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Void and Voidable Contracts Features Consequences and Third-Party Effects

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ABSTRACT

Defective contracts often leave honest buyers and deceived sellers fighting over property. Pakistani law divides such contracts into void and voidable categories, yet the dividing line remains unclear. This uncertainty affects ownership, refunds, and the rights of strangers who buy in good faith. This study aims to examine the features, consequences, and third-party effects of both categories. It also explores how the law should balance owners against innocent purchasers. The research follows a qualitative design using doctrinal and document analysis. It examines the Contract Act 1872, Sale of Goods Act 1930, leading cases, and scholarship. The results show that the quality of consent decides the label of a contract. Void agreements pass no title, while voidable contracts protect buyers who purchase before rescission. It recommends clear rules on rescission by conduct, a change of position defense, and digital title registers. Fair outcomes depend on consent, timing, and honest dealing together.

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I. Introduction

A buyer can pay a fair price for a car and still lose it. This harsh result often depends on one question: was the original contract void or voidable? A void contract has no legal effect from the very beginning. A voidable contract remains valid until the affected party chooses to cancel it. This small difference decides who keeps property, who returns money, and who bears loss. Innocent third parties often stand at the centre of these disputes. They usually know nothing about fraud, mistake, or pressure behind the earlier deal. Courts must then balance fairness to the deceived party against security for honest buyers. The topic matters for traders, banks, consumers, and judges in every legal system. Digital sales, online platforms, and identity fraud have made such disputes far more frequent today. Remedies that return benefits after a failed contract remain central to this area of law (Jaffey, 2013).

The distinction between void and voidable contracts has deep roots in English common law. Early courts treated agreements made through serious mistake or illegality as legally empty. Fraud and undue pressure, by contrast, gave the injured party a right to withdraw. Pakistan inherited this structure through the Contract Act of 1872. Section 2 of that Act defines void agreements and voidable contracts separately. Sections 19 and 19A allow a party to avoid contracts made without free consent. Section 65 requires the return of benefits when an agreement becomes void. The Sale of Goods Act of 1930 then protects buyers who acquire goods in good faith. English cases such as Cundy v Lindsay and Phillips v Brooks shaped these rules. Scholars have studied each ground of invalidity, yet few examine their combined effect on third parties. Early debates even questioned whether duress makes a contract void or merely voidable (Lanham, 1966).

Lawyers already know the basic grounds that make a contract void or voidable. They also know that rescission and restitution aim to restore parties to their former legal and financial position. Courts still struggle when property passes to a stranger before the contract is cancelled. A void contract passes no title, so the third party loses the goods. A voidable contract passes title until rescission, so the third party may keep them. The same fraud can produce opposite results depending on its legal label. This uncertainty harms honest buyers, original owners, lenders, and commercial confidence alike. The exact problem is the lack of a clear test for choosing between these labels. We still need to know which consequences should follow each category of defect. We also need to know how far third parties deserve legal protection. Comparative study shows that misrepresentation receives different treatment across European legal systems (Šírová, 2016).

Recent scholarship shows renewed interest in how mistake affects the validity of contracts. Older doctrine treated many mistakes as grounds making an agreement completely void. Modern writers argue this approach is too rigid for present commercial life. They suggest that mistake should often make a contract voidable rather than void. Such a change

would protect innocent buyers who rely on apparent ownership. It would also give courts more flexible tools to share losses fairly. Legal certainty would improve for buyers, sellers, and lenders alike. Scottish law offers a useful testing ground for these reform proposals. Its rules on error differ from English rules in both structure and outcome. Reformers there seek a doctrine suited to digital trade and complex transactions. Their work shows that classification is a policy choice, not a fixed fact. Error in contract law needs a modern doctrine that matches the needs of this century (Richardson, 2025).

Other recent work focuses on the money and property that move under failed contracts. Illegal agreements raise special difficulty because courts dislike helping either guilty party. Many legal systems refuse restitution when both parties share responsibility for illegality. This refusal can leave one party with an unfair windfall at the other's expense. African courts have shown inconsistent approaches to this problem in recent decades. Some judges allow recovery to prevent unjust enrichment despite the illegal purpose. Others follow strict rules that deny any claim arising from wrongdoing. The United Kingdom Supreme Court adopted a flexible approach in Patel v Mirza. This inconsistency weakens legal certainty for businesses and ordinary citizens. The literature agrees that consequences matter as much as the classification itself. It disagrees on how far courts should balance policy against fairness. Ghana offers a clear example where the right to restitution under illegal contracts lacks clarity (Faakye, 2022).

The reviewed literature offers strong analysis of mistake, misrepresentation, duress, and illegality. Each study explains one ground of invalidity with careful doctrinal detail. Few studies connect these grounds with their practical results for strangers to the contract. Third-party effects usually appear only as a brief note within wider debates. Comparative research on Pakistan and other common law states remains limited. Little current data shows how Pakistani courts apply Section 65 and good faith purchase rules. Pakistan's growing digital marketplace makes this gap more urgent. Writers also call for clearer remedies that suit electronic and cross-border trade. Their suggestions point toward a unified approach linking features, consequences, and third-party rights. This study responds by examining all three elements within one analytical structure. It proposes a fresh direction for reform in contract law across common law jurisdictions. European developments already show new methods for unwinding failed contracts coherently and fairly (Meier, 2017).

To examine the legal features that distinguish void agreements from voidable contracts under Pakistani and English law.

To analyse the consequences of invalidity, including rescission, restitution, and the return of benefits.

To evaluate how far current rules protect innocent third parties who acquire property under defective contracts.

How do the features of void and voidable contracts shape their legal consequences, and how should the law balance the rights of original owners against innocent third parties?

This study is needed because invalid contracts affect property, money, and trust in daily commerce. It brings the features, consequences, and third-party effects of invalidity into one clear analysis. Scholars gain a structured method for comparing void and voidable contracts across legal systems. The research also adds fresh knowledge on Pakistan's Contract Act and Sale of Goods Act. Judges can use its findings to decide difficult cases with greater consistency. Legislators may draw on its proposals to amend outdated rules on mistake and restitution. Lawyers can advise clients more accurately on risks before they sign or buy. Banks and financing companies can design much safer procedures for transactions involving goods. Honest buyers benefit when the law protects good faith purchases on fair terms. Original owners also benefit from clearer remedies against fraudsters who deceive them. Students and teachers will find a practical guide to one of contract law's hardest areas (Allah Rakha, 2023).

II. Methodology

A qualitative design guides this study, since the subject depends on legal interpretation rather than numbers. This design supports careful reading of legislation, court decisions, and academic commentary. Two Pakistani statutes form the core: the Contract Act 1872 and the Sale of Goods Act 1930. Supporting statutes include the Specific Relief Act 1877, the Majority Act 1875, and the Electronic Transactions Ordinance 2002. On the English side, the study reviews the Sale of Goods Act 1979 and the Misrepresentation Act 1967. Local legislation is obtained from pakistancode.gov.pk, and English legislation is sourced from legislation.gov.uk. Court rulings come from the official websites of the Supreme Court of Pakistan and the Lahore High Court. Academic literature comes from peer-reviewed law journals indexed in the Scopus database. The keywords used for searching are void agreement, voidable contract, rescission, restitution, free consent, good faith purchaser, voidable title, identity fraud, and change of position.

Several steps protect the accuracy and dependability of the sources used. Most articles come from peer-reviewed law journals with an established academic reputation. Recent work receives preference, especially studies published within the last five years. Older articles appear only where they explain foundational doctrines such as memo dat or rescission. Each author is checked for academic standing as a professor, researcher, or legal scholar. Every article is confirmed through its Digital Object Identifier before any use. Claims are cross-checked against primary legal texts. All statutes are read in their latest amended form to reflect the law currently in force. Doctrinal analysis forms the core method of this study. It examines statutory provisions, case law, and the reasoning that links defects to consequences. Document analysis complements this method by reviewing scholarly articles,

reform proposals, and regulatory guidance. These methods together connect the features of invalidity with remedies and third-party rights.

The study uses only official documents and scholarly literature that are publicly accessible. No interviews, surveys, or questionnaires took place, so no personal information was gathered. Every scholarly source used in the analysis carries a proper in-text reference. This practice respects the work of original authors and maintains academic honesty. The researcher declares no conflict of interest and pursues this work only for academic purposes. The scope covers Pakistani contract and sale of goods law, with English law as the main comparator. Selected references to Indian, South African, European, and American law support the analysis. The research excludes criminal liability for fraud and focuses on civil and commercial consequences only. Some conditions lie beyond the researcher's control. Digital commerce keeps changing the way people form and cancel contracts. Legislatures and regulators can amend relevant laws at any time. New court rulings may also reshape the rules examined in this study.

III. Results

This section presents what the study found about void and voidable contracts. The research asked how the features of each category shape its legal consequences. It also asked how the law should balance original owners against innocent third parties. Five findings answer these inquiries through a clear and closely connected sequence. The first theme explains how defects in consent decide the label of a contract. The next theme shows why void agreements create no rights and pass no title. Rescission and restitution then appear as the main remedies after a contract fails. Another finding reveals how the timing of rescission decides the fate of transferred property. The last theme explains why good faith buyers enjoy stronger protection under voidable contracts. These results link classification, remedies, and third-party rights within one coherent legal structure. Consent problems now extend into digital spaces where users accept terms without any real understanding (AllahRakha, 2023).

The analysis shows that the nature of the consent defect decides the legal label. Section 10 of the Contract Act 1872 requires free consent from competent parties. Section 14 explains that consent is not free when caused by coercion, fraud, or misrepresentation. Such defects weaken consent but do not destroy it. The injured party gets a choice to affirm or cancel. This choice makes the contract voidable under Sections 19 and 19A. Some defects go deeper and remove consent altogether. A minor cannot give legally valid consent under Section 11 of the Act. Mohori Bibee v Dharmodas Ghose held that a minor's agreement is void from the start. Mutual mistake about an essential fact also makes an agreement void under Section 20. This finding answers the first objective by linking each label to its defect. Online platforms now test these rules as minors enter digital contracts with ease (Gangwar, 2022).

The results reveal that a void agreement produces no legal effect at any stage. Section 2(g) of the Contract Act 1872 describes it as unenforceable by law. Neither party can sue for performance, claim damages for breach, or seek specific relief. Courts treat the agreement as if it never existed in strict legal terms. This rule applies to illegal objects, uncertain terms, wagers, and agreements by minors. Property transferred under such an agreement passes no ownership to the receiver. The original owner keeps title even when goods have moved through several hands. A later buyer cannot gain better rights than the person who sold to him. This principle protects owners but places heavy risk on innocent and careful purchasers. Sports and entertainment contracts with young talent show how this rule works in practice. Different jurisdictions treat contracts with minors in these industries in sharply different ways (Star & Dhankar, 2022).

The study finds that rescission and restitution form the main remedies after invalidity. Rescission allows the injured party to cancel a voidable contract and end future duties. Section 64 of the Contract Act 1872 requires that party to restore benefits received. Restitution under Section 65 applies when an agreement is found void or becomes void. Each party must return what it received under the failed arrangement. Money paid must also be repaid with fairness. These remedies aim to place both parties back in their original position. Courts limit restitution when a party knew of illegality from the beginning. Such limits prevent wrongdoers from using courts to recover gains from unlawful deals. Rescission also becomes unavailable when restoration is impossible or delay is excessive. This result answers the second objective by showing how remedies follow classification. Illegality cases reveal how courts struggle to separate void bargains from recoverable benefits (Tan, 2015).

The analysis shows that the moment of rescission often decides who keeps disputed property. A voidable contract passes title to the buyer until the seller cancels it. Any sale made by that buyer before cancellation can give good title to strangers. Any sale made after cancellation usually passes no title to the later purchaser. Section 66 of the Contract Act 1872 governs how rescission must be communicated. English law allowed rescission by conduct in Car and Universal Finance v Caldwell. The seller there informed the police and motoring bodies when the fraudster vanished. That step counted as rescission even without direct notice to the buyer. Identity fraud complicates this picture because courts sometimes treat such contracts as void. Shogun Finance v Hudson held that a written contract with a named impostor was void. Critics argue that this approach missed a chance to protect innocent buyers in identity cases (Hare, 2004).

The research shows that innocent buyers gain real protection only under voidable contracts. Section 29 of the Sale of Goods Act 1930 supports this position in Pakistan. It allows a buyer to gain good title from a seller holding goods under a voidable contract. The buyer must act in good faith and without notice of the defect. The sale must also take place before the original contract is rescinded. These conditions balance the rights of owners against the needs of commerce. No similar protection exists when the earlier agreement is

completely void. This gap answers the third objective and exposes unequal treatment of honest purchasers. Buyers in fast online markets face this risk far more often than traditional traders. Clear rules on notice and timing would reduce uncertainty for all parties involved. Recent scholarship questions whether voidable title rests on one power of rescission or two separate powers (Reilly, 2024).

IV. Discussion

This finding means that a void agreement leaves the parties exactly where the law found them. The study asked how the features of invalidity shape later consequences for owners and buyers. A void agreement answers that inquiry in the strictest possible way. It gives no right to performance, no claim for damages, and no transfer of ownership. Property delivered under such an agreement still belongs to its original owner. Every later sale built on that delivery rests on an empty base. The rule follows the old maxim that no one can give what they do not have. Pakistani courts apply this maxim through Section 27 of the Sale of Goods Act 1930. The outcome protects owners firmly but offers little comfort to honest buyers down the chain. Honest buyers then carry the whole cost. Contracts can also fail when the basic assumptions shared by both parties collapse completely (Dagan, 2021).

This result matters greatly for buyers of cars, land, and valuable goods in Pakistan. A buyer who pays full price may still face a claim from the true owner. Banks that finance such purchases may lose their security without warning. Insurers may also refuse claims linked to goods that never legally changed hands. The Punjab Land Records Authority has digitized millions of land records since 2017. Online vehicle verification by provincial excise departments now helps buyers check ownership before payment. These initiatives reduce the risk of buying from someone without title. They cannot fully remove risk where fraud occurs before records are updated. Lenders now ask for verified documents before releasing funds for property purchases. Such caution protects everyone. Construction and infrastructure projects face similar dangers when vital information is falsified. Deliberate misrepresentation of project information can unsettle contracts and shift heavy losses onto innocent parties (Ojiako et al., 2025).

Statutes and case law clearly confirm the strict effect of void agreements. Section 2(g) of the Contract Act 1872 declares that such agreements are not enforceable by law. Section 23 voids agreements with unlawful objects or considerations, including those opposed to public policy. Section 24 extends the same result where any part of the consideration is unlawful. Section 27 of the Sale of Goods Act 1930 states that a buyer gets no better title than the seller. These provisions leave no room for party choice. English law reached the same result in Cundy v Lindsay, where a rogue posed as a reputable firm. The court held the contract void, so later buyers lost the goods to the original seller. Ingram v Little followed similar reasoning in a face-to-face sale of a car. Standard contract textbooks treat these cases as the foundation of the void category in common law (Stone, 2009).

This study draws on reported cases that may not reflect everyday commercial disputes. Most small transactions in Pakistan never reach the higher courts. Informal markets for used goods often operate without written agreements or receipts. Proof of ownership in such markets depends on oral testimony and local custom. Village markets in Punjab and Sindh still rely heavily on trust and memory. Written records rarely exist in such dealings. The research cannot measure how often void agreements arise in these settings. English cases also dominate the doctrinal picture, which may distort local conclusions. Pakistani courts sometimes soften strict rules through equitable reasoning not captured here. Agency relationships add further complexity when a hidden principal stands behind the visible party. Such arrangements make it hard to know who truly consented to the deal. South African law shows how the doctrine of the undisclosed principal complicates issues of consent and liability (Delport, 2015).

Earlier writers agree that void agreements create no enforceable rights between the parties. Some scholars argue that the strict no-title rule is too harsh for modern markets. They point to Lewis v Averay, where an English court treated a similar fraud as voidable. That case protected the innocent buyer and moved away from Ingram v Little. Shogun Finance v Hudson later restored a stricter view for written contracts. This tension shows that courts still disagree about where the void category should end. Judges still debate whether face-to-face and written dealings deserve different treatment. Clarity remains elusive today. Civil law systems also treat certain bargains as void for reasons of public morality. Usurious lending offers a clear example in many European and Muslim jurisdictions. Pakistan's Federal Shariat Court has also condemned interest-based lending as unjust. Scholarship in the law of obligations examines whether usury contracts can ever be justified (Praštalo, 2020).

This finding gives clear direction to courts, buyers, and regulators. Judges can limit the void label to cases where consent truly never existed. Such restraint would keep strict outcomes for the most serious defects only. Buyers can protect themselves by checking digital ownership records before payment. Banks can require title verification as a condition of every asset-backed loan. Legislators could consider a statutory rule protecting good faith buyers of registered goods. The Hire-Purchase Act 1964 in England already protects private buyers of motor vehicles. A similar provision in Pakistan could reduce losses from vehicle fraud. Cross-border sales also raise doubts about where claims for returned property should be heard. Pakistani exporters now often sell goods to buyers in Europe and the Gulf. Disputes over returned goods may then reach foreign courts under unfamiliar rules. Unjust enrichment claims after void agreements raise difficult issues of jurisdiction under European rules (Grušić, 2019).

This finding means that invalidity is not only about ending a contract. It is also about undoing what the parties have already exchanged. The study asked which consequences follow each category of defective agreement. Rescission and restitution give the clearest answer to that inquiry. Rescission cancels avoidable contract at the choice of the injured

party. Restitution then requires each party to give back the benefits received. These remedies work together to restore the position that existed before the bargain. They also prevent one party from keeping gains without a valid legal basis. The law treats this return of benefits as a matter of fairness rather than punishment. A buyer deceived into a bad bargain needs both remedies to recover fully. Rescission alone would end future duties but leave money and goods misplaced. Restitution sits alongside freedom of contract as a principle that corrects unjust transfers of wealth (Birks, 1983).

This result carries real weight for businesses, consumers, and financial institutions. A seller who rescinds must return the price before reclaiming goods. A buyer who rescinds must hand back the property in a usable condition. Delay in acting can destroy the right to rescind altogether. Courts also refuse rescission when goods have been consumed or resold to strangers. These limits encourage parties to act quickly once they discover fraud or pressure. Consumer protection laws in Punjab also give buyers rights to refunds for defective goods. Such statutes support the same restorative goal. Gulf states are now reforming their restitution rules to improve legal certainty. The United Arab Emirates revised its civil transactions framework to modernize contract remedies. Such reforms show a regional move toward clearer and more predictable restitution rules. Scholars argue that the United Arab Emirates Civil Code still needs unified rules on restitution after failed contracts (Khater, 2026).

Statutory text strongly confirms the dual role of these remedies. Section 64 of the Contract Act 1872 requires a rescinding party to restore any benefit received. Section 65 obliges any person who received an advantage under a void agreement to return it. Section 66 explains how rescission must be communicated or revoked. Courts in Pakistan have applied Section 65 to refunds of advance payments under failed sales. Indian courts read identical provisions in much the same way. This shared approach strengthens legal predictability. English law follows similar principles through the equitable remedy of rescission. Rescission there requires that the parties can be substantially restored to their former positions. Illegality creates special difficulty because courts hesitate to help parties who broke the law. Statutory prohibitions sometimes affect only the manner of performance, not the agreement itself. Older English cases show how illegality in performance can still block restitution claims (Hamson, 1973).

This study focuses on statutory rules and reported decisions rather than commercial practice. It does not measure how often parties actually recover benefits after rescission. Many disputes settle privately, so their outcomes remain unknown. Valuation of returned benefits also creates practical difficulty in long-term contracts. Services already performed cannot be physically returned to the provider. Courts must then estimate their value, which invites disagreement and delay. Rescission of long construction or supply contracts raises particularly hard valuation problems. Partial performance often benefits both sides in very unequal measure. Courts must then divide gains and losses fairly. Inflation in Pakistan further reduces the real value of refunded payments over time. The research does not fully

address these economic pressures on restitution. Remedies also interact with the duty to reduce losses after a contract fails. Economic analysis of remedies shows that mitigation rules shape what an injured party can recover (Torsello, 2005).

Earlier studies agree that rescission and restitution aim to reverse failed transactions. Writers differ on whether restitution should depend on fault or on enrichment alone. Common law systems often bar recovery where both parties knew of illegality. Civil law systems tend to allow wider restitution and adjust it through equitable defenses. The change of position defense now protects recipients who spent benefits in good faith. Pakistani law has not yet adopted this protective defense in any clear statutory form. International sales law adds another layer through rules on avoidance of contracts. The United Nations Convention on Contracts for the International Sale of Goods allows avoidance only for fundamental breach. Pakistan has not joined that convention, which limits its influence on local courts. Pakistani traders dealing abroad may still face its rules in foreign disputes. Party autonomy under that convention now interacts with new European duties on corporate sustainability (Pires, 2024).

This finding offers a practical guide for reform in Pakistani contract law. Courts can clarify how Sections 64 and 65 apply to services, digital goods, and partial performance. Legislators could add a clear change of position defense to protect innocent recipients. Such a defense would balance the rights of payers and good faith receivers. Regulators could require online sellers to publish clear refund rules for cancelled transactions. Lawyers can advise clients to act promptly once they discover a defect in consent. Exporters must also prepare for supply chain rules adopted by major trading partners. The European Union adopted its Corporate Sustainability Due Diligence Directive in 2024. Breach of such duties may soon justify termination of international supply contracts. Pakistani textile exporters already face such demands from European buyers. Contract terms are changing quickly. Sustainability due diligence is becoming a new ground for avoiding and unwinding international sales contracts (Atamer, 2025).

This finding means that the order of events often matters more than the fraud itself. The study asked how the law should balance original owners against innocent third parties. Timing offers a practical answer by drawing a clear line between protected and unprotected buyers. A buyer who acquires goods before rescission usually keeps them. A buyer who acquires goods after rescission usually loses them. The original owner must act quickly to stop further transfers of property. Delay shifts the loss away from the stranger and onto the deceived seller. This rule rewards vigilance and protects the flow of commerce. It also forces courts to decide exactly when rescission took effect. Courts look for clear acts showing that the seller has cancelled the bargain. Silence or private regret does not count as rescission. English decisions on mistake have repeatedly tested where the line between void and voidable should fall (Phang, 2002).

This result has strong practical meaning for sellers, buyers, and police in Pakistan. A seller who discovers fraud must take visible steps to cancel the contract at once. Reporting the matter to police and registration authorities may help prove rescission. Buyers who act after such steps may find their purchase legally empty. Mobile banking and instant payments now allow fraudsters to resell goods within hours. Fraudsters exploit this speed by reselling goods before victims can react. Every hour of delay matters. The State Bank of Pakistan launched its Raast instant payment system in 2021. Faster payments make the timing of rescission even more decisive in disputes. Minors who enter contracts create special timing problems because they may avoid agreements later. Pakistan's Majority Act 1875 fixes the age of majority that shapes these disputes. Pakistani scholars argue that minors' contracts under the Contract Act need careful reform (Hussain & Fatima, 2024).

Case law clearly confirms the decisive role of timing. Car and Universal Finance v Caldwell accepted rescission without direct notice to the rogue. The seller there informed the police and the motoring association within a day. That conduct showed a clear intention to cancel the sale. A later buyer received no title from the rogue. Indian courts have cited this English decision with approval in similar fraud cases. The principle travels well across systems. Section 66 of the Contract Act 1872 allows rescission through communication or revocation by conduct. Section 29 of the Sale of Goods Act 1930 protects buyers only if sale precedes rescission. American courts have also struggled with mistake and its effect on later transactions. Utah decisions show early attempts to separate mutual and unilateral mistake in sales. Historical scholarship on mistake in the Utah law of contracts shows similar debates about timing and fairness (Greene, 1961).

This study relies on leading cases that may not reflect ordinary disputes in Pakistan. Proving the exact moment of rescission is often difficult without written records. Oral notice to police may never appear in official files. Fraudsters often disappear before the seller can contact them. The research does not measure how quickly sellers usually react after discovering fraud. Rural sellers may lack easy access to police or registration offices. Such conditions make the timing rule harsher for some citizens than others. Many victims also fear police procedures or distrust official complaint systems. Some prefer private settlement, which leaves no formal trace of rescission. Such gaps weaken the strength of any doctrinal conclusion. Employment arrangements with young workers add another layer of difficulty. Minors may work under agreements that statutes later declare unlawful. South African law shows how statutory protection of minors can affect the validity of employment contracts (Forere, 2016).

Earlier writers agree that timing protects buyers who act before cancellation. Some argue that rescission by conduct is unfair to buyers who cannot know of it. A buyer has no way to check whether the seller has contacted police. Other scholars defend the rule because it protects victims who act promptly. This disagreement reflects a deeper choice between owner security and market security. Both views accept that some innocent party must bear the loss. The real dispute concerns which one should. American consumer law offers a

different approach to young people and credit. The Credit Card Accountability Responsibility and Disclosure Act of 2009 restricts credit for people under twenty-one. That law treats age as a ground for limiting access rather than avoiding contracts later. Pakistan could learn from such preventive rules in digital lending. Critics argue that the infancy rule in that American statute treats young adults unfairly (Schwartz, 2011).

This finding gives sellers, buyers, and lawmakers a clear guide for action. Sellers should report fraud immediately to police, banks, and registration authorities. Buyers should verify ownership records before paying for vehicles, land, or valuable goods. Legislators could define what counts as valid rescission by conduct in the Contract Act. A central digital register of rescission notices could help buyers check risk instantly. The National Database and Registration Authority could link such notices to identity checks. Banks could freeze suspicious transfers once a seller reports fraud. Digital lending platforms should verify age and identity before approving any agreement. Courts can apply these practices to decide timing disputes with greater certainty. Clear timing rules would protect both deceived sellers and honest buyers in fast markets. Public awareness campaigns could teach citizens how to cancel fraudulent sales quickly. Bar associations and consumer groups can lead such efforts in every district and town.

This finding means that the law protects honest buyers only when a voidable contract stands behind them. The study asked how far third parties deserve protection under defective agreements. Good faith purchase offers a clear and balanced answer. A buyer who pays value and lacks notice of the defect may keep the goods. The original owner then loses the property but keeps a claim against the fraudster. This outcome places the loss on the party best able to prevent it. The seller chose to deal with the rogue, while the buyer had no warning. Courts weigh which party could have prevented the fraud at lower cost. Such reasoning supports trust in markets where goods change hands quickly. It also reflects a policy choice that favours the security of honest commercial transactions. Free and genuine consent remains the starting point for deciding whether any title can pass at all (Khatun, 2025).

This result matters for traders, consumers, and lenders across Pakistan. Second-hand car markets depend heavily on trust between strangers. Buyers rarely know how the seller first acquired the vehicle. Protection for good faith buyers keeps these markets active and affordable. Lenders also benefit because secured assets remain safe after a lawful sale. Online marketplaces such as classified websites now host thousands of private sales daily. Fraud on these platforms makes the good faith rule more important than ever. Many buyers meet sellers only once and never see them again. Recovery from rogues is rare. Platforms that verify seller identity reduce this danger for ordinary buyers greatly. The rule also applies outside sales, including trusts and family property arrangements. Courts must decide whether trustees' mistaken decisions can be undone against third parties. Scholars argue that trust parties enjoy uniquely easy access to rescission and call for reform (Hofri-Winogradow & Weiss, 2019).

Statutes and cases strongly confirm this protective rule. Section 29 of the Sale of Goods Act 1930 protects buyers from sellers holding under voidable contracts. The buyer must act in good faith, pay value, and lack notice of the defect. Section 23 of the English Sale of Goods Act 1979 contains a nearly identical rule. Lewis v Averay applied it to protect a student who bought a car from a rogue. The court treated the original sale as voidable, so title passed before rescission. Pakistani courts follow this reasoning in disputes over fraudulent sales. Pitt v Holt in 2013 also clarified when trustee decisions are void or voidable. That decision affects how far beneficiaries can undo transfers to third parties. The distinction carries the same practical weight in trust law as in sales. Trust law scholarship explains why the void or voidable choice matters for rescinding trustee decisions (Ashdown, 2015).

This study focuses on statutory protection rather than the conduct of actual buyers. Proving good faith often depends on the buyer's own account of events. Courts must judge whether a low price or rushed sale should have raised suspicion. The research does not measure how judges assess such warning signs in practice. Informal sales in Pakistan rarely include documents that prove honest dealing. Rural buyers may also lack the means to check records online. Their honesty becomes harder to prove before a court. Fraudsters also use family members or agents to make sales look genuine. Such tactics blur the line between careless and innocent buyers. Recent offshore trust litigation shows how courts examine improper use of powers. The Privy Council considered fraud on a power in a major 2022 decision. Commentary on Grand View Private Trust Co v Wen-Young Wong explains how courts set aside improper trustee acts (Moppett, 2023).

Earlier studies agree that good faith purchasers deserve some protection in commercial law. Writers differ on whether protection should extend to void agreements as well. Civil law systems often protect possessors of movables more widely than common law. German and French rules allow good faith acquisition even from non-owners in many cases. Common law keeps stricter limits based on the nemo dat principle. Cross-border disputes add further difficulty when goods move between legal systems. Pakistan's growing cross-border trade with China and the Gulf makes these issues very practical. Goods bought honestly abroad may later face ownership claims at home. Courts must decide which country's law governs claims for restitution and title. European rules under the Rome II Regulation govern many non-contractual obligations. Characterization of such claims can change the final outcome for innocent buyers. Restitution in the conflict of laws raises difficult issues of characterization under that regulation (Sherborne, 2017).

This finding gives clear direction for reform in Pakistan's commercial law. Legislators could extend limited protection to good faith buyers of registered vehicles. Courts could adopt clear tests for notice based on price, place, and seller conduct. Online marketplaces should verify seller identity before listing high-value goods. The Securities and Exchange Commission of Pakistan could apply similar ideas to share transfers. Investors who buy shares in good faith need confidence that trades will not be undone. Rescission of share sales

can harm market stability if third parties lose their holdings. Market regulators already require settlement finality for trades on the Pakistan Stock Exchange. That principle closely mirrors good faith protection in sales law. Clear rules would protect both defrauded sellers and innocent investors. Such reforms would strengthen trust in Pakistan's growing digital economy. Early work on insider trading shows how rescission rules affect third parties in securities markets (Jurkevitz, 1972).

This study questions the classical view that the void and voidable labels form two fixed and separate boxes. It shows that the depth of the consent defect, the timing of rescission, and the honesty of strangers decide outcomes together. This finding weakens the strict nemo dat approach, which protects owners even when buyers act honestly. It also supports scholars who favour flexible avoidance with tailored remedies. Greater flexibility may improve fairness, yet it may also reduce certainty for traders and lenders. Courts in Pakistan could read Sections 19, 64, and 65 of the Contract Act 1872 alongside Section 29 of the Sale of Goods Act 1930. Parliament could add a change of position defense and clear rules on rescission by conduct. A national register of rescission notices, linked to identity checks, would help buyers act safely. Digital land records in Punjab and online vehicle verification already show the way forward. Honest buyers, defrauded sellers, banks, insurers, and online platforms stand to gain the most. Weak record systems, slow courts, and fast digital fraud through instant payments still create risks for ordinary citizens. The study rests on doctrine and reported cases, so field data from district courts would strengthen its claims.

Conclusion

Every failed bargain leaves behind a simple but difficult puzzle: who should carry the loss? This study explored how the law answers that puzzle through the categories of void and voidable contracts. The answer shapes daily life for car buyers, landowners, traders, and lenders across Pakistan. A wrong label can strip an honest buyer of property paid for in full. A weak rule can also leave a deceived seller without any practical remedy. Digital markets have raised the stakes because goods and money now move within minutes. Online sales, instant payments, and identity fraud test rules written in the nineteenth century. Courts and lawmakers must decide whether old categories still serve modern commerce. Pakistan's growing digital economy makes this choice urgent. The topic connects private disputes with wider goals of market trust and fair dealing. Clear rules on invalidity protect both personal property and the stability of the national economy.

The findings show that the quality of consent decides whether a contract is void or voidable. Missing consent destroys the agreement entirely, while weakened consent gives the injured party a choice. Void agreements pass no title, so later buyers lose goods to the original owner. Voidable contracts pass title until rescission, which allows honest buyers to keep what they bought. Rescission and restitution then work closely together to return benefits after a bargain fails. Sections 64 and 65 of the Contract Act 1872 express this

restorative aim clearly. Timing links these ideas because every sale before rescission can defeat the original owner. Section 29 of the Sale of Goods Act 1930 rewards buyers who act honestly and early. Cases such as Lewis v Averay and Shogun Finance v Hudson reveal how fine these lines remain. Each element depends on the others to produce a fair and predictable result for everyone.

These findings offer a clear path for reform in Pakistani commercial law. Parliament could define rescission by conduct and add a defense for recipients who changed position honestly. Courts could reserve the void label for cases where real consent never existed. A digital register of rescission notices could help buyers check risk before payment. The State Bank of Pakistan could require stronger identity checks on high-value transfers through Raast. Online marketplaces could verify sellers before listing vehicles, phones, and other costly goods. Such steps would protect honest buyers, defrauded owners, banks, and insurers. Law schools can also teach these rules through practical cases. Several issues still deserve fresh inquiry. Field studies could measure how district courts actually apply Sections 64 and 65. Researchers could test whether a single concept of avoidance would suit Pakistani markets. Cross-border sales, smart contracts, and digital assets also raise new puzzles about consent and title.

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