

Corporate Laws

BBA(FIA)

Lecture 5

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Consideration



Section 2(d):

“When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstained from doing, or promises to do or to abstained from doing something, such act or abstinence or promise is called a consideration for the promise.”

Consideration is price of a promise, or something in return for the promise.

Requirements of a Valid Consideration



1. Consideration must move at the desire of the promisor:
 - Desire can be expressed or implied
 - Durga Prasad vs. Baldeo

Case Discussion



Case: Durga Prasad vs. Baldeo

Facts of the Case:

Durga Prasad, a rich person in a town was asked by the collector of the area to construct a market in the town. Durga Prasad built the market and one of the shops were acquired by Baldeo later. Baldeo promised to give to Durga Prasad a commission on his sales in his shop in return of Durga Prasad having built the shops. Baldeo later backed out of his promise.



Case Discussion



Case: Durga Prasad vs. Baldeo

Fact of the Case:

Durga Prasad, a rich person in a town was asked by the collector of the area to construct a market in the town. Durga Prasad built the market and one of the shops were acquired by Baldeo later. Baldeo promised to give to Durga Prasad a commission on his sales in his shop in return of Durga Prasad having built the shops. Baldeo later backed out of his promise.

Decision:

It was held that Baldeo's promise was in return of something which Durga Prasad had done not at the desire of promisor but at desire of the collector. Therefore, Baldeo's promise was without consideration and thus not binding on Baldeo.



Requirements of a Valid Consideration



1. Consideration must move at the desire of the promisor:
 - Desire can be expressed or implied
 - Durga Prasad vs. Baldeo
2. Consideration may be furnished by the promisee or any other person.
 - Chinnaya vs. Ramayya

Case Discussion



Case: Chinnaya vs. Ramayya

Facts of the Case:

An old lady made an agreement with her daughter Ramayya under which she executed a deed in favour of Ramayya to give to her some of her landed property in return of a commitment from her that the daughter will give an annual payment of Rs. 653 to her sister Chinnaya as a maintenance allowance. Ramayya on the same day executed a written contract in favour of Chinnaya promising to pay the annuity. The amount was not paid. Chinnaya sued Ramayya.

Case Discussion



Case: Chinnaya vs. Ramaya

Fact of the Case:

An old lady made an agreement with her daughter Ramaya under which she executed a deed in favour of Ramaya to give to her some of her landed property in return of a commitment from her that the daughter will give an annual payment of Rs. 653 to her sister Chinnaya as a maintenance allowance. Ramaya on the same day executed a written contract in favour of Chinnaya promising to pay the annuity. The amount was not paid. Chinnaya sued Ramaya.

Decision:

Chinnaya was held entitle to recover the amount.

Requirements of an Valid Consideration



1. Consideration must move at the desire of the promisor:
 - Desire can be expressed or implied
 - Durga Prasad vs. Baldeo
2. Consideration may be furnished by the promisee or any other person.
 - Chinnaya vs. Ramayya
3. Consideration may be past, present or future
 - Past: must move at the request of the promisor
 - Present: contract and execution of consideration by one of the parties takes place simultaneously.
 - Future: consideration is outstanding on both sides, executory
4. Consideration may be positive or negative or a promise
 - Refraining from smoking, gambling, drinking

Requirements of an Valid Consideration



5. Consideration need not be adequate
6. Consideration must be lawful and have some value in the eyes of law
 - Consideration must be real
 - White vs. Bluett
 - Physically impossible: discovering treasure by magic, making two parallel lines meet, putting life back into a dead man
 - Legally impossible: Bribery
 - Uncertain consideration: remuneration “as shall be deemed right”
 - Illusory consideration: performance of legal or public duty
 - Ramachandra Chintamani vs. Kalu Raju

Case Discussion



Case: White vs. Bluett

Fact of the Case:

A Bluett (father) was constantly troubled by one of his sons White through complaints that he has been given a smaller share in father's property than the other sons. One day the father promised to the son White that if the latter stopped making complaints he will be released from the liability of a loan taken from the father. A suit was filed by White against Bluett, the father, for not releasing from the loan liability.

Case Discussion



Case: White vs. Bluett

Fact of the Case:

A father Bluett was constantly troubled by one of his sons White through complaints that he has been given a smaller share in father's property than the other sons. One day the father promised to the son White that if the latter stopped making complaints he will be released from the liability of a loan taken from the father. A suit was filed by White against Bluett, the father, for not releasing from the loan liability.

Decision:

Bluett the father, was not held liable on his promise because of absurd consideration i.e., son stopping making the complaints.

Requirements of an Valid Consideration



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Case Discussion



Case: Ramchandra Chintamani vs. Kalu Raju

Fact of the Case:

A lawyer agreed to represent a person for a specified fee. Later, the client promised to pay more if the lawyer worked in manner to ensure that the client won the case. Finally the client won the case.

Question: Does lawyer has the right to ask for extra fee?

Case Discussion



Case: Ramchandra Chintamani vs. Kalu Raju

Fact of the Case:

A lawyer agreed to represent a person for a specified fee. Later, the client promised to pay more if the lawyer worked in manner to ensure that the client won the case. Finally the client won the case.

Question: Does lawyer has the right to ask for extra fee?

Decision:

Client was not held liable to pay extra because his promise to pay extra was for lawyer's promise to do his best, something which the lawyer was already bound to do.

Requirements of an Valid Consideration



7. Consideration must be for the performance of legal obligations



THANK YOU