THE INDIAN CONTRACT ACT, 1872

A presentation
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THE INDIAN CONTRACT ACT, 1872

Preamble:

- *Whereas it is expedient to define and amend certain parts of the law relating to contracts*
- It contains 238 Sections divided into X chapters. (Chapters VII and XI repealed with enactment of Sale of Goods Act, 1930 and Indian Partnership Act, 1932).*
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Stages of a “contract”

• Proposal
• Promise
• Consideration
• Agreement – (valid, void )
• Contract (voidable and void)
Proposal

• Sec. 2 (a)
• 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 to such act or abstinence
• he is said to make a proposal:
Promise

• Sec. 2 (b)

• When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted.

• A proposal, when accepted, becomes a promise:
Consideration

• Sec. 2 (d)
• When, at the desire of the promisor, the promisee or any other person
• has done or abstained from doing, or
• does or abstains from doing, or
• promises to do or to abstain from doing, something,
• such act or abstinence or promise is called a consideration for the promise
Agreement

• Sec. 2 (e)

• Every promise and every set of promises, forming the consideration for each other, is an agreement
Void Agreement

• Sec. 2 (g)

• An agreement not enforceable by law is said to be void
Contract

- Sec. 2 (h)

- An agreement enforceable by law is a contract
Voidable & Void Contract

• Sec. 2 (i)  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.

• Sec. 2 (j)  A contract which ceases to be enforceable by law becomes void when it ceases to be enforceable.
Essentials of Contract

• Sec. 10.
• All agreements are contracts if they are made by-
  • (i) the free consent of parties
  • (ii) competent to contract,
  • (iii) for a lawful consideration and
  • (iv) with a lawful object, and
  • (v) are not hereby expressly declared to be void.
Other requirements of a “contract”

• Nothing herein contained shall effect any law in force in India and not hereby expressly repealed, by which any contract is required to be made in writing or in the presence of witnesses, or any law relating to the registration of documents.
“Consent” & “Free Consent”

• Sec. 13 “Consent” defined.
  Two or more persons are said to consent when they agree upon the same thing in the same sense.

• Sec. 14 “Free consent” defined.
  Consent is said to be free when it is not caused by—
  • (1) coercion, as defined in section 15, or
  • (2) undue influence, as defined in section 16, or
  • (3) fraud, as defined in section 17, or
  • (4) misrepresentation, as defined in section 18, or
  • (5) mistake, subject to the provisions of sections 20, 21 and 22.

  Consent is said to be so caused when it would not have been given but for the existence of such coercion, undue influence, fraud, misrepresentation or mistake
Agreements without consideration valid in certain circumstances

- Sec. 25. An agreement made without consideration is void, unless—
  - (1) Agreement without consideration void, unless it is in writing and registered.—It is expressed in writing and registered under the law for the time being in force for the registration of documents, and is made on account of natural love and affection between parties standing in a near relation to each other, or unless
  - (2) or is a promise to compensate for something done.—It is a promise to compensate, wholly or in part, a person who has already voluntarily done something for the promisor, or something which the promisor was legally compellable to do or unless
  - (3) or is a promise to pay a debt barred by limitation law.—It is a promise, made in writing and signed by the person to be charged therewith, or by his agent generally or specially authorized in that behalf, to pay wholly or in part a debt of which the creditor might have enforced payment but for the law for the limitation of suits.
- In any of these cases, such an agreement is a contract.
Certain relations resembling those created by contract (Quasi Contracts)

- **Section 68**: Claim for necessaries supplied to person incapable of contracting, or on his account.

- **Section 69**: A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

- **Section 70**: Obligation of person enjoying benefit of non-gratuitous act.

- **Section 71**: Responsibility of finder of goods.

- **Section 72**: Liability of person to whom money is paid, or thing delivered by mistake or under coercion.
Consequences of Breach of Contract

• **Section 73**: Compensation for loss or damage caused by breach of contract.

• **Section 74**: Compensation for breach of contract where penalty stipulated for.

• **Section 75**: Party rightfully rescinding contract entitled to compensation.
Contract of Indemnity

• Sec. 124.
• A contract by which
• one party promises
• to save the other
• from loss caused to him
• by the conduct of the promisor himself, or
• by the conduct of any other person,
• is called a “contract of indemnity.”
Contract of Guarantee

- Sec. 126. A “contract of guarantee” is
- a contract to perform the promise, or discharge the liability,
- of a third person
- in case of his default.

- The person who gives the guarantee is called the “surety”; the person in respect of whose default the guarantee is given is called the “principal debtor”, and the person to whom the guarantee is given is called the “creditor”. A guarantee may be either oral or written.
Consideration for guarantee.

- Sec. 127.

- Anything done, or any promise made,
- for the benefit of the principal debtor,
- may be a sufficient consideration
- to the surety for giving the guarantee.