

What are essential elements of  
Valid Contract ?

# Essential elements of Valid Contract

- ❑ Every promise and every set of promises, forming the consideration for each other, is an agreement. {Section 2(e)}
- ❑ A person makes a proposal (Offer). When it is accepted by other, it becomes a promise (Acceptance).
- ❑ Thus, Offer + Acceptance = Promise  
Promise + Consideration = Agreement

# Contract

- An agreement enforceable by law”  
is Contract - Section 2(h)
- There must be legal relationship.  
☐ Agreements of social or domestic nature  
are not contracts.

# Promisor and Promisee

- The promisee is the person receiving the promise from the promisor.
- The promisee is the person who has been promised something, as opposed to the promisor who makes the promise to someone.

# Essential elements of Valid Contract

1. Proper offer and its acceptance
2. Lawful object
3. Agreement not expressly declared void
4. Intention to create legal relationship.
5. Free Consent
6. Capacity of parties to contract
7. Certainty .
8. Possibility of performance.
9. Lawful consideration
10. Legal formalities

# 1 Offer and its Acceptance

- In order to create a valid contract, there must be a 'lawful offer' by one party and 'lawful acceptance' of the same by the other party.

## 2 Lawful Object

- The object for which the contract has been entered into must not be fraudulent or illegal or immoral or opposed to public policies.

### 3. Agreement not expressly declared void

- There are Certain agreements which have been expressly declared void by the law. Thus an agreement made by parties should not fall in this category.



## 4. Intention to create legal relationship

- ❓ Agreements which create legal relations or are capable of creating legal relations are contracts, for example, an invitation to a dinner does not create any legal relation and therefore is not a contract.

# 5. Free Consent

- Two or more persons are said to consent when they agree upon the same thing in the same sense. (Section 13)
- Consent of both parties must be **free**.
- Consent is said to be free when it is **not caused** by
  - (1) **coercion**, as defined in section 15
  - (2) **undue influence**, as defined in section 16
  - (3) **fraud**, as defined in section 17
  - (4) **misrepresentation**, as defined in section 18
  - (5) **mistake**, subject to the provisions of sections 20, 21 and 22.

# 6 Capacity of parties to contract

- The parties to an agreement must be competent to contract. If either of the parties does not have the capacity to contract, the contract is not valid. According the following persons are incompetent to contract.
  - (a) Minors,
  - (b) Persons of unsound mind, and
  - (c) persons disqualified by law to which they are subject.

# 7 Certainty

- The terms of a contract should be clear. In other words, the contract must not be vague. Contracts which are vague cannot be enforced.

## 8 Possibility of Performance.

- If the act is impossible in itself, physically or legally, it cannot be enforced at law. For example, Mr. A agrees with B to discover treasure by magic. Such Agreements is not enforceable.

# 9 Lawful consideration

- Consideration has been defined as the price paid by one party for the promise of the other
- An agreement is legally enforceable only when each of the parties to it gives something and gets something.

# 10 Legal formalities

- Oral contract is a valid contract. However the contract must be in writing and registered, if so required by any law .

Thank You