

## CHAPTER II.

## CONTRACTS.

## 10 Contracts.

Agreement, bargain, contract mean the same thing. There are legal and illegal contracts, void and voidable contracts, valid and invalid. Contracts may be either express or implied, or merely gathered from circumstances. Some are binding when made by spoken words, others require to be in writing, while some must be under seal in order to be binding. A clear knowledge of these distinctions is essential to those who would avoid needless business irritations and losses.

As contracts are the basis of every business transaction, whether great or small, this chapter will cover those which the business and professional man will be most likely to come in contact with.

## 11 Verbal, or Oral Contracts.

Oral contracts are those made by spoken words, and are usually called verbal, and sometimes parol. They are binding for the sale of *personal property* (but not for real estate), up to a certain amount fixed by Statute in each Province. In Ontario the oral agreement for the sale of personal property would be valid for any amount *under* \$40. (For other Provinces, and for technical details, see "Statute of Frauds," also "When a Verbal Agreement Binds.")

They are also binding for a lease of property for one year and under, and under certain conditions for three years and under (see "Terms of Lease").

Oral agreements for one year or under between master and servant are binding; and in regard to other things they are also limited as to time to one year.

## 12 Written Contracts.

Written contracts may be either printed or written, or partly printed and partly written. They may be *formal*, using the legal phraseology, containing the details of the whole contract; or they may be *informal*, merely contained in letters that have passed between the parties.

## 13 Contemporary Written and Verbal Contracts.

As a usual thing a written contract cannot be affected by a contemporaneous oral agreement. If the written instrument purports to embody the whole contract, the court would not be inclined to receive other evidence to show that the intention of the parties was different. But if the writing does not give evidence of containing the whole agreement, or shows evident omissions, then in that case evidence would be received to prove a contemporaneous explanatory verbal agreement.

In the case of negotiable paper a contemporaneous written agreement would have no effect upon the position of a "holder in due course."

## 14 Contracts Under Seal.

Contracts under seal are called Specialty Contracts, and must, of course, be in writing. They do not require a *consideration* to make them valid. The seal indicates greater deliberation and solemnity in executing such contracts, and a person is presumed to enter into them with a full knowledge of their contents, and is hence debarred from afterwards pleading "insufficient consideration."