

# The Meaning and Classification of Contract

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When you hear of the word “contract”, the first thing that comes to mind is a document full of legalese and is sacred to the parties.

While this is not entirely wrong, it doesn’t paint the full picture of what a contract is.

To be clear, you can simply define a contract as an agreement that can be enforced by law. The agreement doesn’t have to be in writing, under seal or contain legal language. It can even be an oral contract.

If you want a more concrete definition of a contract, that of Tobi JCA in ***Orient Bank (Nig) Plc vs. Bilante International Ltd (1997) 8 NWLR (pt 515)*** would be apposite. He defined a contract as:

“an agreement between two or more parties which creates reciprocal legal obligations to do or not to do a particular thing.”

## Classifications of Contract

The following are the different classifications of contract:

1. Formal and simple contract
2. Express and implied contract
3. Bilateral and unilateral contract

### Formal and Informal Contract

To put things simply, a formal contract is a contract made by deed. A contract made by deed is one that is signed, sealed and delivered.

Previously, a contract by deed need not be signed, however, going by the provision of **73 of the English Law of Property Act 1925**, a deed must be signed.

The reason for this is not far fetched. In those days seals were distinctive of the owner. However today, a seal is no longer distinctive because they are mass produced and could be gotten like any other commodity in the market. Hence the requirement of a signature in a deed.

Previously, it was required the a deed had to be physically delivered. However, following the decision in ***Xenos vs Wickham***, all that is needed is evidence that the executor of the deed made it clear that he wanted to transfer the property to the recipient.

The effect of contracting by deed is that in such cases, consideration needs not be furnished. Thus it is best to use a deed in transferring gifts to beneficiaries. However, some contracts like transfer in legal estate must be in a formal contract.

A simple contract is simply defined as a contract that is not formal. This means that it didn’t have a deed. It could be in writing or oral.

Until recently, all informal contracts were referred to as parol contracts, now parol refers to only oral contract.

In the case of ***Rann vs Hughes***, it was stated that all simple contracts must have consideration.

Hence, the presence of consideration is an essential element in the formation of a simple contract. It is the major distinction between a formal and a simple contract.

### Express and Implied Contract

Express and implied contracts are another classification of contract. An express contract is one in which all the essential terms of the contract have already been agreed to by the parties. For example in contract for sale of goods the parties would have decided on essential terms like the price, amount of goods, time of delivery etc.

An implied contract, on the other hand, is one in which the court will construe the presence of a contract from the conduct of the parties involved. For instance, when a person enters a bus, there is an implied contract that he would pay his fare if the bus takes him to his destination.

### Bilateral and Unilateral Contract

One more classification of contract is bilateral and unilateral contract.

A bilateral contract is one in which there is an exchange of promises between the two parties. For instance, if Tope agrees to buy a goat from Tobi, she promises to give Tobi money and Tobi promises to give her the goat.

In this case, the consideration is an executory consideration. Also, in this type of contract both the offeror and the

offeree are bound by the terms of the contract.

A unilateral contract is one in which there is an exchange of a promise for an act. An example is if Tobi promises to give 500 naira to anyone that finds his missing goat.

In the case of ***Carlill vs Carbolic smokeball co***, the Carbolic Smokeball Company promised to give a reward to anyone who used their drug and still suffered from the flu. The plaintiff used the drug but still suffered from the flu.

As a result, she applied to the Carbolic Smokeball Company to claim her compensation. The company refused to give her the compensation and she sued them. In court, the Carbolic Smokeball Company argued that they didn't have an obligation to the woman because it was impossible to have a contract with the whole world.

The court held that there was a unilateral contract between the parties because there was the promise of a reward to anyone who fulfilled an act. The court held that while there was no contract with the whole world, there was a contract with anyone who fulfilled the act required for the promise (reward).

In a unilateral contract, only the offeror is bound by the terms of the contract.

In unilateral contracts, the consideration is an executed consideration.

## Conclusion

So, if you have come to the end of this post, you know what a contract is and the different types of classifications. If you have any questions, feel free to drop a comment below.

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