# Contract Formation and Contractual Obligations

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## Contract Formation and the Requirements of Legal Agreement

In the Contractual Obligation Case Study, according to the Contract Act of 1872 Section 2(b), a contract is a legal agreement between two or more parties that is binding and that is enforceable by law (Rasmusen, 2001). A contract can be verbal or written. While some contracts are required by law to be in written form, others are not. Written contracts, however, are better than verbal contracts because, in case of a breach of contract, it is easy to refer to the terms of the contract to prove one's innocence or mistake (Rasmusen, 2001).

On the other hand, verbal agreements can be difficult to defend or prove because they largely rely on the good faith of the parties to the verbal agreements. Nonetheless, a contract can only be considered by the court to be legally binding if there is something on offer and a corresponding acceptance of the offer by both parties, if the parties have intentions to honor the agreement through a legal relationship, and if there is a consideration which is of value to all the parties involved.

## Legality, Capacity, and the Casino Contract

A court may not consider a contract valid if the contract, for instance, entices somebody to engage in a criminal activity, or if the contract involves a party who is not capacitated to honor the contract, such as a bankrupt or a minor, and if the contract was consented to under duress, unconscionable conduct, undue influence, or through deception.

Before the court considers the validity of the contract between Terrence and the casino, the question of the legality of the activity must be considered. Is gambling illegal in the state in which the contract was carried out? If it is illegal, then before the court, the contract is null and void because a contract is only binding if it is enforceable by law. If, however, the gambling contract was undertaken within a state in which gambling is not considered criminal activity, then the contract is indeed binding. It is important to note further that the court will consider the contract binding because there was a verbal agreement between Terrence and the casino to engage in a bet over their consideration, which in this case was money. Both parties consented to the agreed terms and conditions of the contract with a

sober mind that was free from coercion, and both had intentions to honor their agreement. The other point to note was that both parties were capacitated to enter into the contract as both had money to gamble.

The first problem, however, was that the contract was in verbal form, and hence, not all the terms and conditions were stipulated in the contract at the commencement of the contract. There is no proof or agreement that the participants of the contract had to be sober during the contract, although because this activity involves the use of eyes and the brain, it is expected that both parties would participate in the activity soberly. Hence, it cannot be considered a breach of contract for the casino to provide alcoholic drinks and drugs to Terrence. In any case, the establishment is licensed to provide alcoholic drinks to its customers. Terrence can, on the other hand, be considered to have breached the contract on account of taking the drinks and the drugs offered by the casino.

# Intoxication, Frustration, and Contractual Responsibility

However, the drugs did impair Terrence's vision and blurred his judgment, leading to the losses that he incurred and the debt that he now owes the casino. This could be perceived as deception by the Casino. Otherwise, the casino could have opted not to allow Terrence to gamble under the influence of drugs or alcohol or opted to sell the drinks and drugs to him so that he would have taken the drugs with full knowledge of his actions and the consequences of his choices.

Furthermore, this case can be considered a frustration of contract because Terrence's intoxication made it nearly impossible to perform fairly. Under the influence of drugs and alcohol, it is possible that Terrence's vision impairment and poor judgment led to his loss of money. Thus, the foundation on which the contract was laid had changed, and thus, the contract cannot thereby be considered to be valid in accordance with the Reform (Frustrated Contract) Law of 1943, which considered a contract that is made impossible to undertake due to the change of circumstances that the promisor could not control or prevent as void (Mayur and Rishbah, 2017). In this case, the court considers any activity carried out after the frustration of the contract null and void. Hence, any losses or gains that the parties would have made after the frustration of the contract are considered null. The court, however, considers the transactions before the frustration of the contract as valid, and any gains made by either party could be rendered back to them.

In this case, though, Terrence was not coerced to take the drugs and drinks offered by the casino. He took the substances in full knowledge of his actions and the effects they would have on his vision and thinking capacity. It can, therefore, be argued that the frustration of the contract was self-induced. There is a possibility that Terrence could have taken the alcohol to plead the case of impairment when he began to make losses as a way of escaping his contractual obligation. On the grounds of induced frustration with the contract, the court may uphold the validity of the loss that Terrence suffered and further direct him to pay the sum of money he owes the casino.

# References

Mayur S. & Rishbah J. (2017) Frustration of contract; Impossibility of performance. Rajani Associates, p. 2.