

---

## THE EFFECTS OF ECONOMIC DURESS ON THE CONTRACT VALIDITY

**Dr. Sarika R. Dakhane**

*Assistant Professor, Dr. Ambedkar College of Arts, Commerce and Science, Gadchiroli,  
Maharashtra, India.*

---

### **Abstract**

One of the most important aspects of a legal contract is free consent. Normally, the contract is void until this consent is revoked. Consent can be revoked by force. Penalty simply refers to the use of force or pressure to induce a party to reach an agreement. Coercion was formerly restricted to existing or threatening conflict. The theory has evolved through time to include products, government coercion, and economic limits. Economic complications are one of the most recent types of problems for which a complaint has options. However, proving this form of compulsion is challenging. The purpose of this study is to look at Economic Duress and How It Affects Contract Validity. The necessary data is gathered from a variety of secondary sources, including law journals, newspapers, and other web databases. After conducting a thorough investigation, it was discovered that economic involvement is not simple nor easy; economic manipulation is sophisticated and, at times, devious by design. More ominous would be cases in which a coercive perpetrator wishes to employ his threat after making a carefully considered choice of companions.

**Keywords:** Economic, Duress, Validity, Contract, Economic complications.

► *Correspondence Author: Dr. Sarika R. Dakhane*

---

### **Introduction**

Duress is a state in which a person acts out of aggression, danger, or some other form of pressure. "Any illegitimate force or intimidation used to... compel a person to conduct [or not act] in a way that they may not otherwise act [or would," according to the Black Law Dictionary.

Under common law, duress is the weapon used to protect the survivor from undue demands. When a person signs a contract under duress that the legislation finds unacceptable, the Court steps in. There is a fine line between acceptable and excessive pressure that has been shifting over time. The limitations of unacceptable pressure, like economic pressures, have been driven to the outside world. Some judges are also taking a conservative stance in the case of economic pressure, which makes it harder for relief to be made available.

The noble idea that you don't have to negotiate with anybody else except yourself, and that you should engage into agreements voluntarily, is generally the foundation of coercion protection principles. Contractual equality is predicated on freedom of choice. Because the coercion's goal was not engaged into freely, an agreement was ruled invalid ab initio under customary law.

Coercion that can maintain a defence has typically been restricted to the threat or reality of jail or the threat of death or serious bodily harm. As law evolved at the turn of the century, the issues posed by the coercion concept grew to encompass threats of jail. In addition, courts have begun to recognise that potential contractual violations resulting in irreparable harm are problems.

### **Duress in Its Many Forms**

The doctrine's limitations were originally fairly narrow, so a contract could only be called off due to issues if the individual was in danger. Then it was accepted that commodity coercion can still

void a deal's consent, and fresh studies on economic coercion imply that coercion divides are not locked.

### **Persons under duress**

“Whether genuine or under assault, of violence to a person or threats of violence, or in jail,” the individual may be under stress. A threat of violence to the complainant is not deemed coercion; but, to partner or close links, as well as a threat to the claimant's employees, is. Also, whether the claimant asserts that the submission is the best alternative to protect the alien from being injured or worse, a threat against an alien can suffice.”

The claimant must still prove that he entered into the contract because of compulsion. Because proof exists that the unlawful presence of face did not lead to the choices to conclude the contract, the Court will assume that the transaction was created by unlawful pressure. In the event of a person's threat, the complainant does not have to establish that he has no practical alternative except to consummate the challenged contract.

The Court found that both the transference and the arrangement were coerced by coercion in the case of Antonio V.A., in which a woman bowed to her husband's extensive threats of abuse and bribery, exchanged him half the share of her business and concluded an agreement with her shareholders. The Court did not even ask if it had any realistic solutions, such as finding legal redress.

### **Duress *colore officii***

Assume the illegal compulsion is a public official's illegal demand for compensation. It should be distinguished from circumstances in which the plaintiff pays for a public agent's payment for a service (such as a licence or permission) and cases in which the complainant's money is taxed or otherwise paid. As Littledale J, points out, the plaintiff has no alternative than to file the public officer's request in the first category. Otherwise, the petitioner would not be able to obtain the Morgan v. Palmer services he had sought. Although if the payment takes the form of revenue, the creditor can use a practical solution to dispute the validity of the demand for tax from the public agent in the form of civil proceedings.

### **Goods under duress**

The threat of losing or harming one's possessions may be a hardship. This frequently refers to an attempt to wrongfully steal or detain things, despite the fact that it was thought that this threat would not be a common law restraint for some years. Assume a person submits to the illegal lobby, pays a fee, and signs a contract to retrieve things that the defendant has wrongfully seized or imprisoned, or seizure. In that scenario, the Court must acknowledge that the plaintiff usually has no other option except to show himself or herself to the defendant. “The provision of legal remedies did not preclude the Court in the case of Astley v. Reynolds, where money was received under the duress of commodities, by concluding from illegitimate coercion that the payment was due”.

### **Financial constraint**

A party that entered into a contract under duress or intimidation might be liberated of such that were not linked to an individual, or limited to product seizure or withholding. The most important consideration is whether the applicant has a practical or appropriate remedy in the event of financial loss. The answer sensible in the sense that it was appropriate for the applicant's purpose

under the circumstances. If a contract breach is a possibility, The Court is likely to consider, for example, cases in which a claimant can readily procure goods, commodities, fair price, and therefore see this as clear proof that the claimant's decision to sign a contract was not caused by unlawful pressure; but it is different everywhere.

“The builders of a ship under contract for the plaintiffs threatened to cancel the contract until the plaintiffs agreed to a price rise of 10% without any legal basis. It was determined that this represented an incident of economic duress, and that the appellant would be entitled to deny payment of the extra 10% on that basis”.

“The plaintiffs had contracted to erect an exhibition stand for the defendants at Olympia, but their workmen went on strike. To complete the work, the defendants had to pay £4500 to settle the workmen's claims. The Court of appeal found that the defendants made this pledge under duress because they had no reasonable choice but to promise to pay, given the substantial danger to their economic interests”.

### **Conclusion**

Because economic exploitation is inherently indirect and often deceptive, court charges of economic duress would be rare. Even more devious are situations in which the subject of duress subsequently tries to profit from his surrender to a threat issued as a consequence of a mistaken business judgement. However, it is maintained that attempting to study nuances using an abstraction like a forced will is absurd and would only provide unsatisfactory results in a few circumstances. As a result, actual rules for contracting partners will be missing: not all threats are criminal, and many methods of economic manipulation are entirely permissible.

Given how tough these standards are to meet, it's no surprise that the economic duress theory is frequently used but seldom enforced in American courts. The judiciary would not bail out parties who found themselves in hazardous situations and had to conform to onerous restrictions to overcome self-inflicted wounds. Rather than relying on this theory, litigants should pursue alternative procedural and tort remedies. Economic duress theory is a risky strategy for getting out of a contract.

### **Reference**

- Barton v. Armstrong [1976] A.C. 104.
- Universe Tankships Inc of Monrovia v. I.T.F. [1983] 1 A.C. 366.
- Antonio v. Antonio [2008] EWHC 1199 (QB).
- Morgan v. Palmer (1824) 2 B. & C. 729 at 739.
- Astley v. Reynolds (1731) 2 Str. 915 at 916.
- Maskell v. Horner (1915) 3 K.B. 106.
- North Ocean Shipping Company Limited v. Hyundai Construction Co. Ltd. (1979) QB 705.
- B. & S. Contracts and Design Ltd. v. Victor Green Publications Ltd. (1984) I.C.R. 419.