



COMMENCEMENT AND APPLICABILITY

The Indian Contract Act is one of the oldest mercantile laws of our country. It came into effect on the 1st of September 1872 and is applicable to the whole of India with the exception of Jammu & Kashmir. Containing a total of 266 sections it is the principal law regulating contracts in India.



DEFINITIONS

- OFFER(I.E. PROPOSAL) :-When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other person either to such act or abstinence, he is said to make a proposal.
- ACCEPTANCE :- When the person to whom the proposal is made, signifies his assent there to , the proposal is said to be accepted.
- PROMISE :- A Proposal when accepted becomes a promise. In simple words, when an offer is accepted it becomes promise.

- PROMISOR AND PROMISE :- When the proposal is accepted, the person making the proposal is called as promisor and the person accepting the proposal is called as promisee.
- CONSIDERATION :- When at the desire of the promisor, the promisee or any other person has done or abstained from doing something or does or abstains from doing something or promises to do or abstain from doing something, such act or abstinence or promise is called a consideration for the promise.
- ❖ Price paid by the one party for the promise of the other Technical word meaning QUID-PRO-QUO i.e. something in return.

- AGREEMENT :- Every promise and set of promises forming the consideration for each other. In short, agreement = offer + acceptance.
- CONTRACT :- An agreement enforceable by Law is a contract.
- VOID AGREEMENT :- An agreement not enforceable by law is void.
- VOIDABLE CONTRACT :- An agreement is a voidable contract if it is enforceable by Law at the option of one or more of the parties there to (i.e. the aggrieved party), and it is not enforceable by Law at the option of the other or others.
- VOID CONTRACT :- A contract which ceases to be enforceable by Law becomes void when it ceases to be enforceable.



ESSENTIALS OF A VALID CONTRACT

Offer and
Acceptance

Intension to
create legal
relationship

Lawful
consideration

Capacity of
parties

Free consent

Lawful object

Agreement
not declared
void

Certainty and
possibility of
performance

Legal
formalities



Offer + Acceptance = Promise

+

Consideration

=

Agreement

+

Enforceability By Law



Contract

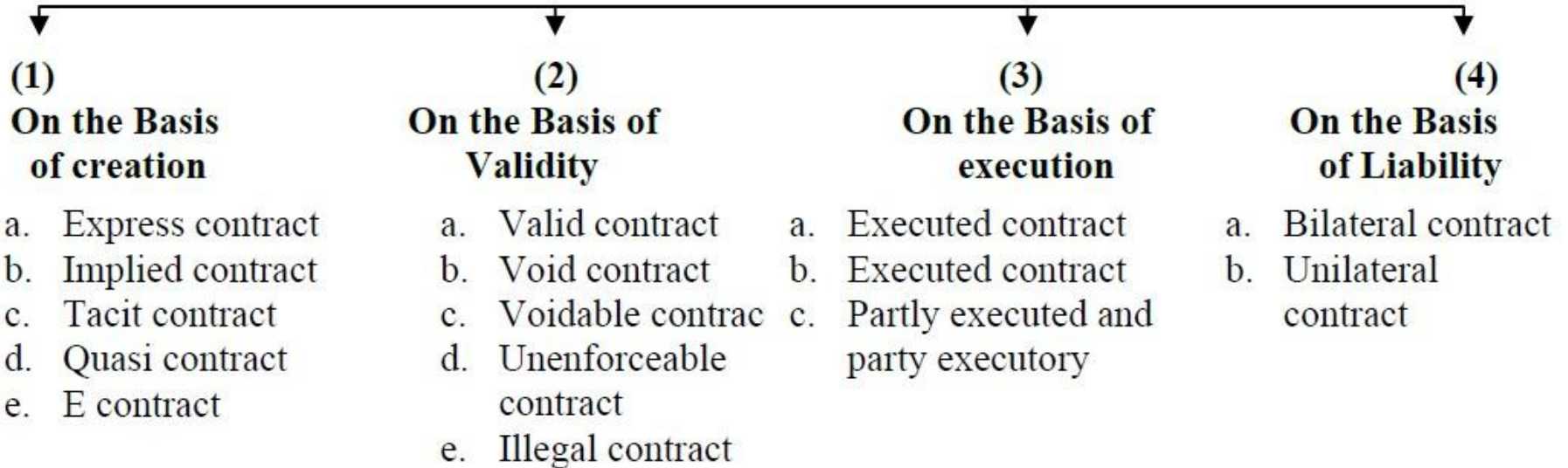
All Contracts are Agreements, but all Agreements are not Contracts.

CONTRACTS = AGREEMENT + ENFORCEABILITY BY LAW

DISTINCTION BETWEEN CONTRACT & AGREEMENT

Basis	Contract	Agreement
1. Section :	Sec. 2(h)	Sec. 2(e)
2. Definition :	A contract is an agreement enforceable by law.	Every promise or every set of promises forming consideration for each other is an agreements.
3. Enforceability :	Every contract is enforceable	Every promise is not enforceable.
4. Interrelationship	A contract includes an agreement.	An agreement does not include a contract.
5. Scope :	The scope of a contract is limited, as it includes only commercial agreements.	Its scope is relatively wider, as it includes both social agreement and commercial agreements.
6. Validity :	Only legal agreements are called contracts.	An agreement may be both legal and illegal.
7. Legal Obligation :	Every contract contains a legal obligation.	It is not necessary for every agreement to have legal obligation.

TYPES OF CONTRACT





OFFER

LEGAL RULES REGARDING OFFER

- Offer must be capable of creating the legal relationship.
- Offer must be certain, definite and not vague.
- Offer may be express or implied.
- Offer must be distinguish from an invitation to offer.
- Offer may be conditional.
- Offer may be specific or general.
- Offer must be made with a view to obtaining the assent of the offeree.
- An offer should not contain a term of non compliance which may amount to acceptance.
- Offer must be communicated to the person to whom it is made.
- Special terms to an offer must be communicated.

TYPES OF OFFER

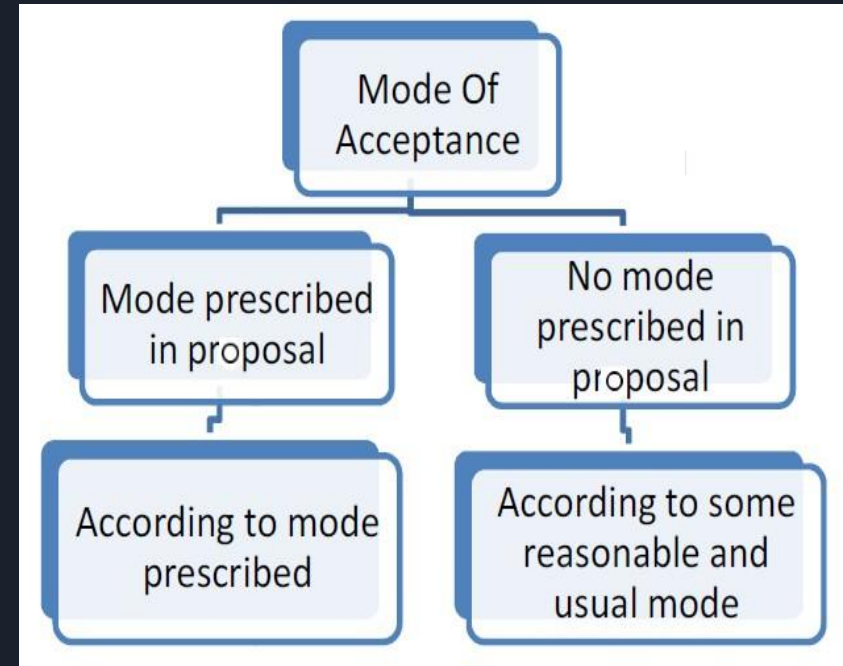
- General Offer – An offer made to the public at large. Anyone having know offer can accept this offer by complying with the terms of offer.
- Specific Offer – An offer made to a specified person. This offer can be accepted only by the person to whom it is made.
- Cross Offers – When two persons exchange identical offer in ignorance of each other's offer. Two cross offers cannot made a contact.
- Counter Offer – Qualified acceptance to the offer & counter offer amounts to rejection of the original offer.
- Standing /open/continuing offer – An offer which is allowed to remain open over a period of time.

ACCEPTANCE

LEGAL RULES REGARDING ACCEPTANCE

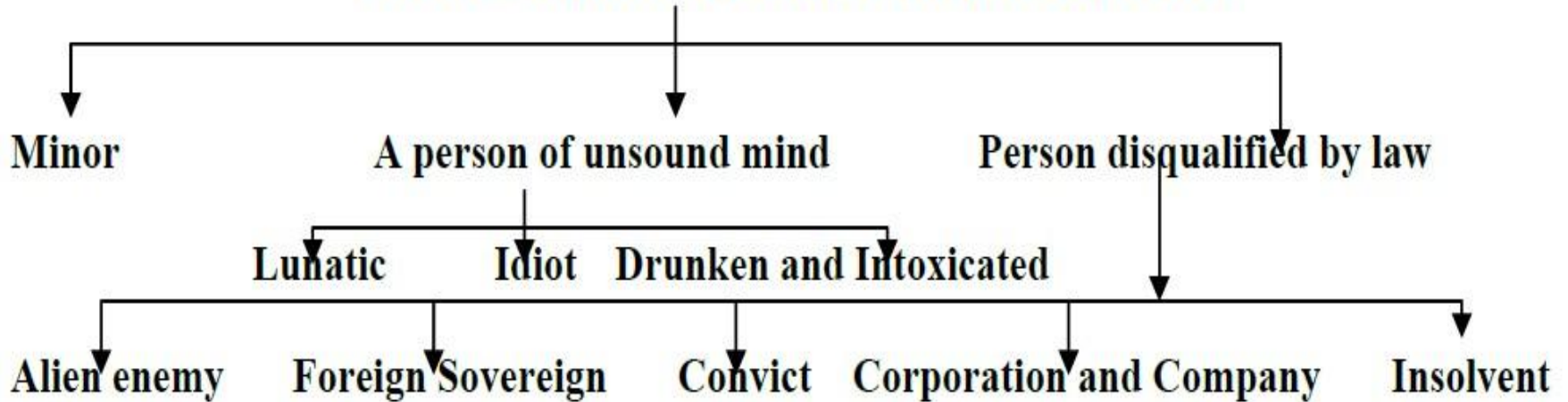
- Acceptance must be absolute and unqualified.
- Mere silence is not an acceptance.
- Acceptance must be communicated.
- Manner of acceptance.
- Acceptance of offer must be made by offeror.
- Time limit for acceptance.
- Acceptance subject to the contract is no acceptance.

MODE OF ACCEPTANCE



CAPACITY TO CONTRACT

Parties unable to Enter into a contract





POSITION OF MINOR'S AGREEMENT

- An agreement entered into by or with a minor is void-ab-initio [Mohiri Bibi Vs. Dharmodas Ghose]
- Minor can be beneficiary.
- Minor cannot become a partner but he can be admitted to the benefits of partnership with the consent of all partners.
- Minor can always plead minority.
- Ratification on attaining majority is not allowed.
- Contract by minor's guardian is valid if it is within the scope of guardian's authority and it is for the benefit of minor.
- Minor is not personally liable for necessaries supply to him but minor's property is liable, not only for necessary goods, but also for necessary services. [Nash Vs. Inman]
- Minor can be an agent but cannot be held personally liable for breach of duty or negligence.
- A minor cannot be declared insolvent because he is incapable of contracting.



CONSIDERATION

LEGAL RULES REGARDING CONSIDERATION

- Consideration must move at the desire of the promisor.
- Consideration may move from the promisee or any other person.
- Executed Consideration – Consideration which has been given.
- Executory Consideration – Consideration which is to be moved in future.
- Consideration may be past, present or future.
- Consideration should be real & not illusory.
- Consideration need not be adequate.
- The performance of an act what one is legally bound to perform is not consideration for the contract.
- Consideration must not be unlawful, immoral or opposed to the public policy. There can be a stranger to a consideration but there cannot be a stranger to a contract.

A THIRD PARTY OR STRANGER TO A CONTRACT
CANNOT SUE.

Exceptions:

1. Trust – Beneficiary can sue upon the contract.
2. Family Settlement – Other family members can sue.
3. Marriage contract – Female member for her marriage expenses on partition of HUF.
4. Acknowledgement of liability – when one admits his liability.
5. Assignment – Assignee can enforce upon the contract.
6. Covenant running with land.

NO CONSIDERATION, NO CONTRACT (AN
AGREEMENT WITHOUT CONSIDERATION IS VOID).

Exceptions:

1. Agreement on account of natural love and affection is valid if it is-
 - Written and registered agreement.
 - On account of natural love & affection.
 - Between parties standing in near relation.
2. Compensation for past voluntary services
3. Promise to pay time barred debt :- 1. In writing 2. Signed
4. Agency
5. Completed gift
6. Charity



FREE CONSENT

A consent is said to be free if it is not caused by :

- Coercion.
- Undue influence.
- Fraud.
- Misrepresentation.
- Mistake.

COERCION [SEC 15] – Coercion is committing or threatening to commit an act forbidden by IPC or the unlawful detaining or threatening to detain any property to the prejudice of any person, whatever with intention of causing him to enter into an agreement.

1. A threat to commit suicide amounts to coercion.
2. A person to whom money has been paid or anything delivered must repay or return it.

UNDUE INFLUENCE [SEC 16] – A contact is said to be induced by undue influence where the relation subsisting between the parties are such that one of the parties is in a position to dominate the will of another and uses that position to obtain an unfair advantage over the other.

- A person is in a position to dominate the will of another where he holds real or apparent authority over the other or stands in fiduciary relation to the other.

FRAUD [SEC 17] (Intention to Deceive) -

- (a) The suggestion as a fact which is not true by one who does not believe it to be true.
- (b) Active concealment of fact by one having knowledge or belief of the fact.
- (c) A promise made without any intention of performing it.
- (d) Any other act fitted to deceive.
- (e) Any such act or omission as to law specially declared to be fraudulent.

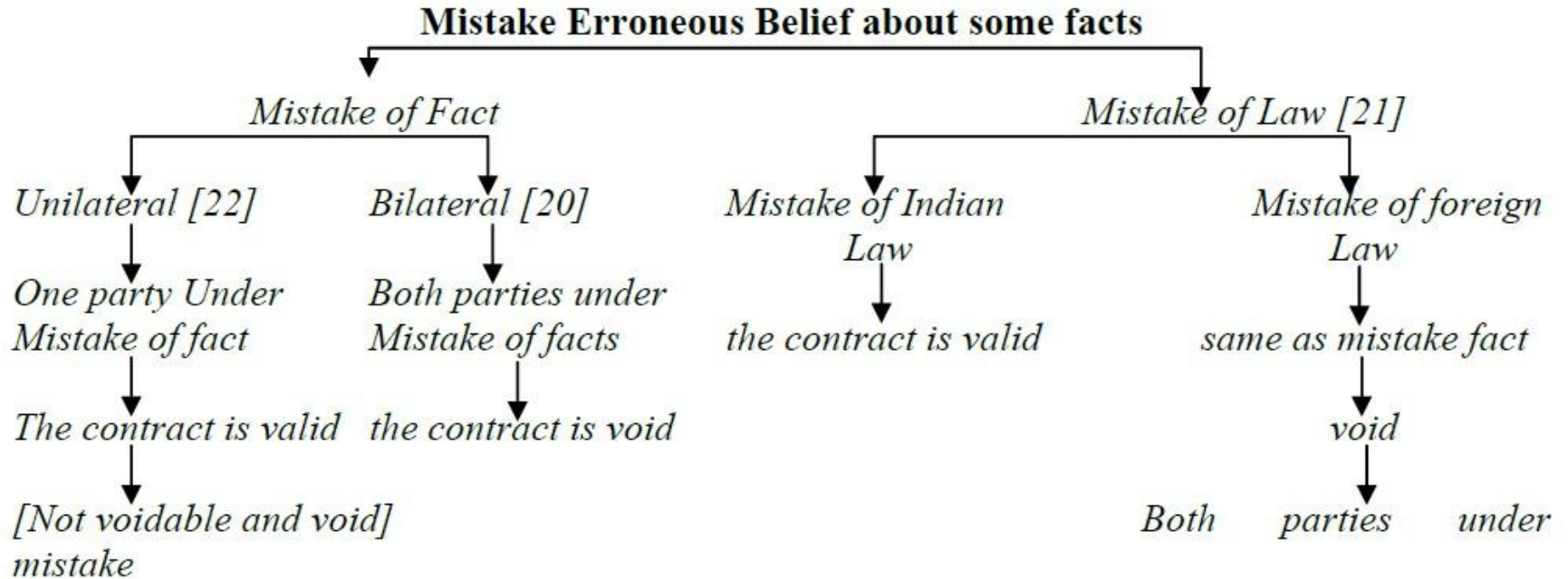
MERE SILENCE IS NOT A FRAUD. Exception:-

- ❖ Where is the duty of person to speak.
- ❖ Where silence is equivalent to speech.

MISREPRESENTATION – Where a person asserts something which is not true though he believe it to be true.

* A contact induced by Coercion, undue influence, fraud or misrepresentation is voidable.

MISTAKE:



Exception: - Where contract is not valid (void)



CONSIDERATION OR OBJECT IS UNLAWFUL IF IT IS:

- (a) Forbidden by law or
- (b) Of such nature that if permitted, defeat the provisions so any law or
- (c) Fraudulent
- (d) Involves injury to a person or property of another
- (e) Immoral or opposed to the public policy.

VOID AGREEMENTS

- Agreement without consideration
- Agreement with incompetent parties
- Uncertain agreement
- Agreement made under mutual mistake of fact.
- Agreement with unlawful consideration or object.
- Illegal agreements
- Agreement to do an impossible act
- Wagering agreements

A. Collateral transactions to a wagering agreement are valid.

B. Speculative transactions are generally valid.



AGREEMENTS OPPOSED TO THE PUBLIC POLICY

- Trading with Alien enemy
- Champerty & maintenance
- Stifling prosecution
- Interference with the course of justice
- Marriage brokerage contracts
- Interest against obligation
- Sale of public office
- Agreement for creation of monopolies
- Agreement in restraint of trade
- Agreement in restraint of marriage
- Agreement in restraint of legal proceeding

THANK YOU!

The background features a series of dark grey, parallel lines that create a sense of depth and perspective, receding towards the right. A prominent green polygon is positioned in the upper right area, and a blue polygon is located below it, both partially overlapping the grey lines.