

Reprint
as at 1 March 2017



Contractual Mistakes Act 1977

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Contents

	Page
Title	1
1 Short Title	2
2 Interpretation	2
3 Act to bind the Crown	2
4 Purpose of Act	2
5 Act to be a Code	2
6 Relief may be granted where mistake by one party is known to opposing party or is common or mutual	3
7 Nature of relief	4
8 Rights of third persons not affected	4
9 Jurisdiction of District Courts <i>[Repealed]</i>	5
10 Jurisdiction of Disputes Tribunals <i>[Repealed]</i>	5
11 Amendment to Arbitration Act 1908 <i>[Repealed]</i>	6
11A Act does not apply to contracts governed by foreign law	6
12 Application of Act	6

An Act to reform the law relating to the effect of mistakes on contracts

Note

Changes authorised by subpart 2 of Part 2 of the Legislation Act 2012 have been made in this official reprint.
Note 4 at the end of this reprint provides a list of the amendments incorporated.

This Act is administered by the Ministry of Justice.

1 Short Title

This Act may be cited as the Contractual Mistakes Act 1977.

2 Interpretation

- (1) In this Act, unless the context otherwise requires,—
- court** means, in relation to any matter, the court, tribunal, or arbitral tribunal by or before which the matter falls to be determined
- mistake** means a mistake, whether of law or of fact.
- (2) For the purposes of this Act, and without limiting the meaning of the term mistake of law, but subject to section 6(2)(a), a mistake in the interpretation of a document is a mistake of law.
- (3) There is a contract for the purposes of this Act where a contract would have come into existence but for circumstances of the kind described in section 6(1)(a).

Section 2(1) **court**: substituted, on 19 December 2002, by section 3 of the Contractual Mistakes Amendment Act 2002 (2002 No 78).

3 Act to bind the Crown

This Act shall bind the Crown.

4 Purpose of Act

- (1) The purpose of this Act is to mitigate the arbitrary effects of mistakes on contracts by conferring on courts appropriate powers to grant relief in the circumstances mentioned in section 6.
- (2) These powers are in addition to and not in substitution for existing powers to grant relief in respect of matters other than mistakes and are not to be exercised in such a way as to prejudice the general security of contractual relationships.

Section 4(1): amended, on 19 December 2002, by section 4 of the Contractual Mistakes Amendment Act 2002 (2002 No 78).

5 Act to be a Code

- (1) Except as otherwise expressly provided in this Act, this Act shall have effect in place of the rules of the common law and of equity governing the circumstances in which relief may be granted, on the grounds of mistake, to a party to a contract or to a person claiming through or under any such party.
- (2) Nothing in this Act shall affect—
- (a) the doctrine of non est factum:
 - (b) the law relating to the rectification of contracts:
 - (c) the law relating to undue influence, fraud, breach of fiduciary duty, or misrepresentation, whether fraudulent or innocent:
 - (d) the provisions of the Illegal Contracts Act 1970 or of sections 74A and 74B of the Property Law Act 2007:

- (e) the Frustrated Contracts Act 1944.
- (3) Nothing in this Act shall deprive a court of the power to exercise its discretion to withhold a decree of specific performance in any case.

Section 5(2)(d): amended, on 1 March 2017, by section 7(2) of the Property Law Amendment Act 2016 (2016 No 66).

Section 5(3): amended, on 19 December 2002, by section 5(a) of the Contractual Mistakes Amendment Act 2002 (2002 No 78).

Section 5(3): amended, on 19 December 2002, by section 5(b) of the Contractual Mistakes Amendment Act 2002 (2002 No 78).

6 Relief may be granted where mistake by one party is known to opposing party or is common or mutual

- (1) A court may in the course of any proceedings or on application made for the purpose grant relief under section 7 to any party to a contract—
 - (a) if in entering into that contract—
 - (i) that party was influenced in his decision to enter into the contract by a mistake that was material to him, and the existence of the mistake was known to the other party or 1 or more of the other parties to the contract (not being a party or parties having substantially the same interest under the contract as the party seeking relief); or
 - (ii) all the parties to the contract were influenced in their respective decisions to enter into the contract by the same mistake; or
 - (iii) that party and at least 1 other party (not being a party having substantially the same interest under the contract as the party seeking relief) were each influenced in their respective decisions to enter into the contract by a different mistake about the same matter of fact or of law; and
 - (b) the mistake or mistakes, as the case may be, resulted at the time of the contract—
 - (i) in a substantially unequal exchange of values; or
 - (ii) in the conferment of a benefit, or in the imposition or inclusion of an obligation, which was, in all the circumstances, a benefit or obligation substantially disproportionate to the consideration therefor; and
 - (c) where the contract expressly or by implication makes provision for the risk of mistakes, the party seeking relief or the party through or under whom relief is sought, as the case may require, is not obliged by a term of the contract to assume the risk that his belief about the matter in question might be mistaken.
- (2) For the purposes of an application for relief under section 7 in respect of any contract,—

- (a) a mistake, in relation to that contract, does not include a mistake in its interpretation:
- (b) the decision of a party to that contract to enter into it is not made under the influence of a mistake if, before he enters into it and at a time when he can elect not to enter into it, he becomes aware of the mistake but elects to enter into the contract notwithstanding the mistake.

7 Nature of relief

- (1) Where by virtue of the provisions of section 6 the court has power to grant relief to a party to a contract, it may grant relief not only to that party but also to any person claiming through or under that party.
- (2) The extent to which the party seeking relief, or the party through or under whom relief is sought, as the case may require, caused the mistake shall be one of the considerations to be taken into account by the court in deciding whether to grant relief under this section.
- (3) The court shall have a discretion to make such order as it thinks just and in particular, but not in limitation, it may do 1 or more of the following things:
 - (a) declare the contract to be valid and subsisting in whole or in part or for any particular purpose:
 - (b) cancel the contract:
 - (c) grant relief by way of variation of the contract:
 - (d) grant relief by way of restitution or compensation.
- (4) An application for relief under this section may be made by—
 - (a) any person to whom the court may grant that relief; or
 - (b) any other person where it is material for that person to know whether relief under this section will be granted.
- (5) The court may by any order made under this section vest any property that was the subject of the contract, or the whole or part of the consideration for the contract, in any party to the proceedings or may direct any such party to transfer or assign any such property to any other party to the proceedings.
- (6) Any order made under this section, or any provision of any such order, may be made upon and subject to such terms and conditions as the court thinks fit.

8 Rights of third persons not affected

- (1) Nothing in any order made under this Act shall invalidate—
 - (a) any disposition of property by a party to a mistaken contract for valuable consideration; or
 - (b) any disposition of property made by or through a person who became entitled to the property under a disposition to which paragraph (a) applies—

if the person to whom the disposition was made was not a party to the mistaken contract and had not at the time of the disposition notice that the property was the subject of, or the whole or part of the consideration for, a mistaken contract and otherwise acts in good faith.

(2) Nothing in any order made under this Act shall affect the operation of subpart 5 of Part 2 of the Property Law Act 2007.

(3) In this section—

disposition means—

- (a) any conveyance, transfer, assignment, settlement, delivery, payment, or other alienation of property, whether at law or in equity:
- (b) the creation of a trust:
- (c) the grant or creation of any lease, mortgage, charge, servitude, licence, power, or other right, estate, or interest in or over any property, whether at law or in equity:
- (d) the release, discharge, surrender, forfeiture, or abandonment, at law or in equity, of any debt, contract, or thing in action, or of any right, power, estate, or interest in or over any property; and for this purpose a debt, or any other right, estate, or interest, shall be deemed to have been released or surrendered when it has become irrecoverable or unenforceable by action through the lapse of time:
- (e) the exercise of a general power of appointment in favour of any person other than the donee of the power:
- (f) any transaction entered into by any person with intent thereby to diminish, directly or indirectly, the value of that person's own estate and to increase the value of the estate of any other person

mistaken contract means a contract entered into in the circumstances described in section 6(1)(a).

Section 8(2): amended, on 1 January 2008, by section 364(1) of the Property Law Act 2007 (2007 No 91).

Section 8(3) **disposition**: substituted, on 3 December 2007, by section 445 of the Insolvency Act 2006 (2006 No 55).

9 Jurisdiction of District Courts

[Repealed]

Section 9: repealed, on 19 December 2002, by section 6 of the Contractual Mistakes Amendment Act 2002 (2002 No 78).

10 Jurisdiction of Disputes Tribunals

[Repealed]

Section 10: repealed, on 19 December 2002, by section 6 of the Contractual Mistakes Amendment Act 2002 (2002 No 78).

11 Amendment to Arbitration Act 1908

[Repealed]

Section 11: repealed, on 1 July 1997, by section 18 of the Arbitration Act 1996 (1996 No 99).

11A Act does not apply to contracts governed by foreign law

This Act does not apply to any contract, or any part of any contract, that is governed by a law other than New Zealand law.

Section 11A: inserted, on 19 December 2002, by section 7 of the Contractual Mistakes Amendment Act 2002 (2002 No 78).

12 Application of Act

This Act shall not apply to contracts entered into before the commencement of this Act.

Reprints notes

1 *General*

This is a reprint of the Contractual Mistakes Act 1977 that incorporates all the amendments to that Act as at the date of the last amendment to it.

2 *Legal status*

Reprints are presumed to correctly state, as at the date of the reprint, the law enacted by the principal enactment and by any amendments to that enactment. Section 18 of the Legislation Act 2012 provides that this reprint, published in electronic form, has the status of an official version under section 17 of that Act. A printed version of the reprint produced directly from this official electronic version also has official status.

3 *Editorial and format changes*

Editorial and format changes to reprints are made using the powers under sections 24 to 26 of the Legislation Act 2012. See also <http://www.pco.parliament.govt.nz/editorial-conventions/>.

4 *Amendments incorporated in this reprint*

Property Law Amendment Act 2016 (2016 No 66): section 7(2)

Property Law Act 2007 (2007 No 91): section 364(1)

Insolvency Act 2006 (2006 No 55): section 445

Contractual Mistakes Amendment Act 2002 (2002 No 78)

Arbitration Act 1996 (1996 No 99): section 18