always repudiate a contract for non-necessaries even where the non-necessaries are clearly beneficial to them. An adult can recover money lent to a minor only if the minor used the sum to purchase necessary goods.

A minor’s liability to pay for necessaries and beneficial contracts of service continues after she attains majority, and in addition, she may *become* liable for obligations that could not be enforced against her while she was a minor.

**Voidable Contract** – a contract that may be rendered unenforceable at the option of one of the parties

**Ratify** – acknowledge and promise to perform

**Void** – never formed in law

Courts have held some contracts by their very nature to be prejudicial and unfair to minors and therefore completely void.

The law protects a person of unsound mind or incapacitated through drinking/drugs in the same way as a minor. They are bound to pay a reasonable price for necessaries; other contracts are voidable at his option but enforceable by him against the other contracting party.

Corporations are merely a creature of the law and have no physical existence; cannot act or sign its name.

Labour unions are not legal entities. They must apply to a government agency and be recognized as a separate legal person before they can enter into contracts. Despite their indefinite status, labour unions may bring actions or defend against them when they wish through *representative action*.

**Representative Action** – an action brought by one or more persons on behalf of a group having the same interest

**Alien** – non-citizen  
  
Aliens generally have the same right as a citizen in making contracts but in the event of war, an enemy alien loses all contractual capacity.

**Aboriginal Peoples** – Indian, Inuit and Métis people of Canada

Indians living on a reservation are considered wards of the Crown. Indians not living on a reservation have the same contractual capacity as that of any other citizen.

**Legal** – not offensive to the public good and not violating any law

**Severed** – removed from the contract

**Wager** – an agreement between two persons in which each ahs some probability of winning or losing

**Stakeholder** – a person or organization that manages a betting arrangement for a fee and redistributes winnings

**Insurable Interest** – an interest where a person has a financial benefit from the continued existence of the property or life insured or would suffer financial detriment from its loss or destruction

People are not permitted to use evidence of their own wrongdoing for their advantage before the courts.

**Restrictive Covenant** – a term in restraint of trade

Competition is a necessary element of our economic life and it is desirable by courts. The courts initially presume that any term in restraint of trade is against public policy, but the party seeking to enforce the covenant may **rebut** (overcome) the presumption of it can demonstrate that it is a reasonable arrangement between the parties and doesn’t adversely affect the public interest.

The vendor of a business can persuade the purchaser to pay for the goodwill only if he can make a binding promise that he will do nothing in the future to diminish or destroy the value of what he is selling. He must be free to covenant with the purchaser that he won’t enter into any business that is likely to compete with the business he is selling.

Employers are frequently allowed to impose terms on an employee that the latter must accept if they want the position since there is no equality of bargaining power.