



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

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

Bailment and Pledge

Bailment

Bailment is the **delivery of goods by one person to another** for some purpose, upon a contract, that they shall, when the purpose is accomplished, be returned or otherwise disposed of according to the directions of the person delivering them.

The person who delivering the goods is called the **‘bailor’** and the person to whom they are delivered is called the **‘bailee’**

Bailment and Pledge

Requisites of Bailment

Requisites of Contract

Contract: Bailment it may be expressed or implied, in certain case, implied by law as between a finder of goods and the owner.

Involves delivery of possession of goods by bailor to bailee. It may be actual or constructive. Actual delivery – physically handing over the goods. Constructive delivery transfer the possession without handing over the goods physically.

Delivery of goods from bailor to bailee must be for some purpose. If goods are delivered by mistake by a person, there is no bailment.

The goods shall be returned or disposed of according to the directions of the bailor as soon as the purpose is achieved.

Contract

Delivery of possession

For some purpose

Return of specific goods

Bailment and Pledge

Bailment is concerned only with goods

- Goods as defined in the Sale of Goods Act, 1930, means every kind of movable property other than money and actionable claims.
- Contract of bailment is only possession that passes from the bailor to the bailee and not ownership.
- If the property in goods is transferred for money consideration, it is a sale and not a bailment.
- Similarly where money is deposited in a banking account, the relationship of debtor and creditor is created; there is no bailment.

Other examples of bailment:

- A hire-purchase contract
- Seizure of goods by customs authorities
- Acceptance of goods by a transport company or railway
- Acceptance of articles by post-offices as value payable parcel

Bailment and Pledge

Classification of Bailment

According to the *benefits derived by the parties*;

1. **Exclusive benefit of the bailor** – **Example:** Delivery of some valuables to a neighbour for safe custody, without charge
2. **Exclusive benefit of the bailee** – **Example:** The lending of bicycle to a friend for his use, without charge
3. **Mutual benefit of the bailor and the bailee** – **Example:** Giving of watch for repair.

Other classification may be;

1. **Gratuitous bailment:** No consideration passes between bailor and bailee
Example: Where A lends a book to his friend B.
1. **Non-gratuitous bailment:** Consideration passes between bailor and bailee
Example: Where certain goods are kept in a warehouse for hire

Bailment and Pledge

Duties and Rights of Bailor

Duties of Bailor

Disclose known faults

Bear extraordinary expenses

Indemnify bailee for loss in case of premature termination of gratuitous bailment

Receive back the goods

Indemnify the bailee

Rights of Bailor

Enforcement of rights

Termination of bailment

Return of goods lent gratuitously

File a suit

Bailment and Pledge

Duties and Rights of Bailee

Duties of Bailee

- Take reasonable care of goods bailed
- Not to make any unauthorised use of goods
- Not to mix the goods bailed with his own goods
- Not to set up an adverse title
- Return any accretion to the goods
- Return the goods

Rights of Bailee

- Delivery of goods to one of several joint bailors of goods
- Compensation
- Recover any charges
- File suit against wrong doers
- Bailee's lien

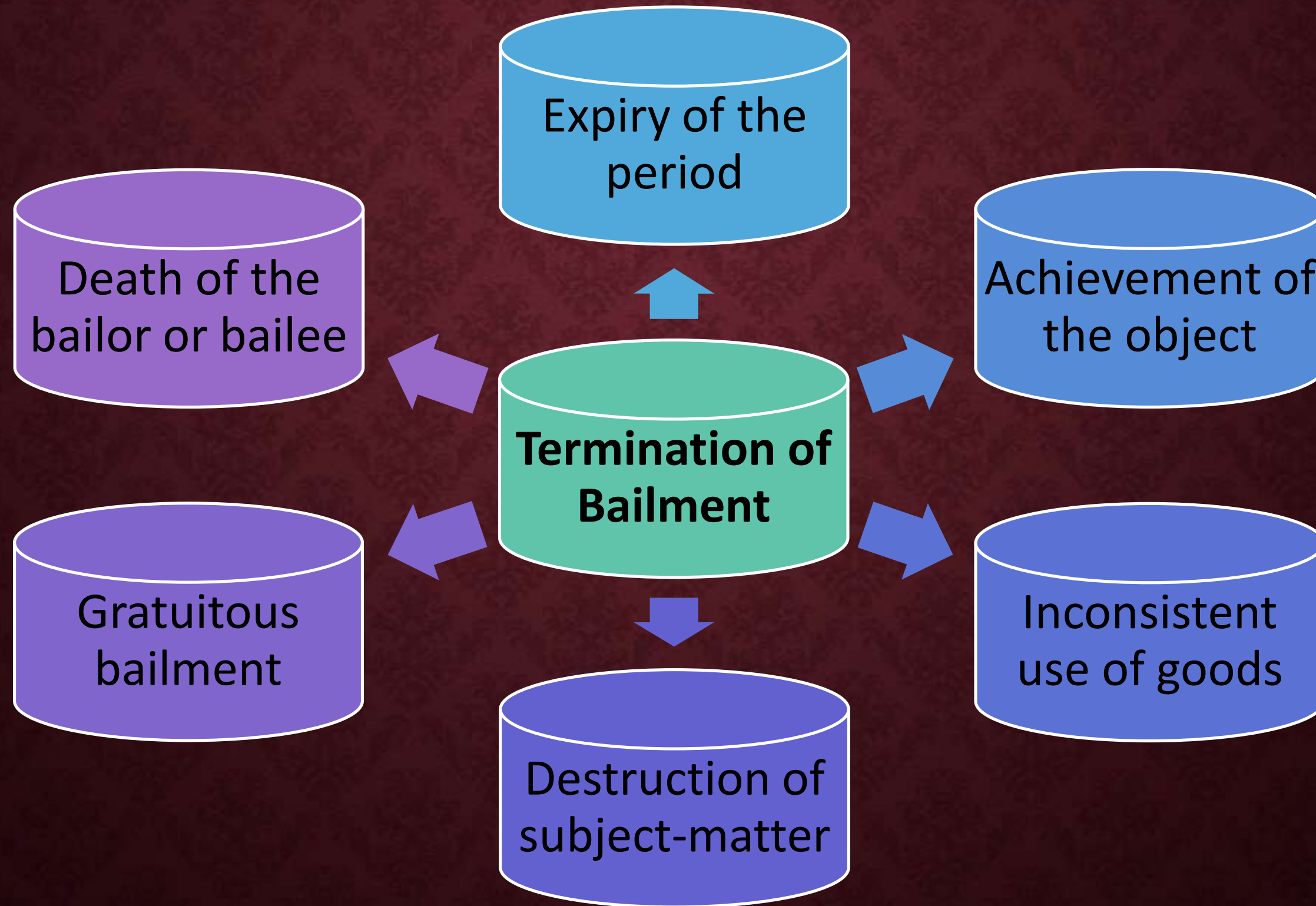
Bailment and Pledge

Finder of Goods

- A person who comes by an article is not obliged to pick it up or take, charge of it. But if he does pick it up, he becomes a bailee.
- In other words, a person, who finds goods belonging to another and takes them into his custody is subject to the same responsibility as a bailee.
- **Rights of Finder of Goods:**
 - **Right of lien:** He can retain the goods against the owner until he receives compensation for trouble and expenses incurred, but he has not right to sue, because its done voluntarily
 - **Right to sue for reward:** Finder can sue for any specific reward offered by the owner
 - **Right to sale:**
 - Owner cannot with reasonable diligence be found, or
 - Owner refuses to pay the lawful charges of the finder, or
 - Perishing in nature
 - Lawful charges amount to two-thirds of their value

Bailment and Pledge

Termination of Bailment



Review Questions

1. Finder can sue for any specific reward offered by the owner. **True or False**
2. When money is deposited into bank, the relationship between them is known as;
 - a. Debtor and creditor
 - b. Bailor and bailee
 - c. Indemnifier and indemnified
 - d. Creditor and surety
3. *A* gives an electric kettle to *B*, an electric repairer, on condition that the kettle must be returned completely repaired within a fixed period. When *A* asks for the return of the kettle, *B* claims to retain the kettle until he is paid due remuneration for the work done by him. Is *B*'s claim tenable?

Answer

1. Finder can sue for any specific reward offered by the owner.

Answer: True

2. When money is deposited into bank, the relationship between them is known as;

Answer: a. Debtor and creditor

3. A gives an electric kettle to *B*, an electric repairer, on condition that the kettle must be returned completely repaired within a fixed period. When A asks for the return of the kettle, *B* claims to retain the kettle until he is paid due remuneration for the work done by him. Is *B*'s claim tenable?

Answer: Yes, B can claim under the provision of law relating to Lien (Particular Lien)

Thank You