

INDIAN CONTRACT ACT, 1872

offer + acceptance = promise
(Sec 2(a)) (Sec 2(b)) (Sec 2(b))

promise to consideration = agreement
(Sec 2(d)) (Sec 2(e))

agreement + enforceability = contract
(Sec 2(h))

1. Offer Section 2(a)

When one person expresses his willingness to do or
~~not to do~~ ~~abstain~~ from doing with the intention to obtain
assent of another person, then offer is said to be
made.

Eg1. Express his willingness :- "I want to marry" not an
offer. Declaration of intent

Eg2. "To do" :- I want to marry you - valid offer

Eg3. Abstain from doing (Not to do) :- "I will not file a
suit (case) on you, if you pay the remaining
amount within a month" - valid offer.

* Assent - Yes

* Dissent - No

* Consent - Yes/No

2. Acceptance (Section 2(b)) (a) valid + (b) valid
 When the person to whom offer is made, signify his assent on such offer, the offer is said to be as accepted.

Eg. A makes an offer to B "will you purchase my car at £41". B replies "Yes" - Valid acceptance.

Eg. A makes an offer to B "will you purchase my car at 41 Rs". After B's death his son, Mr C accept this offer - Invalid acceptance.

3. Promise (Section 2(b))

Offer when accepted it becomes promise

4. Offeror (Section 2(c))

Means a person who makes an offer.

5. Offeree (Section 2(c))

Means a person to whom offer is made

6. Consideration (Section 2(d))

Consideration is derived from Latin word "Quid Pro Quo"

It means "something in return"

Offer by A → B → Consideration

7. Agreement (Section 2(e))

Every promise or set of promises forming consideration on each other is called an agreement.

→ Social or domestic transaction amounts to an agreement.

Eg. Balfour v/s Balfour

In this case, Mr Balfour made promise of providing 30 £ as monthly expenses to his wife (Mrs Balfour) for her maintenance while she was abroad.

It was held that the agreement was purely social and domestic in nature and characteristic & therefore it was presumed that the parties did not intend to be legally bound.

Eg. Father promised to pay his son a sum of £1 l if the son passed CA examination in first attempt.

In this case, father is not liable to pay on amount.

It is just a domestic transaction.

8. Contract (Section 2(h))

Contract means agreement which is enforceable by law.

Contract = Agreement + enforceability.

Eg. A agree to sell his car to B and B agreed to pay £40000 to A.

Types of Contracts

On the basis
of Enforceability

On the basis
of creation

On the basis
of execution

Other
Contracts

- " no st. at extreme rightmost nitro to so hard "
- valid contract
 - void contract
 - void agreement
 - voidable contract
 - illegal agreement
 - unenforceable contract
- Express contract Executed contract contingent contract
- Implied contract Contract of wagering
- Quasi contract Executory contract
- E-contract Contract with no consideration
- Unilateral Contract Bilateral Contract

(ii) On the basis of Enforceability / Validity

A. Valid Contract : Means a contract which is enforceable by law and which has all essentials of a valid contract.

- eg. A agrees to sell his car to B at £400000 & B agree to pay £400000 to (B's intent)
- eg. A agrees to sell his car to B at a price fixed by C

eg. A & B enter into contract of marriage at ages A & B at 10000 & 15 years

B. Void agreement : Means an agreement which is not enforceable by law. It is void from beginning (void-ab-initio)

eg. A agrees to bring stars on earth for B at £5L

eg. A agrees to find treasury by Magic for B at £5L

- Eg. A agrees to sell his car to B at £4000 or £2000.
- Eg. A, a minor enters into a contract of marriage.
- C. Void Contract: Means a contract which fails to be enforceable by law [Section 2(j)].
- Eg. A agrees to sell his crops to B at £50 & B agrees to purchase the same before sale, crops were destroyed by fire.
- Eg. A agrees to sell his car to B at a price fixed by C. Later on, C refuses to decide the price.
- Eg. A agrees to marry B but before marriage he gets mad.
- D. Voidable contract: Means a contract which is enforceable on part of one or more parties but not on part of another party [Section 2(i)].
- Contract is voidable if consent is obtained through:
 - Coercion / Duress
 - Undue Influence
 - Fraud
 - Mis-representation
- Eg. A threatens to kill B if B refuses to sell his house to A at £50 (This contract is voidable because of coercion on part of A).

Eg. A agrees to sell his car to B at a price fixed by C. Later on, A induced C to decide higher price. (This contract is voidable because of fraud on part of A)

Eg. A married man enters into a contract of marriage with B.

Eg. **Illegal Agreement:** Means an agreement object of which is forbidden or punishable by law.

Eg. A agrees to sell 1kg of drugs to B at ₹10,00,000

Eg. All illegal agreements are void agreements but all agreements are not illegal agreements.

| Agreement | Contract |
|-----------------|-------------|
| Not enforceable | Enforceable |

- Scope of agreement is wider
- Scope of contract is narrow
- Every contract is an agreement but every agreement is not a contract.

| | |
|-------------------|----------------|
| Void agreement | Not punishable |
| Illegal agreement | |

- Scope of void is wider
- Scope of illegal is narrow
- Every illegal is void but every void is not illegal.

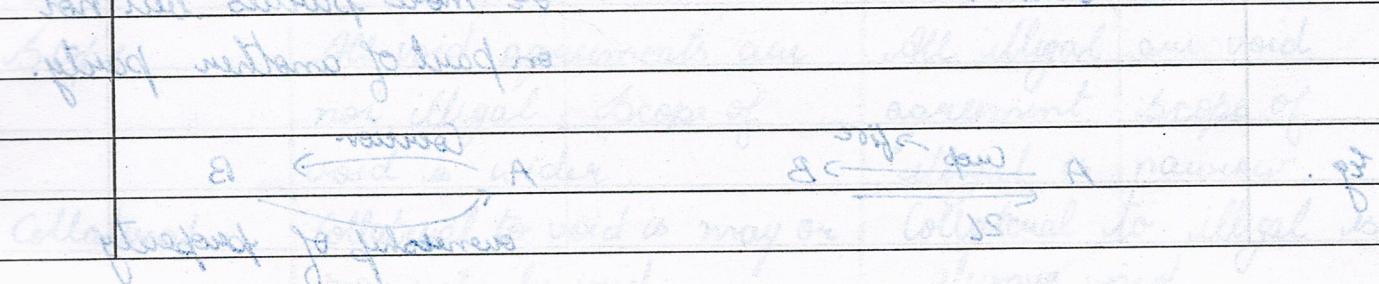
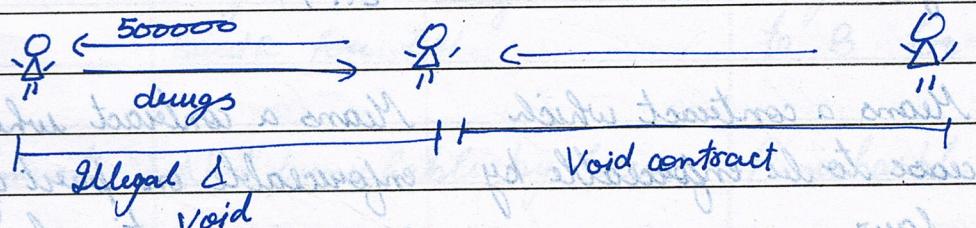
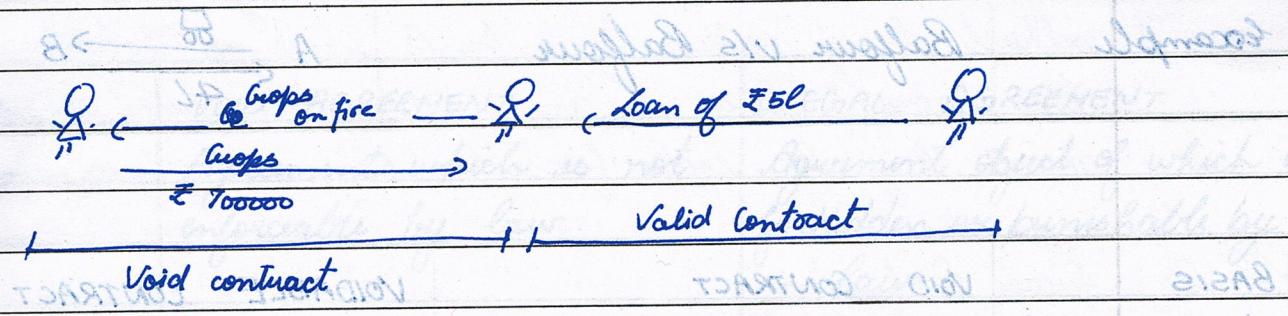
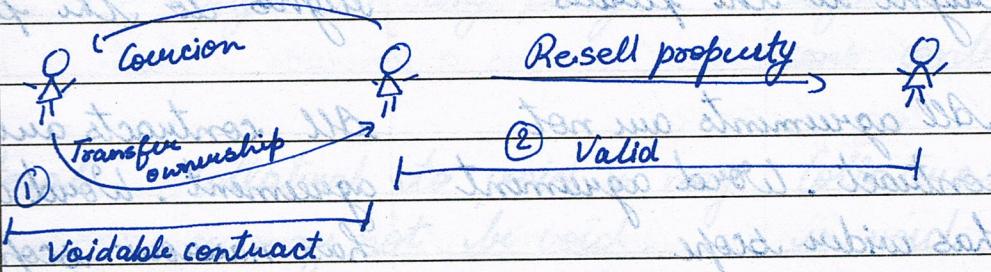
F Unenforceable Contract : Means a contract which is not enforceable because of some technical mistakes.

e.g. Payment of inadequate stamp duty

e.g. Improper signature.

Concept of Collateral

- Collateral to void contract is may or may not be void.
- Collateral to voidable contract is ~~not~~ valid.
- Collateral to illegal agreement is void.



| BASIS | AGREEMENT | CONTRACT |
|------------------|--|-----------------------------------|
| Section | 2(e) of Indian Contract Act, 1872 | 2(h) of Indian Contract Act, 1872 |
| Meaning | Every promise or set of promises forming consideration is enforceable by law. An agreement which on each other is agreement. | |
| Legal obligation | It does not create legal obligations. It creates legal obligations & grants rights to the parties. | |
| Scope | All agreements are not contract. Word agreement has wider scope. | |
| Example | Balfour v/s Balfour | |
| BASIS | VOID CONTRACT | VOIDABLE CONTRACT |
| Section | 2(j) | 2(i) |
| Meaning | Means a contract which ceases to be enforceable by law. | |
| Eg. | A $\xrightarrow[\text{2L}]{\text{Coercion}} \xrightarrow{\text{fire}} B$ | |

Cause

A contract becomes void (i)
due to destruction of
subject matter.

A contract becomes (ii)
voidable if consent is
obtained through coercion
under influence etc.

Performance of
contract

A void contract cannot
be performed

Possible if aggrieved
party fails to take
action within reasonable
time.

Rights

It doesn't grant any
right to any party.

Aggrieved party has the
right to rescind the
contract.

Collateral

Collateral to void is may
or may not be void. It is void if

Basis

VOID AGREEMENT

ILLEGAL AGREEMENT

Meaning

Agreement which is not
enforceable by law.

Agreement object of which is
forbidden or punishable by
law.

e.g.

A agree to bring stars on
Earth for £21

A agree to sell 1kg of drugs
to B for £21

Punishment

Not punishable by law

Punishable by law.

Scope

All void agreements are
not illegal. Scope of
void is wider.

All illegal and void
agreement. Scope of
illegal is narrow.

Collateral

Collateral to void is may or
may not be void

Collateral to illegal is
always void.

(ii) On the basis of creation and, between A & B

A. Express Contract : As per section 9 of Indian contract act 1872. Express contract means a contract which is made by use of words either oral or written.

Eg. A tells B on telephone that A wants to sell his house to B at £ 40,00,000. B in return informs to A that he accepts the offer.

B. Implied Contract : As per section 9 of Contract Act 1872, implied contract means a contract which is made without use of words.

Eg. Where a coolie in uniform picks up luggage of Mr A to be carried out of railway station without being asked by A & A remains silent. In this case there is an implied contract and A must pay to coolie for the service enjoyed by him.

C. Quasi Contract :

- It is not a real contract, there is no intention of parties to enter into a contract.
- It is an obligation imposed by law.
- It is based on principle of "Unjust Enrichment". It means no one can take advantage at the expense of others.

Quasi Contract

Section 68 Section 69 Section 70 Section 71 Section 72
Supply of necessities Payment by interested party at goatititous party Enjoyment of Non-finder of Goods Responsibility of finder of Goods Money paid under mistake.

Section 68 : Supply of necessities to minor

NECESSARIES
Supply of Goods & services - Minor or - Unsound mind
Grocery Education Estate / Parents are Minors
Estate / Parents are Minors is liable

Property of minor etc is not liable not personally liable

Section 68 (Claim for necessities supplied to persons incapable of contracting : If any person supplies necessities to a person who is incapable to enter into a contract or anyone whom he is legally bound to support, then supplier is entitled to claim such amount from the property of such incapable person.)

e.g. A supplies B, a Lunatic, with necessities suitable to his condition in life. A is entitled to be reimbursed from B's property.

Eg. Ishaan aged 16 years was studying in Medical college. On 1st March 2020, he took a loan of £200,000 from his friend Vishal for the payment of his college fees and agreed to pay the amount of loan at 1st July 2020.

On 1st July 2020 Ishaan refuses to pay amount.

- (1) If value of estate of Ishaan is £50000. In such case Vishal is entitled to claim £50000 from Ishaan.

- (2) If value of estate of Ishaan is £400000, then Vishal is entitled to claim £200000 from Ishaan.

- (3) If value of estate of Ishaan is of £10000 whereas of his parents is £7000000. Vishal is entitled to claim £10,000 from Ishaan.

Section 69 (Payment by Interested Person)

→ Payment was made by person who is not liable to pay.

→ Payment was made for a person who is liable to pay.

→ Payment is not voluntary.

→ In such case, first person is entitled to be reimbursed by other.

Eg. B held land in Bengal, on a lease granted by A, the zamindar. The revenue payable by A to the govt. being in arrears, his land is advertised for sale by the govt. Under the revenue law, the consequences of the sale will be cancellation of B's lease. B to protect the sale, pays the govt. the sum due from A.

Gratuitous - free

oldby
bibli

Date 1/1

viable
india
GROW UP

A is bound to make a payment to B, the amount paid

Eg. Z sent out his house situated at Delhi to B for a rent of £10,000 p.m. A sum of £50,000, the electricity bill payable by Z to a electricity department being in arrears. B pays the bill, to avoid legal consequences. In this case B is entitled to claim an amount since he is an interested party.

Section 70 (Obligation of person enjoying benefits of No Gratuitous act)

Where a person lawfully does anything for another person & delivers anything to him & not intending & to do so gratuitously & such other person enjoys the benefit thereof, the latter is bound to pay compensation to the former.

Eg. A, a tradesman, leaves goods at B's house by mistake B treats the goods as his own. He is bound to pay A for them.

Eg. Where K, a govt. servant was compulsorily retired by govt. He filed a petition & obtained an injunction against the order. He was reinstated & was paid salary but was given no work & in the mean time govt. went on appeal. The appeal was decided in favour of govt. & K was directed to return the salary.

Date 1/1

Section

Section 71 (Responsibility of finder of Goods)
 He must return goods to its true owner. Finder of goods has
 (i) To take proper care of the goods as a man of ordinary prudence would take.
 (ii) Not to use the goods and
 (iii) To return the goods if the owner is found.

Eg.

"Hollins (H) v/s Hawkes (F)"

Mr H picked up a diamond on the floor of F's shop & handed over it to F to keep till the true owner was found. Inspite of best efforts true owner was not traced. After some weeks, H demanded F to pay expenses incurred by F and demanded a diamond from F. F refuses to do so. It was held that F was bound to return back diamond to H because H as a finder of goods was entitled to retain the goods against any person except true owner.

Section 72 (Money paid under mistake)

A person to whom money has been paid by mistake, then he must return or repay it.

Eg.

A and B jointly make promise to pay £100000 to C. Later on, Both A and B pay £10000 each to C by mistake.

In this case, C is bound to repay £10000 to A or B.

Eg.: Mr A, a shopkeeper, deposit £50,000 as advance tax to income tax authority by mistake. In such case, income tax authority must refund amount of advance tax to A. *treatment of audit results (vi)*

D. E-Contract : Means a contract which is entered into between 2 persons through electronic means like e-mail.

Eg. Online shopping from Flipkart at Bangalore

(iii) On the basis of Execution

A. Executed Contract:

Means a contract in which both the parties to a contract, already performed their respective obligations also called completed contract.

Eg. A sold 1kg of sugar to B at £30/kg

B. Executory Contract:

Means a contract which is partly performed or promise to be performed to be performed in future. 2 types

a. Bilateral Contract:

Means a contract in which both the parties ^{have not} performed their respective obligations i.e. to be performed in future.

Eg. Online shopping from Amazon on COD.

(b) Unilateral Contract :

Means a contract in which one party has already performed his respective obligation but another performs its obligation in future.

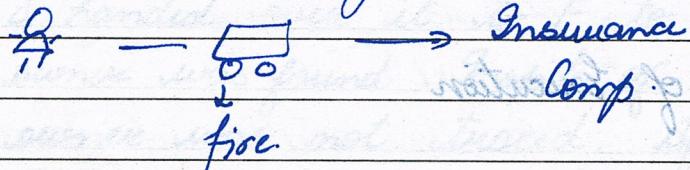
Eg. Online shopping from Amazon on Net Banking basis.

(iv) Other types of Contract

A. Contingent Contract (Section 31)

Means a contract to do or not to do something on happening or non happening of an event which is collateral to the contract.

Eg. Car Insurance (Contingent Contract)



Subject matter ← car → essential
event ← fire → collateral

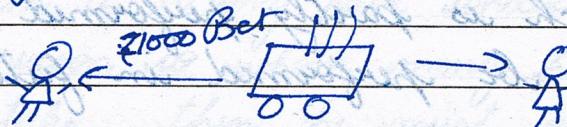
B. Wagering Agreement - (Section 30)

→ To pay money or money worth

→ Win or Lose

→ Betting

Eg.



Subject matter ← car → collateral

Event ← fire → essential

→ Means an agreement to pay money or money worth on happening or non happening of uncertain events.
It is void ab initio

Eg. A agrees to pay £5000 to B if it rains & B promises to pay a like amount to A if it does not rain.

Date 1-1-

| BASIS | CONTINGENT CONTRACT | WAGERING CONTRACT |
|---------------------------------|--|---|
| section | section 31 of Indian Contract Act, 1872 | section 30 of Indian Contract Act, 1872 |
| Meaning | Means a contract to do or not to do something on happening or non happening of an event which is collateral to the contract. | Means an agreement to pay money, or money worth on happening or non happening of uncertain event. |
| Effect of contract | Contingent contract is valid. | Wagering Contract is void |
| Reciprocal promises | Contingent contract may not contain reciprocal promise. | Wagering agreement consists of reciprocal promises |
| event | In a contingent contract, the event is collateral. | In a wagering agreement event is the core factor. |
| Nature of contract | Contingent contract may not be wagering in nature. | A wagering agreement is essentially contingent in nature. |
| win or lose | No such concept exist. | Each party must stand to win or lose. |
| Interest of Contracting parties | Contracting parties have interest in the subject matter in contingent contract. | Contracting parties have no interest in the subject matter. |

| BASIS | CONTRACT OF INSURANCE | WAGERING AGREEMENT |
|--------------------|---|---|
| Meaning | It is a contract to indemnify the loss. | Means an agreement to pay money or money worth on happening or non-happening of uncertain events. |
| Public Welfare | They are beneficial to the society. | They have been regarded as against public welfare. |
| Premium | Calculation of premium is based on scientific calculation of risks. | No such calculation are required in case of wagering agreement. |
| Validity | This is valid & enforceable. | It is void & unenforceable agreement. |
| Consideration | The view of insurance contract is the mutual consideration (Premium & compensation amount). | There is no consideration b/w the 2 parties, there is just gambling for money. |
| Insurable Interest | Insured party has insurable interest in the other's life & properties. | There is betting on life or property. |
| Ex. | Life insurance, fire insurance | Rain uncertainty |

Rules regarding enforcement of contingent contracts

Rules relating to enforcement of contingent contract are laid down under Section 32, 33, 34, 35, and 36

Section 32.

Contingent Contract depends upon happening of an event

such contract is enforceable only upon happening of an event

such contract is not enforceable if it is impossible to happen or on ^{non} happening of an event.

Eg. Medical Insurance →

Mr 'A' fall ill

Mr. A died

Mr. A did not fall ill

Section 33

Contingent contract depends upon non-happening of an event

such contract is enforceable on non happening of an event or if it is impossible to happen.

such contract is not enforceable on happening of an event.

Eg. Contract of guarantee

A agree to pay a sum of £1L to B in case of default by C.

When C fails to make payment or C declared as insolvent

C makes a payment to B

Section 34

Contingent Contract depends upon conduct of a living person.

Contingent contract is enforceable only when that living person acts accordingly.

Contingent contract is enforceable when that living person does something which makes event or condition impossible of happening.

Eg agree to pay £10 to B if B mauls C

In given eg B mauls C

In given eg C mauls D

Section 35 (a)

Contingent contract depends upon happening of an event within a particular time.

Such contract is enforceable only on happening of event within specified time.

Eg A agree to pay £10 to B if certain ship return within a month.

In given eg, if ship return within a month.

In given eg ship is burnt within a month. Non happening of an event within a specified time.

OR

In given eg. ship does not return within a month.

Section 35 (b)

Contract depends upon such contract is such contract is non-happening of enforceable only on not enforceable on an event within a non happening of an happening of an event particular time. event within a within a specified time.

Eg. A agrees to pay £1 if ship to B is certain does not return within a month. In above eg. ship does not return in a month or when within a month. It is impossible to happen OR certain ship burnt within a month.

Section 36
Contingent contract depends upon impossibility of such agreement are not enforceable by law.

Eg. A agrees to pay £10000 to B if B bring stars on Earth.

Essentials of Wagering Agreements

- There must be a promise to pay money or money worth
- Promise must be conditional on an event happening or non happening
- There must be uncertainty of meaning
- There must be 2 parties, each party must stand to win or lose.
- There must be a common intention to bet.
- Parties should have no interest on subject matter.

Essentials of Quasi Contract

(d) as noted.

- a → In the first place such a right is always right to money & generally but not always to a liquidated sum of money.
- Secondly it doesn't arise from agreement of the parties but it is imposed by the law.
- Thirdly it is a right which is available not against all the world, but against a particular person or persons only, so that in this respect it resembles a contractual right.

Essentials of Contingent Contract

- a → The performance of a contingent contract would depend upon happening or non happening of an event.
- eg. A promise to pay £50,000 to B if it rain on 1st of the next month.
- b → The event must be collateral to the contract. The event is not a part of contract. The event should be neither performance promised nor a consideration.
- c → The contingent event shouldn't be merely depends upon will of the promisor.
- eg. If A promises to B to pay £10 if he so decides - It is not a true contingent contract in fact it is not even a contract at all.
- eg. If A promises to pay £10 to B, if he left Udaipur for Mumbai on a particular day. It is contingent.

→ The event must be uncertain - where the event is certain it is not a contingent contract.

e.g. A agreed to sell his agricultural land to B after obtaining the necessary permission from the Collector. In normal course the permission is generally granted on the fulfillment of formalities. It is not a contingent contract as the grant of permission by the collector was almost a certainty.

Essentials of a valid contract

Not defined under any section

1. Two parties (Gujarat v/s Raman Lal b. & Co.)
2. Intention to create legal relationship (Balfour v/s Balfour)
3. Fulfillment of legal Formalities written, stamped, signed
4. Certainty of meaning (e.g. 1, 2, 3)
5. Possibility of Performance

As per section 10 of Indian Contract Act, 1872

1. Agreement
2. Free & true consent (coercion ^{or} undue - Influence etc)
3. Capacities of Parties (Minor, Person of unsound mind, Person disqualified by law)
4. Consideration
5. Lawful object & consideration.