

An elderly woman underwent major surgery and spent two weeks in the hospital. The woman continued to take powerful pain medication for several weeks after she returned home. During her recovery, she offered to sell her car for \$450 to her neighbor, who owned a house-cleaning service. The neighbor said, "That's great! I need a car to transport all the people who work for me to their job sites."

In fact, the woman's car was worth \$3,000, and the neighbor knew this. He was also aware that the woman had undergone surgery and noted that she seemed "out of it" because of the medication she was taking.

Several days later, the woman's son found out about the deal and contacted the neighbor, telling him that the woman would sell him the car, but for \$3,450. The next day, when the neighbor tendered \$450 and demanded that the woman give him the car, she refused.

If the neighbor sues the woman for breach of contract, will he be likely to prevail?

- A. No, because the contract was voidable due to the woman's apparent incapacity.
- B. No, because the woman put nothing in writing.
- C. Yes, because the neighbor's reliance on the otherwise voidable contract made it enforceable.
- D. Yes, because the woman's offer and the neighbor's acceptance created an enforceable contract.

## Explanation:

### Incapacity to form contract

- |                       |   |
|-----------------------|---|
| <b>Infancy</b>        | <ul style="list-style-type: none"><li>• Person under 18 enters contract</li><li>• Voidable if disaffirmed by minor before or soon after turning 18</li><li>• Minor must return any still-existing benefit received under contract</li></ul>   |
| <b>Mental illness</b> | <ul style="list-style-type: none"><li>• Mental capacity so deficient that party cannot reasonably understand (or act in relation to) nature or consequences of contract AND other party had reason to know</li><li>• Voidable if disaffirmed by incapacitated party when lucid or by legal representative</li></ul>   |
| <b>Intoxication</b>   | <ul style="list-style-type: none"><li>• Party too intoxicated to reasonably understand (or act in relation to) nature or consequences of contract AND other party had reason to know</li><li>• Voidable if promptly disaffirmed by intoxicated party upon becoming sober</li><li>• Intoxicated party must offer to return any consideration received &amp; may be liable for fair value of goods or services provided</li></ul> |

A **valid contract** is generally formed when a mutual agreement is supported by adequate consideration—eg, when the woman offered to sell her car and the neighbor accepted. That contract is **enforceable unless** the breaching party establishes a **defense (Choice**

**D). Incapacity due to intoxication** is a defense when:

- an intoxicated party **could not reasonably understand** or act in relation to the nature or consequences of the contract (eg, selling a car worth \$3,000 for only \$450) *and*
- the other party had **reason to know** of the intoxication (eg, noticing that the intoxicated party was "out of it" when the contract was formed).

This renders a contract **voidable**, so it can be set aside if the intoxicated party **acts promptly** (ie, within a reasonable time) to **disaffirm it upon becoming sober**. And here, the woman likely was still under medication when she disaffirmed the contract by refusing to give the neighbor the car, so the neighbor is *unlikely* to prevail.

**(Choice B)** A contract need only be in writing and signed by the party to be charged if it falls within the **statute of frauds**. This rule applies to contracts for the sale of goods for \$500 or more, but it does not apply to this contract to sell the car for only \$450.

**(Choice C)** Under the doctrine of **promissory estoppel**, a party can enforce a promise on which it relied when *no* valid contract was formed. But the doctrine only allows recovery if

the party's reliance was reasonable and caused substantial detriment—neither of which is seen here.

**Educational objective:**

Incapacity due to intoxication renders a contract voidable if the intoxicated party could not reasonably understand the nature or consequences of the contract AND the other party had reason to know of the intoxication. The contract can then be set aside if the intoxicated party promptly disaffirms it upon becoming sober.

**References**

- Restatement (Second) of Contracts §§ 12–16 (Am. Law Inst. 1981) (incapacity to contract).

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