

THE INDIAN CONTRACT ACT, 1872

CONTRACT

CONTRACT - ACCORDING TO SEC.2(H), A CONTRACT IS DEFINED AS AN AGREEMENT ENFORCEABLE BEFORE THE LAW.

AGREEMENT - ACCORDING TO SEC.2(E), EVERY PROMISE OR SET OF PROMISES FORMING CONSIDERATION FOR EACH OTHER.

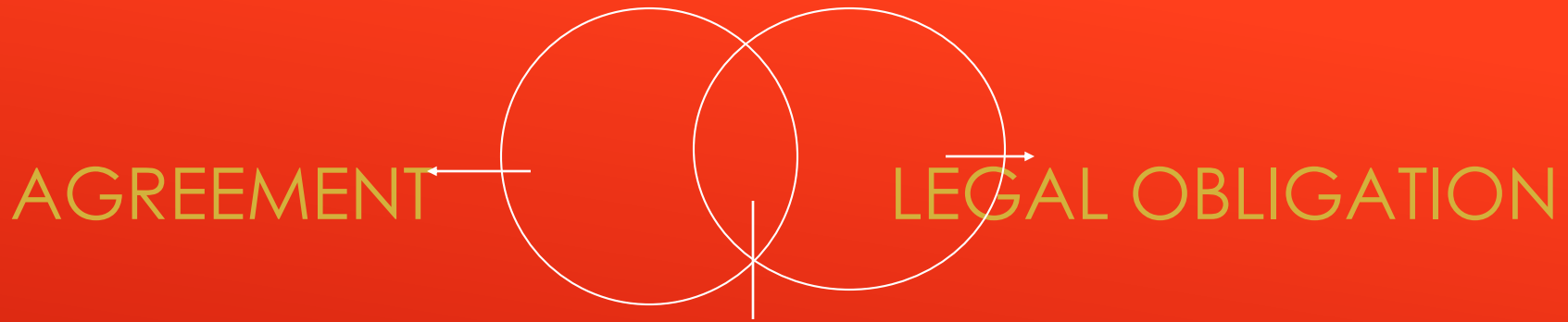
PROMISE - ACCORDING TO SEC.2(B), WHEN A PERSON MADE A PROPOSAL TO ANOTHER TO WHOM PROPOSAL IS MADE, IF PROPOSAL IS ASSENTED THERE TO.

OFFER - ACCORDING TO SEC.2(A), WHEN A PERSON MADE A PROPOSAL, WHEN HE SIGNIFIES TO ANOTHER HIS WILLINGNESS TO DO OR TO ABSTAIN FROM DOING SOMETHING.

**AGREEMENT = OFFER +
ACCEPTANCE**

CONSENSUS - AD – IDEM-

ACCORDING TO SEC.13, MEETING OF MINDS OR IDENTITY OF MINDS OR RECEIVING THE SAME THING IN SAME SENSE AT SAME TIME.



CONTRACT

“ALL CONTRACTS ARE AGREEMENTS
BUT ALL AGREEMENTS ARE NOT
CONTRACTS.”

**CONTRACT = AGREEMENT +
ENFORCIBILITY BEFORE LAW**

ESSENTIAL ELEMENTS OF A VALID CONTRACT (SEC.10)

- 1.OFFER & ACCEPTANCE.
- 2.INTENTION TO CREATE LEGAL
RELATIONSHIP.
- 3.CONSENSUS - AD - IDEM.
- 4.CONSIDERATION.
- 5.CAPACITY TO CONTRACT.
- 6.FREE CONSENT.
- 7.LEGALITY OF OBJECT.
- 8.POSSIBILITY OF PERFORMANCE.
- 9.WRITING & REGISTRATION.

TYPES OF CONTRACTS

VALID CONTRACTS

- *Absolute contract*
- *Contingent contract (Sec. 31-36)*
- *Express contract*
- *Implied/Quasi contract (Sec. 68- 72)*

Valid contract - If all the condition are fulfilled it is called as a valid contract.

Contingent contract - In a contract to do or not to do something, if an event is collateral, does or doesn't happen.

Express contract - When contracts are either in writing or in oral.

Implied contract - When contracts are neither in writing nor in oral.

Absolute contract - A contract which is not dependent on fulfillment of any condition.

INVALID CONTRACTS

- ❑ Void contract

Is void(Void - ab - initio)

Becomes void

- ❑ Voidable contract

- ❑ Illegal contract

- ❑ Unenforceable contract

Invalid contract - In a contract if any one condition is not fulfilled.

Is void (Void-ab-initio) - An agreement which is not valid from the beginning.

Becomes void - An agreement which is valid in the beginning but due to some supervening impossibility the contract becomes void.

Voidable contract - A contract which is valid unless until avoided by either the party.

Illegal contract - An agreement forbidden by law.

Unenforceable contract - It is valid but due to some technical defect the contract becomes void. In case defects are removed the contract is enforceable.(lack of registration, lack of signature etc.,)

OTHER TYPES OF CONTRACTS

- *Executed contract*
- *Executory contract*
- *Unilateral contract*
- *Bilateral contract*

Executed contract - *In a contract where both the parties have performed their obligation, there is remaining nothing to perform.*

Executory contract - *In a contract where both the parties are yet to perform their obligation.*

Unilateral contract - *In a contract one party has performed his obligation and other person is yet to perform his obligation.*

Bilateral contract - *In a contract where both the parties have performed their obligation. Bilateral & Executory are same and inter - changeable.*

OFFER

According to Sec.2(a), when a person made a proposal, when he signifies to another his willingness to do or to abstain from doing something.

TYPES OF OFFER

- *Express offer*
- *Implied offer*
- *Specific offer*
- *General offer*
- *Cross offer*
- *Counter offer*
- *Standing offer*

Express offer - When offer is given to another person either in writing or in oral.

Implied offer - When offer is given to another person neither in writing nor in oral.

Specific offer - When offer is given to a specific person.

General offer - When offer is given to entire world at a large.(Carlill Vs. Carbolic smoke ball Co.,)

Cross offer - When both the persons are making identical offers to each other in ignorance of other's offer.

Counter offer - When both the persons are making offers to each other which are not identical in ignorance of other's offer.

Standing offer - An offer which remains continuously enforceable for a certain period of time.

LEGAL RULES FOR OFFER

- *Offer must be given with an intention to create a legal relationship.(Balfour Vs. Balfour)*
- *Offer must be definite.(Taylor Vs. Portington)*
- *There is a clear cut difference between offer, invitation to offer, invitation to sale. (Harris Vs. Nickerson)*
- *Offer must be communicated. (Fitch Vs. Snedkar)*
- *Mere statement of price of price is not an offer.(Harvey Vs. Facey)*

ACCEPTANCE

According to sec.2(b), when a person made a proposal to another to whom proposal is made, if proposal is assented there to, it is called acceptance.

LEGAL RULES FOR ACCEPTANCE

- **Acceptance must be given as per the mode prescribed by the offerer.**
- **Acceptance must be given before the lapse of time or within reasonable time.**
- **Acceptance must be unconditional.**
- **Acceptance may be given by any person in case of general offer.**

- *Acceptance may be given by any specific person in case of specific offer.*
- *Acceptance must be communicated. (Bordgon Vs. Metropolitan Rly. Co.)*
- *Mental acceptance is no acceptance or acceptance must not be derived from silence.*
- *Acceptance must not be precedent to offer.*

CONSIDERATION

ACCORDING TO SEC 2(D) CONSIDERATION IS DEFINED AS “WHEN AT THE DESIRE OF THE PROMISOR , OR PROMISEE OR ANY OTHER PERSON HAS DONE OR ABSTAINED FROM DOING OR DOES OR ABSTAINS FROM DOING ,OR PROMISES TO DO OR TO ABSTAIN FROM DOING , SOMETHING , SUCH AN ACT OR ABSINENCE OR PROMISE IS CALLED A CONSIDERATION FOR THE PROMISE .

When a party to an agreement promises to do something he must get “something” in return. This “something” is defined as consideration.



LEGAL RULES AS TO CONSIDERATION

1)It must move at the desire of the promisor.

[Durga Prasad v. Baldeo]

2)It may move by the promisee .

[Chinnaya v. Ramayya]

3)It must be past, present or future .

4)It need not be adequate .

5)It must be real .

6)It must not be illegal , immoral or opposed to public policy .



STRANGER TO CONTRACT

It is general rule of contract that only parties to contract can sue & be sued on that contract . This rule is known as 'Doctrine of privity' i.e relationship between the parties to contract .

Exceptions

- 1)A trust or a charge .
- 2)Marriage settlement , partition or other family arrangements .
- 3)Estoppel
- 4)Assignment of contract .
- 5)Contract with agent .
- 6)Covenants running with land .

CONTRACT WITHOUT CONSIDERATION IS VOID – EXCEPTIONS

Love & affection . [Venkataswamy v. Rangaswamy]

Compensation for voluntary service .

Promise to pay a time – barred debt .

Completed gift .

Agency sec (185) .

Charity .

Contract of bailment sec(148) .

NO CONSIDERATION NO CONTRACT

- ▶ *[Abdul Aziz v. Masum Ali]*
- ▶ *[Kedarnath v. Gauri Mohamed]*



**CAPACITY TO
CONTRACT**

CAPACITY TO CONTRACT

Following are the condition for a person to enter into contract-

- ▶ *He must be major*
- ▶ *He must be sound mind*
- ▶ *He must not be disqualified by any other law.*

DISQUALIFIED PERSONS TO ENTER INTO A CONTRACT

a) Minor

b) unsound person

c) others

i.e alien enemy,

insolvent,

convict,

*company/corporation against MOA /
AOA .*



MINOR

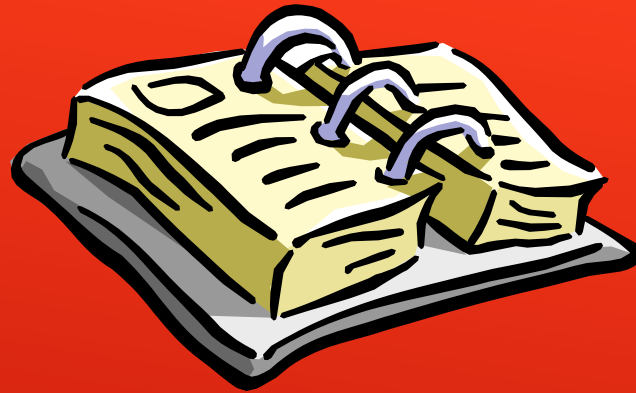


According to Indian majority act sec(3) minor is defined as any person under the age of 18 years . In the following cases a person is said to be minor if he does not complete the age of 21 years

a) any person under the guardian & wards act ,1890

b) any person which comes under superintendence of law/legal representative

RULES GOVERNING MINORS AGREEMENT



- ▶ *Rule 1 : Judges are counsellors ,
jury is the servant ,
law is the guardian .*
- ▶ *Rule 2: In case minor entered into a
contract which is unlawful , illegal ,
immoral he is also prosecutable &
punishable under the relevant law.*

LEGAL RULES

- ▶ *An agreement with minor is void ab initio*
[Mohiri Bibi v. Dharmadas Ghase]
- ▶ *Minor can be promisee*
[Shrafat Ali v. Noor Mohd]
- ▶ *Minor cannot ratify his agreement on attaining the age of majority*
[Indra Ramaswamy v. Anthiappa Chettier]

- ▶ *Minor as a shareholder ,*
- ▶ *Minor as a partner,*
- ▶ *Minor as a agent ,*
- ▶ *Minor as a member of trade union ,*
- ▶ *No estoppel against minor ,*
- ▶ *He can plead his minority ,*
- ▶ *He can enter into contract for his necessary*

[Robert v. Gray]

- ▶ *On behalf of minor his parents , guardian or any other person can enter into void contract to acquire movable property.*

UNSOUND PERSON

- ▶ *According to sec(12) a person generally sound, occasionally unsound can enter into a contract when he of sound mind*
- ▶ *A person generally unsound occasionally sound can enter onto contract when he is sound mind.*

PERSONS OF UNSOUND MIND

1) Lunatic ,

2) Idiots ,

3) Drunken or intoxicated persons.



THANK YOU

