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Case Comment: Chakho & Ors v Mahadevan

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INTRODUCTION

*Chakho & Ors v Mahadevan*¹ is an important judgement for the case where the contract becomes invalid because one and/or both of the parties were incompetent to contract due to his mental capacity of rational decision-making getting extremely affected by alcoholic psychosis triggered due to consumption of alcohol, most likely conspired by the respondent. The court followed “*Res Ipsa Loquitur*” and ruled in favour of the petitioner under *Sections 10 and 12 of The Indian Contract Act, of 1872*². It was held that a person who is not capable of comprehending the circumstances and evaluating the consequences of the agreement thus being entered into, cannot be enforceable by law.

FACTS OF THE CASE

Chacko, the plaintiff in plaint has brought a case against Mahadevan that he was tricked into executing on September 4, 1983, the deed of sale, extension A3, it being told him that what has

¹ *Chacko & Ors v Mahadevan* (2007) 7 SCC 363

² Indian Contract Act 1872, s 10, 12

been executed was only a security bond for the amount rupee 1000/- which was borrowed from Mahadevan. After this, Chacko entered the hospital to be treated for mental health issues, and during this time Mahadevan attempted to enter the property in question. On October 11, 1983, when Chacko and his wife obtained a copy of the deed from the relevant registry office and reviewed the document, they found that it was a deed of sale for 3 cents without adequately describing the boundary and measures of that property.

On the last year dated 14th September 1982, Chacko sold out his 1 cent of land at the consideration of Rs.18000/- when he was able to sell a piece of land for 1 cent for Rs. 18,000 in the previous year, it was impossible to believe that he sold the land at a price of Rs.353 percent, as Mahadevan now claims. The suit O.S. 431 of 1983 was filled by Chacko and his spouse annakutty looking to set apart the sale deed executed on July 11.1983 at the floor that it becomes vitiated through fraud and become subsequently null and void and for a prohibitory injunction restraining Mahadevan from coming into that property. The averment within side the plaint become the Chacko become plied with liquor through Mahadevan and others and the record become were given executed.

The record becomes subsequently void. Chacko sought to argue in this instance that the parties were not at arm's length when they engaged in the contract. Chacko was unable to build such a case based on the evidence. All that could be shown was that Chacko owed Mahadevan money. Towards sums so owing paperwork was completed, Chacko assumed it to be nothing more than a security deed. Mahadevan defended the lawsuit, alleging that he was a teetotaler and that Chacko was given alcohol before the enforcement of the document was untrue. Chacko had borrowed amounts from Mahadevan on several occasions and in respect of amounts owed to Mahadevan, Chacko had signed the Deed of Sale, extension A3, in performance of the obligations. Mahadevan, therefore, ruled that the lawsuit could be dismissed. Claiming the title and ownership of the premises of the sale deed executed on July 11.1983. Mahadevan filled O.S. 437 of 1983, intended to prevent Chacko and Annakutty from interfering with their possession of the three cents covered by Ext. A3. This claim was defended by Chacko and Annakutty because the sale was void and conferred no title or property on Mahadevan.

ISSUE OF THE CASE

- Whether or not the contract between Chacko and Mahadevan is valid.

JUDGEMENT OF THE COURT

In his decision, the trial court ruled that the aforementioned sale deed ext. A-3 dated July 11, 1983, was valid because Chacko and his spouse Annakurty failed to establish any vitiating circumstances to invalidate the sale deed, and as a result, Mahadevan acquired title to the abovementioned properties. The lower appeal court agreed with the Trial Court that Chacko and Annakutty had failed to prove the case of fraud claimed in the plaint. As a result, the Appellate Court agreed with the Trial Court that the transaction was not tarnished by fraud or undue influence. It also rejects Chacko and Annakutty's apparent non-est factum plea. As a result, the lower Appellate Court determined that the ground presented in the plaint for declaring the transaction unlawful was non-existent. After that, the lower Appellate Court considered an argument made on behalf of Chacko and Annakutty. In the light of Ext. A2 the sale of one cent of land for Rs 18,000 in Ext. A-2 (sale deed dated 4-9-1982) and three cents of land for Rs 1000 in Ext. A-3 (sale deed dated 11-7-1983) demonstrated that this was an unconscionable transaction and that the sale deed dated 11-7-1983 was liable to be set aside.

Mahadevan filled the second appeal to be addressed by the high court (Kerala high court). After reviewing the judgement of the First Appellate Court dated June 29, 1988, the Supreme Court concluded that the decision showed that it had been recorded therein that Chacko was not having a sound mind when he executed the contract. This was established from the medical certificate. The Supreme Court then held that the judgement showed that it had been recorded therein that Chacko was not having a sound mind when he executed the contract. In Trichur Mental Hospital for Alcoholic Psychosis, he received treatment beginning on August 11, 1983, and continuing until August 14, 1983.

This is a finding of a fact with which the High Court in the Second Appeal had no jurisdiction to interfere because it was already established. In addition to this, it was also proved from the facts that one cent of the land was sold for Rs.18000 on 4.9.1982, but ten months later, three cents of

the same property was sold for just Rs.1000. This was added to the fact that the land was sold on 4.9.1982. This validated the position taken by the First Appellate Court, which said that Chacko did not have a sound mind at the time he signed the sale document on July 11, 1993, at the very least. If one cent of land is valued at Rs.18000, then the price of three cents of land needs to be equal to Rs.54000.

According to the well-known Latin proverb "Res ipsa loquitur," which translates to "things speak for themselves," no sane person in their right mind would sell property with a value of Rs. 54,000 for Rs.1000/-. As a result, people thought that Chacko had sold the land using a sale deed dated 11.7.1983 when he was not of sound mind and that he had been the victim of some kind of scam at the time.

The challenged judgement of the High Court was overturned after analysis of the facts, and the judgement of the First Appellate Court dated 29.6.1988 was reinstated. Additionally, the sale deed dated 11.7.1983 was invalidated. A sale deed that was executed by practising fraud on the transferor, who was also not of a soundmind, was deemed to be liable to be quashed and not explicitly enforced. This decision was made because the transferor was not of sound mind.

RATIONALE OF THE COURT

The court determined that the deed was invalid because "C" was mentally incompetent at the time it was executed because, just ten months earlier, he had sold one cent of land for Rs 8,000; as a result, the price for the sale of three cents should have been somewhere around Rs 54,000, but it was only sold for a pitiful sum of Rs 1,000. The court ruled that the maxim "Res Ipsa Loquitur" was applicable and that no one acting in their right mind would carry out such a deed. In addition, the fact that 'Chacko' was diagnosed with alcoholic psychosis soon before the transaction only validated that there was a strong likelihood that 'Mahadevan' had given him alcohol, which triggered his psychosis, leaving him deluded and removed from the truth.

POSITION OF LAW

Statutes

- **Section 12 of the Indian Contract Act, 1872³**

“12. What is a sound mind for contracting? – a person is said to be of sound mind to make 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. – A person is said to be of sound mind to make 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.” A person who is usually of unsound mind, but occasionally of sound mind, may make a contract when he is of sound mind. A person who is usually of sound mind, but occasionally of unsound mind, may not make a contract when he is of unsound mind.

(a) A patient in a lunatic asylum, who is, at intervals, of sound mind, may contract during those intervals.”

(b) A sane man, who is delirious from fever, or who is so drunk that he cannot understand the terms of a contract, or form a rational judgment as to its effect on his interests, cannot contract whilst such delirium or drunkenness lasts.⁴”

- **Section 10 in Indian Contract Act, 1872⁵**

“10. What agreements are contracts? – all agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void. – All agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void.” Nothing herein contained shall affect any law in force in 1[India], and not hereby expressly repealed, by which any contract is required to be made in writing or the presence of witnesses, or any law relating to the registration of documents.⁶”

³ *Ibid*

⁴ *Ibid*

⁵ *Ibid*

⁶ *Ibid*

CASE LAWS

- *Babcock v Engel*⁷

APPEAL from District Court, Musselshell County; Charles L. Crum, Judge.

It was contended that the defendant failed to establish that he was even intoxicated; yet, assuming that he was, his state prevented him from rescinding the legally binding agreement.

- *Johnson v Harmon*⁸

APPEAL from the Supreme Court of the District of Columbia.

Justice Clifford concurred with the judgment of the court and delivered the opinion that: The complainant stated that while signing the trust deed he was extremely intoxicated to the point that he was not in a state to comprehend the implications of the same on him to make a rational decision. The court, after various tests, held that he was indeed not in the correct state of mind to execute the contract and dismissed his liability.

It is challenging to clearly and precisely define the level of mental impairment that, in the eyes of the law, disqualifies a grantor from executing a legal and effective deed of conveyance. Confirmed insanity that renders a person incapable of knowing the difference between right and wrong about the act in question makes that person irresponsible for that act, even if it is illegal, and disqualifies him from entering into a contract or executing a legal document to transfer real estate or personal property.

CRITICAL ANALYSIS

Since Chacko was not of sound mind when he entered the contract, he could not have completely understood the contract and given rational consent to it. As a result, the contract was invalid according to *section 12(b) of the Indian Contract Act, of 1872*⁹. The facts of the case established that

⁷ *Babcock v Engel* [1920] 58 Mont, 597, 194 P. 137

⁸ *Johnson v Harmon* [1876] 94 U.S. 371

⁹ Indian Contract Act 1872, s 12(b)

Chacko was not of sound mind when he entered the contract.

When taking into mind the maxim the argument that the consent was not given with a conscious and rational mind was strengthened by the fact that *Res Ipsa Loquitur* showed that the price at which the plaintiff agreed to sell the land to the defendant seemed very unreasonable because it was 1/54th of the amount that someone would generally be willing to pay for the land. A man of sound mind could not do this type of sale deed because it has a huge variation between prices. Chacko had therefore to first establish that the price recited as paid by Mahadevan was so grossly inadequate as to shock the conscience of the Court. The lower court decision rely upon the fact that Chacko had sold one cent of land for Rs 8,000 last year so, this could not be possible that he sold three cents of land only Rs. 1000 and this can create doubt upon reasonable man.

However, in the same scenario, if it had been shown that the plaintiff was of sound mind when they entered the contract, then the agreement in question would have been considered legal. Similarly, if Chacko had only sold the land to Mahadevan for Rs.54000, the contract would have been valid because the transaction would have appeared completely reasonable, and it would have been noted that the plaintiff was treated for Alcoholic Psychosis one month after entering the contract, so there was no concrete evidence that he was under the influence of alcohol when finalising the contract. Deeds executed by such a person are, at the very least, voidable; however, a simple lack of understanding is not sufficient ground to challenge the legality of a contract if the party still has the mental capacity to understand the situation clearly and draw the appropriate conclusions regarding the contract's subject matter.

CURRENT DAY SIGNIFICANCE: CONCLUDING REMARKS

- The case law still is applicable and serves as a landmark authority on the unsoundness of mind in a contract voiding the consent and freeing the appellant of his contractual obligation.
- It was followed in *Sudama v Rakshpal Singh*¹⁰, where the Allahabad High Court decided that no such circumstantial circumstance (Chacko's admittance to a mental institution)

¹⁰ *Sudama v Rakshpal Singh* (2013) ADJ 6 714

was discovered, which may vitiate the transaction due to the appellant's mental incompetence.

- The case law is largely cited because of its procedural findings, which state that the second court of appeal cannot look into the facts but only into the question of law. This ruling was followed in *Koppisetty Venkat Ratnam (Dead) Through Lrs. v Pamarti Venkayamma*¹¹ and several other cases.

¹¹ *Koppisetty Venkat Ratnam (Dead) Through Lrs. v Pamarti Venkayamma* (2006) 12 SCC 49