

## Kinds of Contracts on the Basis of Validity

On the basis of validity or enforceability, we have five different types of contracts as given below.

### Valid Contracts

The Valid Contract is an agreement that is legally binding and enforceable. It must qualify all the essentials of a contract.



### Void Contract or Agreement

The section 2(j) of the Act defines a void contract as “A contract which ceases to be enforceable by law becomes void when it ceases to be enforceable”. This makes all those contracts that are not enforceable by a court of law as void.

We have already stated examples of these kinds of contracts in the “Essentials of a Contract”.

**Example:** A agrees to pay B a sum of Rs 10,000 after 5 years against a loan of Rs. 8,000. A dies of natural causes in 4 years. The contract is no longer valid and becomes void due to the non-enforceability of the agreed terms.

### Voidable Contract

These types of Contracts are defined in section 2(i) of the Act: “An agreement which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others, is a voidable contract.” This may seem difficult to wrap your head around but consider the following example:

Suppose a person A agrees to pay a sum of Rs. 10,000 to a person B for an antique chair. This contract would be valid, the only problem is that person B is a minor and can't legally enter a contract.

So this contract is a valid contract from the point of view of A and a “voidable” contract from the point of view of B. As and when B becomes a major, he may or may not agree to the terms. Thus this is a voidable contract.

A voidable contract is a Valid Contract. In a voidable contract, at least one of the parties has to be bound to the terms of the contract. For example, person A in the above example.

The other party is not bound and may choose to repudiate or accept the terms of the contract. If they choose to repudiate the contract, the contract becomes void. Otherwise, a voidable contract is a valid contract.

### **Illegal Contract**

An agreement that leads to one or all the parties breaking a law or not conforming to the norms of the society is deemed to be illegal by the court. A contract opposed to public policy is also illegal.

Several examples may be cited to illustrate an illegal contract. For example, A agrees to sell narcotics to B. Although this contract has all the essential elements of a valid contract, it is still illegal.

The illegal contracts are deemed as void and not enforceable by law. As section 2(g) of the Act states: “An agreement not enforceable by law is said to be void.”

Thus we can say that all illegal contracts are void but the reverse is not true. Both the void contracts and illegal contracts can’t be enforceable by law. Illegal contracts are actually void ab initio (from the start or the beginning).

Also because of the criminal aspects of the illegal contracts, they are punishable under law. All the parties that are found to have agreed on an illegal promise are prosecuted in a court of law.

### **Unenforceable Contracts**

Unenforceable contracts are rendered unenforceable by law due to some technical. The contract can’t be enforced against any of the two parties.

For example, A agrees to sell to B 100kgs of rice for 10,000/-. But there was a huge flood in the states and all the rice crops were destroyed. Now, this contract is unenforceable and can not be enforced against either party.