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Mohori Bibi v. Dharmodas Ghosh: Landmark Case on Minor’s Capacity to Contract

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The case of Mohori Bibi v. Dharmodas Ghosh is a landmark decision in Indian contract law that deals with a minor’s capacity to contract.

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Introduction

The case of **Mohori Bibi v. Dharmodas Ghosh** is a landmark decision dealing with minors’ contractual capacity. It is one of the earliest and most significant rulings concerning the legal rights of minors under the Indian Contract Act, 1872. The case was heard by the Privy Council, which was the highest appellate court for India during British rule.

Facts of the Case

Dharmodas Ghosh, the respondent, was a minor when he mortgaged his property to Brahmo Dutt (represented by Mohori Bibi) in exchange for a loan of Rs. 20,000. At the time of the transaction, Dharmodas Ghosh’s mother, as his legal guardian, had informed the lender in writing that Dharmodas was a minor and thus incapable of entering into a binding contract. Despite this notification, Brahmo Dutt’s agent proceeded with the mortgage transaction. However, only Rs. 8,000 of the total loan was advanced to Dharmodas Ghosh.

Later, Dharmodas filed a case stating that since he was a minor when he executed the mortgage, the agreement was void and should be canceled. Brahmodutt’s executors appealed, arguing that Dharmodas had fraudulently misrepresented his age and that the law of estoppel should apply. They also contended that if the mortgage was canceled, Dharmodas should repay the loan under **Sections 64 and 65 of the Contract Act**.

Issues Identified

1. Whether the mortgage deed was void under Sections 2, 10, and 11 of the Indian Contract Act, 1872.
2. Whether the lender could recover the loan money or the mortgage from Dharmodas Ghosh, even if the contract was not enforceable.
3. Whether the mortgage executed by Dharmodas Ghose was voidable.

Judgement

The Trial Court initially held that the contract between Dharmodas Ghose and Brahmo Dutta was void because Dharmodas was a minor at the time of the agreement and minors do not have the capacity to contract. Brahmo Dutta appealed to the Calcutta High Court, which upheld the trial court's decision, and subsequently to the Privy Council, which also dismissed the case.

The Privy Council ruled in favor of Dharmodas Ghosh, declaring that **any contract entered into by a minor is void ab initio (from the beginning)** under the Indian Contract Act, 1872. The court emphasized that:

- Section 11 of the Indian Contract Act stipulates that only individuals who are of the age of majority (i.e., not minors), of sound mind, and not disqualified from contracting by law, are capable of entering into a valid contract.
- Since Dharmodas Ghosh was a minor at the time of the mortgage, the contract was void and unenforceable. This meant that Dharmodas was not obligated to return the loan money, as the lender had knowingly entered into a contract with a minor.

Sections 64 and 65 of the Indian Contract Act were deemed inapplicable since Dharmodas, being a minor, was not a competent party to contract. The court also dismissed the application of estoppel because Brahmo Dutta's attorney knew of Dharmodas's minority.

The ruling also clarified that even if a minor unjustly benefits from a void contract, they are not required to restore the benefit (such as returning the loan), as the contract was void from the beginning.

Law Applied in this Case

1. Law of Estoppel: The law of estoppel prevents a person from changing their position if another person incurred liability based on their representation. In this case, estoppel was not applied because the appellant’s attorney knew Dharmodas Ghose was a minor.Generally, estoppel does not apply against minors, even if they intentionally misrepresented their age. This is because minors are deemed incompetent to contract under Section 11 of the Contract Act.
2. Sections 64 and 65 of the Indian Contract Act, 1872: These sections deal with the restoration of benefits received under voidable and void contracts, respectively. The court observed that these sections apply only to contracts between competent parties. Since Dharmodas Ghose was a minor, he was not competent to contract, so Sections 64 and 65 were not applicable.
3. Equitable Doctrine of Restitution: Courts have developed this doctrine for minor agreements. If a minor receives goods or other traceable benefits, these should be returned to the bona fide party. However, the restitution of money received by minors is not settled, with courts holding differing views. The settled law is that agreements with minors are void ab initio (void from the beginning) as they lack the capacity to enter into contracts.

Conclusion

The case of Dharmodas Ghose established a critical legal precedent in Indian contract law, emphasizing the protection of minors from contractual liabilities and shed light on minors capacity to contract. The courts consistently held that the mortgage agreement was void ab initio because Dharmodas was a minor at the time of the transaction.

This ruling reinforced the principle that contracts with minors are inherently void, nullifying any obligations such contracts might impose. The application of the law of estoppel was dismissed since the appellant’s attorney was aware of Dharmodas’s minority, and Sections 64 and 65 of the Indian Contract Act were deemed inapplicable due to the lack of competency of one of the contracting parties.

Ultimately, this case safeguarded the interests of minors by ensuring they are not held accountable for agreements they are legally incapable of entering into.

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