Q.1 When a person of unsound mind can make a contract?

Answer. A person who is usually of unsound mind may make a contract when he is of sound mind. But a person who is usually of sound mind may not make a contract when he is of unsound mind under the Indian Contract Act 1872.

Q.2 Who are the persons incompetent to contract?

Answer: Section 11 of the Indian Contract Act, 1872, states when a person is said major, sound and not disqualified by law, then he is said to be competent to contract. Contract with a minor, unsound or intoxicated person is void, as they are incompetent to contract. Incompetency has a critical role in contracts.

Q.3 What is a sound mind for the purposes of contracting.

Answer: A person is said to be of sound mind for the purpose 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.

Q.4 What are the effects of the contract with (1) persons of unsound mind (2) Persons disqualified by law.

Answer: A person of unsound mind may be divided into two broad categories:

Idiots: An Idiot is one who has lost mental powers completely, i.e., his brain has not developed enough to enable him, at all to understand the contract or of forming a rational judgment of its effects upon his interest. Hence an agreement with him is always void. However, he can be sued for necessaries of life supplied to him or to anybody dependent upon him.

Lunatic: Lunacy arises from the illness of the brain or mental or bodies distress. The essential element of lunacy is that the mental powers of the lunatic are so deranged that he cannot make a rational judgment of any subject the period of lunacy.

## Effects of agreements made by persons of unsound mind

An agreement made with a person who is suffering from lunacy at the time of entering into the contract, is void (Sec. 10).

## Other Disqualifications

Alien Enemy : A citizen of a foreign country is known as an alien.

Foreign sovereigns and their Ambassadors. Foreign sovereigns and their Ambassadors in India can enter into contracts with Indian citizens and can sue them in Indian courts but no suit can be filed against them in local courts unless the permission of the Central Government to this effect has been obtained.

Corporation: A corporation is an artificial person created by law. Being a legal person only, it cannot act by itself. It has to act through some agent. Its contractual capacity suffers from the following limitations:
(a)Natural Limitation: (b) Legal Limitation:

Insolvents: When a person is adjudged insolvent, he loses contractual powers over his property.
Convicts: A person against whom a sentence of imprisonment is passed loses the capacity to contract.

Married women: A married woman used to suffer from certain disabilities with regard to making of contracts under English Law before 1935. A woman, married or single, in Indian Law, is under no disability as regard, entering into contracts with regard to the property that belongs to her (e.g. Stridhan of a married women). Her contracts can be enforced against her husband’s property if he has failed to provide necessaries of life to her and the contract relates to necessaries of life.