

# Us business law cases

Business



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Case Charles Edwards Smith, a minor, purchased an automobile from Bobby Floars Toyota on August 15, 1973. Smith executed a security agreement to finance part of the balance due on the purchase price, agreeing to pay off the balance in 30 monthly installments. On September 25, 1973, Smith turned 18, which was the age of majority. Smith made 10 monthly payments after turning 18. He then decided to disaffirm the contract and stopped making the payments. Smith claimed that he could disaffirm the contract entered into when he was a minor. Toyota argued that Smith had ratified the contract since attaining the age of majority. Smith claimed that he could disaffirm the contract entered into when he was a minor. Toyota argued that Smith had ratified the contract since attaining the age of majority (Bobby Floars Toyota, Inc. v. Smith, 269 S. E. 2d 320, 1980 N. C. App. Lexis 3263 (N. C. App.)).

Who is correct

Answer

Toyota is correct in saying that Smith had ratified the contract since attaining the age of majority.

The contract entered to in this case by the parties is voidable because Smith, one of the contracting parties, was a minor then. A voidable contract is one which remains valid until one of the parties calls for its rescission or ratification because of reasons like the minority of one of the parties. The law provides that a voidable contract because of minority of one of the contracting parties can be disaffirmed by the minor " within a reasonable time" after reaching the age of majority which is 18. Failure of the minor to rescind or to ratify " within a reasonable time" after reaching the age of majority is a waiver of the right to disaffirm the contract. What is reasonable

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time depends upon the circumstances of the case.

In this case, the Court said that the period of 10 months after reaching the age of majority is an unreasonable time within which Smith elected the disaffirmance of the contract. The Court reasoned it is because this case involved an automobile which is constantly depreciating in value. Modern commercial transactions require that both buyers and sellers be responsible and prompt. On the other hand, the continuous possession of Smith of the automobile and the payment of 10 monthly bills after reaching the age of majority constituted a ratification of the contract and precluded disaffirmance.

## Case 2

Jane Wilson leased a Toyota pickup truck from World Omni Leasing, Inc. (Omni). Wilson had experience in business and had signed contracts before. In the past, Wilson had read the contracts before signing them. When signing the contract for the lease of the truck, however, Wilson did not take the opportunity to read the lease. However, she signed a statement declaring that she had read and understood the lease. The lease contained a provision that made Wilson responsible for payments on the truck even if the truck was destroyed. Several months after leasing the truck, Wilson was involved in a two-vehicle collision. The pickup truck was destroyed. Omni demanded to be paid for the balance of the lease. Wilson refused, claiming that the lease was unconscionable. *Wilson v. World Omni Leasing, Inc.*, 540 So. 2d 713, 1989 Ala. Lexis 41 (Ala.)

Is the lease unconscionable

Answer

The contract of lease is unconscionable.

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An unconscionable contract is one by which the terms and conditions is tilted in favor of the person who formed the contract, usually a seller. It is also a contract in which the terms and conditions are " shocking to the conscience", unjust or extremely one-sided that a reasonable person would not want to accept. Examples of this kind of contract are those that contain provisions exempting the seller from any liability after purchase of the object by the buyer, disclaim of warranty, or waiver of right to jury trial. An unconscionable contract may contain fraud, deceit, or deliberate misrepresentation on the part of the seller addressed to a poorly educated purchaser. No standard criteria exist for measuring whether an action is unconscionable. Hence, if the court as a matter of law finds the contract or any clause of the contract to have been unconscionable at the time it was made, the court may refuse to enforce the contract, or it may enforce the remainder of the contract without the unconscionable clause, or it may so limit the application of any unconscionable clause as to avoid any unconscionable result (U. C. C., Article 2. section 2-302).

In this case, the contract is unconscionable because it demands the continuous payment of the leased property or object which is the truck even when the property was already lost. In a contract of lease, the destruction or lost of the property subject of the lease rescinds the contract. The lessor cannot demand the continuous payment of lease on an inexistent property or in which the use is no longer enjoyed by the other lessee because such act is tantamount to unjust enrichment on the part of the seller which is prohibited by existing laws.