

Classification / Types / Kinds of Contract

Contract on basis of validity:

1. Valid Contract (2h)

When all essentials of a valid contract laid down in section 10 are fulfilled.

If missing, contract is either -
Avoidable, void, illegal or unenforceable.

2. Void Contract (2g)

A contract, when originally entered into, maybe valid but it may subsequently become void.

In simple words; initially it was legally enforceable but later on it becomes void due to supervening impossibility of performance.

Eg.: A contract to import goods from a foreign country may become void if a war breaks out between the importing and exporting countries.

3. Void Agreement

An agreement not enforceable by law is void.
It is void ab initio.

Eg.: An agreement with a minor or an agreement with consideration.

4. Voidable Contract

It is valid and enforceable until it is cancelled by the party entitled to avoid it.

When consent of a party to a contract is not free (by **coercion**, **undue influence**, **misrepresentation** or **fraud**), the contract is voidable at his option (sec 19 and 19A).

Party without free consent can avoid the contract to elect to be bound by it.

Scenarios & Examples:

(i) A promises to sell his car to B for 20K. But his consent was obtained by force.

Thus, the contract is voidable at the option of A.

He may avoid the contract or elect to be bound by it.

(ii) When a person promises to do something for another person for a consideration & the other person prevents him from performing his promise, contract become void at his option.

Eg.: - A ask B to do something for him for Rs. 500.

- B agrees, A prevents him from doing so. Contract is voidable at the option of B.
- B may ask to recover from A for any loss which he incurred by his non-performance.

(iii) When a party to a contract to perform an obligation within a specified time, any failure on his part to perform his obligation makes contract voidable at the option of the promisee.

5. Unenforceable Contracts

Valid contract but not enforceable due to some technical defect.

OR in other words.

* Cannot be enforced in a court of law due to some technical defects.

Eg.: A contract required stamps to be enforced by law, it is unenforceable if there are no stamps.

Once it stamp is stamped, it becomes enforceable.

6. Illegal Agreement

Is one which :-

- Violates some rules of basic public property.
- Crime in nature
- Immoral

An illegal agreement is void, but all void agreements or contracts are not necessarily illegal.

Contract on the basis of formation
or construction or mode of origin:

1. Express Contract

When the terms of a contract are expressly agreed upon (whether spoken or written) at the time of formation.

2. Implied Contract

Inferred (अनुमान लगाना) from the acts or conduct of the party parties or course of dealings between them.

Eg.: There is an implied contract when we get into a public bus or take a cup of tea in restaurant.

3. Constructive or Quasi Contract

A contract is intentionally created by two parties but Quasi contract is created by law.

- Not a contract actually.
- Resembles one since a legal obligation is imposed on a party who is required to perform it.
- "A person shall not be allowed to enrich himself unjustly at the expense of another."

(इस संविदा का उद्देश्य है कि कोई भी इसने अपना पापदा किसी दूसरे का बुरा करके न करे।)

Eg.: Ram is a salesman, leaves goods at Shyam's house by mistake. And Shyam treats the goods as his own then the Shyam is bound to pay for the goods.

4. E-Commerce Contract

Entered into contract between two parties via the internet.

Eg.: Ordering goods from Amazon by paying online and now it is Amazon's responsibility to deliver the goods to you.

5. Standard Form Contract

- Printed forms
- Pre-determined terms and conditions
- Readymade contracts.

6. Contingent Contract (Sec 31) [आकारिक संविदा]

"A contingent contract is a contract to do or not to do something, if some event collateral (सहायक) to such contract does or does not happen."

In simple words, contingent contracts, are the ones where the promisor perform his obligation only when certain conditions are met.

The contract of insurance, indemnity, and guarantee are some examples of contingent contracts.

Eg.: A contracts to pay to B Rs. 20000 if B's house is burnt. This is a contingent.

Contract on the basis of performance

1. Executed Contract

One in which both the parties have performed their respective obligations.

The buying of goods and/or services usually falls under this category.

There is no confusion about the date of execution of the contract since in most cases it is instantaneous.

Eg.: A agrees to paint a picture for B for Rs 100. Contract is executed when A paints the picture and B pays the price.

2. Executory Contract

An executory contract is one in which one or both parties are still to perform their obligations. Such contracts controls are future contracts.

In such contracts, the consideration is the promise of performance or obligation.

In executory contracts, the consideration for the promise made is carried out sometime in the future.

Eg.: → Delivery and payment are to be made 15 days.
The contract is executory.
→ Another good example of an executory contract is that of a lease.

3. Unilateral Contract

They are one-sided contracts.

A unilateral promise is a promise from one side only and intended to induce some action by the other party.

The promisee is not bound to act, for he gives no promise from his side. But if he carries out the act desired by the promisor, he can hold the promisor to his promise.

- Also known as contracts with executory consideration.
- Only one party has to fulfil the obligation at the time of formation of contract.
- Other party having fulfilled their obligation at the time or before the contract comes into existence.

Eg.: A agrees to paint a picture of B for Rs. 500. The contract comes into an existence as soon as the picture got painted. By that time A has performed his obligation. Now only B has to fulfil his obligation.

4. Bilateral Contracts

A bilateral contract is a legally binding contract formed by the exchange of reciprocal promises.

Here both parties are outstanding at the time of formation of the contract. In such a case, each party is a promisor and promisee.

They are also known as reciprocal contracts because mutuality of obligation is essential for their enforceability.

In the case of bilateral contracts, an offer made is accepted in the form of a counter-promise. They are very common in everyday life.

In simple words; a bilateral contract is one that has two parties. It is a traditional type of contract most commonly known and occurring. Here both parties agree to the terms of the agreement and thus enter into a contract. Hence it is also known as reciprocal contract.

In bilateral contracts, both parties have usually agreed to a time frame to carry out the said contract.

Eg.: The contract of sale of a house. The buyer pays a down payment and agrees to pay the balance at a future date. The seller gives possession of the house to the buyer and agrees to deliver the title against the specified sale price. This is a bilateral contract.

Classification of contracts under English law:

1. Formal Contracts

- Are recognized in England but not in India.
- Consideration is not essential in such contracts.

These include:-

a) Contract of record : → These are judgments and recognizance.

→ Contract that is declared by a court and entered into the court's record known as a contract of record.

b) Contracts under seal: → Contract which has the seal of the signer attached.

→ The following contract must be under the seal:

(i) Contract under seal

(ii) Contract made by companies.

(iii) Contracts of lease relating to the land for more than three years.

(iv) Contracts relating to transfer of a British ship or any share therein.

2. Simple Contracts

A contract made orally or in writing, rather than a contract made under seal.

Simple contracts require consideration to be valid, but simple contracts may be implied from the conduct of parties bound by the contract.