



VIT[®]

Vellore Institute of Technology
(Deemed to be University under section 3 of UGC Act, 1956)

Legal Aspects of Business

Dr. J Bhavani, Faculty,
Business School
Vellore Institute of Technology

Recapitulate

Contract of Indemnity and Guarantee

- Introduction
- Contract of Indemnity
- Contract of Guarantee
- Types of Guarantee
- Purpose of Guarantee
- Essential elements
- Difference between contract of Indemnity and contract of Guarantee

Contract of Indemnity and Guarantee

Discharge of Surety

By Revocation of the Creditor

Revocation by Surety

Death of Surety

Novation

By the Conduct of the Creditor

Variance in terms of contract

Release or discharge of principal debtor

Compounding by creditor with principal debtor

Creditor's act or omission impairing surety's eventual remedy

Loss of security

By invalidation of Contract

Guarantee obtained by misrepresentation

Guarantee obtained by concealment

Failure of a co-surety to join a surety

Failure of consideration

Contract of Indemnity and Guarantee

Discharge of Surety

By Revocation of the Creditor

Revocation by Surety

Revoked by giving a notice. Specific guarantee cannot be revoked if the liability has already accrued. A continuing guarantee may be at any time be revoked by notice

Death of Surety

The deceased surety's estate will not be liable for any transactions entered into between the creditor and the principal debtor after the death of the surety.

Novation

New contract of guarantee for an old one either between the same parties or between one of the old parties and a new party by mutual consent.

Contract of Indemnity and Guarantee

Discharge of Surety

By the Conduct of the Creditor

Variance in terms of contract

Terms and conditions of the contract between principal debtor and the creditor are varied without the surety's consent

Release or discharge of principal debtor

The surety is discharged by any contract between the creditor and the principal debtor.

Compounding by creditor with principal debtor

When the creditor makes a composition with, or promises to give time to or not to sue, the principal debtor, discharge the surety.

Creditor's act or omission impairing surety's eventual remedy

If the creditor does any act which is inconsistent with the rights of the surety. It becomes invalid

Loss of security

The surety is discharged from liability to the extent of the value of security.

Contract of Indemnity and Guarantee

Discharge of Surety

By invalidation of Contract

Guarantee obtained by
misrepresentation

Guarantee obtained by
concealment

Failure of a co-surety to join a
surety

Failure of consideration

Review Questions

1. The deceased surety's estate will be liable for any transactions entered into between the creditor and the principal debtor after the death of the surety.

True or False

2. Any variance made without surety's consent in the terms of the contract between the principal debtor and the creditor discharges the surety

- a. As to transactions prior to variance
- b. As to transactions subsequent to variance
- c. As to all transactions
- d. From his liability under the guarantee

3. Death of surety does not put an end to the contract of guarantee. **True or False**

Answer

1. The deceased surety's estate will be liable for any transactions entered into between the creditor and the principal debtor after the death of the surety.

Answer: False

2. Any variance made without surety's consent in the terms of the contract between the principal debtor and the creditor discharges the surety

Answer: b. As to transactions subsequent to variance

3. Death of surety does not put an end to the contract of guarantee.

Answer: True

Thank You