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FEB
2018

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FRIDAY
2018 JANUARY

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26

Chapter - 2

INDIAN CONTRACT ACT, 1872

UNIT - 1

Nature of contract :-

CONTRACT LAW BEFORE ICA 1872

1. In ancient times :-

- There was no specific law
- They refers Hindu law sources like Vedas, Dharm shastras, Smritis, Shrutis etc.

2. During Maurya period :-

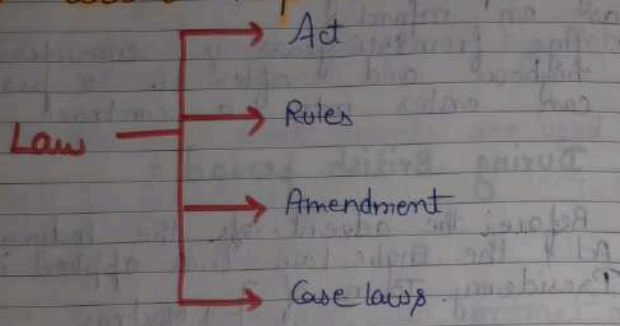
- Contracts were in the form of bilateral transactions which were based on free consent on all the terms and conditions involved.

★ Bilateral transactions :-

A bilateral transaction refers to an agreement or contract where both parties make promise and incur obligation towards each other.

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Main Topics =



Indian contract Act:

- Extends to whole in India
- Effect: 1 Sep 1872

* **CONTRACT** [Sec 2(h)]

→ AN AGREEMENT
→ ENFORCEABLE BY LAW } CONTRACT

* **Agreement** - [Sec 2(e)]

→ Every promise
→ Every set of promise } forming consideration for each other

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* Enforceability by law :-

- Must be legal obligation or
 - Intention to create legal relationship
- ↓
- is enforceable by law.

Agreement = Offer / Proposal + Acceptance

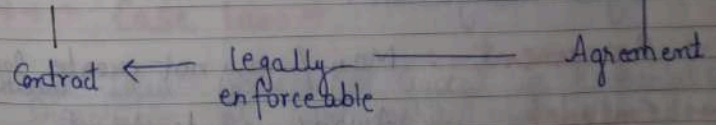
Contract = Accepted Proposal / Agreement + Enforceability of Law

↓

A contract will be formed when a person will follow all these

→ Offer → Acceptance → Promise

And the process continues



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Difference [Agreement & Contract]

→ Meaning :

Agreement : Offer + Acceptance

Contract : Agreement + legal enforceability.

→ Scope :

Agreement : Wider Term
↓
Includes legal & social agreements

Contract : Narrow Sense
↓
Includes only legal agreements.

→ legal obligation :

→ **Agreement** : May / may not create legal relation

→ **Contract** : Always create legal relation.

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→ Nature

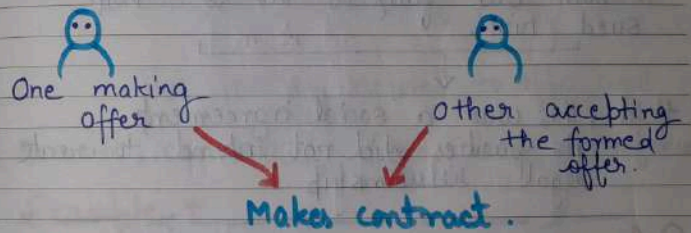
Agreement : All agreement are not contracts

Contract : All contracts are agreements.

Essentials of a valid contract

[NOT IN SEC 10]

→ Two parties →



→→→ Case law :-

Case law : State of Gujrat vs Parnalal S.
Dissolution of partnership, assets divided into partners. This is not sale. Partners → Joint owners. Thus no tax can be levied.

03

SATURDAY
FEBRUARY 2018

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→ Parties must intend to create legal relation

⇒ Intention to create legal relationship

By both the parties.

CASE LAW

Balfour vs Balfour.

Husband promises to pay wife every month a sum but fails to do so. Wife sued him.

Held, this was a social agreement

→ As parties did not intend to create legal relationship.

04

SUNDAY

→ Other formalities to be complied with in certain cases.

- Contract of Insurance
 - Immovable property contracts
- Must be in writing, registered & stamped.

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MONDAY
FEBRUARY 2018

05

→ Certainty of meaning :-

Agreement must be

- Certain
- Not vague
- Indefinite

→ Possibility of performance agreement :-

- Should be capable of performance

Two parties needed to offer and accept

(Bcz it can't be done itself or enforced)

Example :-

→ Making dead person alive

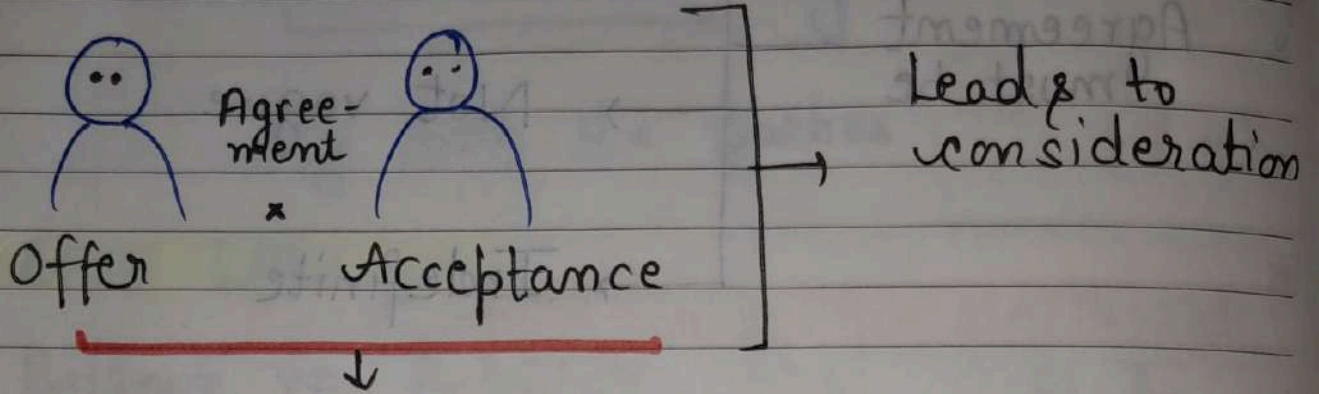
↳ Impossible agreement

So this type of contract are not done.

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Section - 10 Conditions :

• Offer and acceptance / Agreement:



It should be done first.

• Free consent :

→ [Consensus ad idem]

Consent : Same thing in same sense.

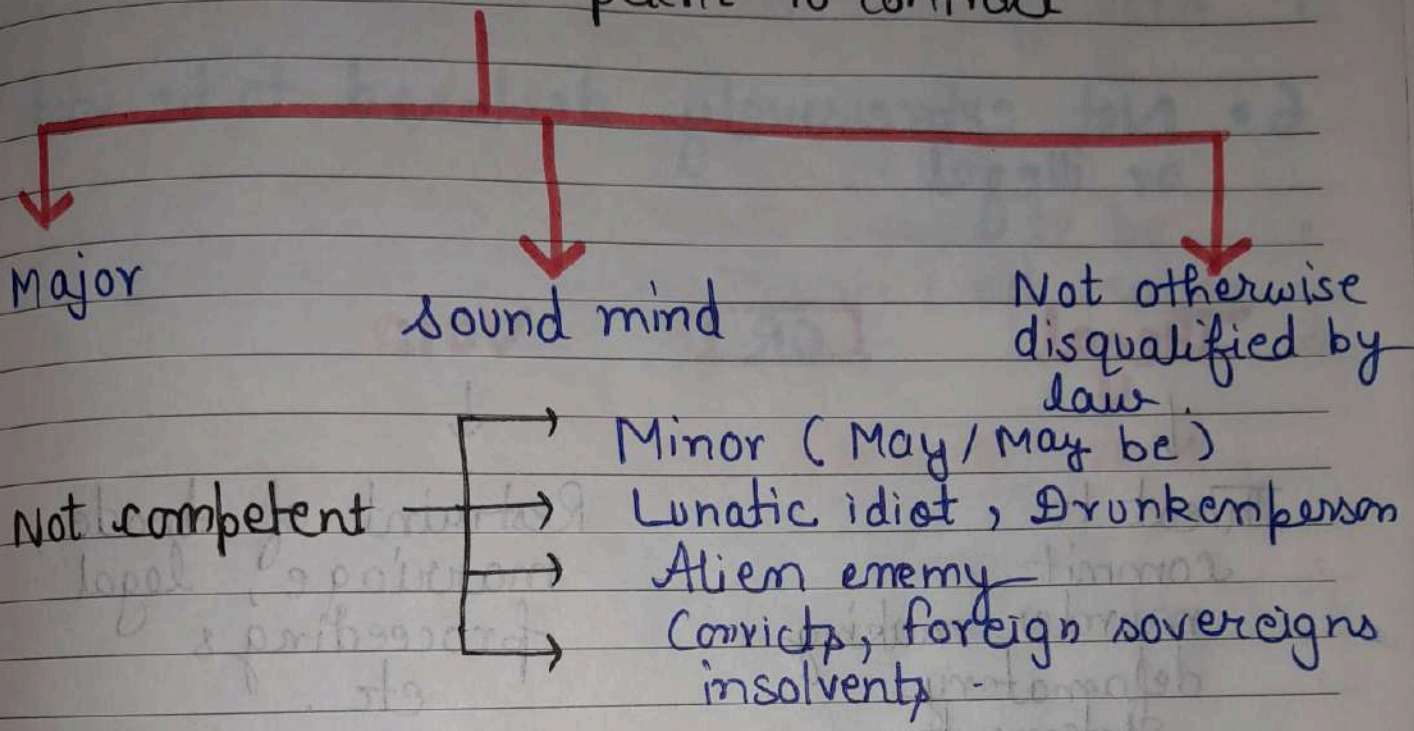
Free consent : So, when consent not caused by

- Coercion
 - Undue Influence
 - Fraud
 - Misrepresentation
 - Mistake
- Voidable.
→ Void.

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						4
						MAR 2018

3. Capacity of parties :-

Section 11 → Competent to contract



4. Consideration :-

quid pro quo → Something in return
↓
Can be cash / kind.

5. Lawful consideration & object :-

- Consideration is unlawful if :
 - It's prohibited by law.
 - It would defeat provisions of law if fraudulent.
 - Involves injury to person OR property of another.

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→ court regards it as immoral OR opposed to public policy

6. Not expressly declared to be void or illegal.

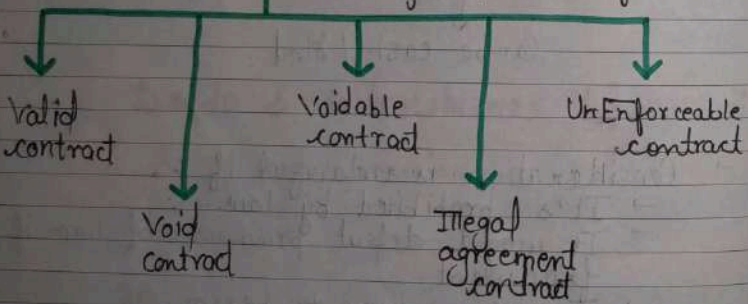
Illegal OR **VOID**

↓
Threat to commit murder making defamatory statements

↓
Restraint of trade, marriage, legal proceedings etc.

Types of contracts :-

(On the basis of enforceability)



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1. Valid contract :

↳ Contains all essentials of valid contract

2. Void contract : [Sec 2 (i)]

↳ A contract which ceases to be enforceable by law becomes void when it ceases to be enforceable.

First valid → Then becomes void

Due to subsequent / supervening impossibility

3. Voidable contract :

↳ Enforceable by law at option of aggrieved party but not at option of other.

4. Illegal agreement / contract :

↳ Contract which forbids law

(All illegal agreements are void but all void agreements are not necessarily illegal)

10 SATURDAY
FEBRUARY 2018

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5. Unenforceable contract:

↳ Contract is good in substance, BUT Contains some technical defect i.e. absence in writing, barred by limitation etc.

Parties cannot sue upon.

Difference b/w void and illegal agreement

1. Scope ÷

Void Agr: Not necessarily illegal

Illegal Agr: Always void

2. Nature ÷

Void agr: Not forbidden under law.

Illegal agr: Forbidden under law.

3. Punishment ÷

Void agr.: Parties not punished.

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MONDAY
FEBRUARY 12

Illegal agr.: Parties → liable to punishment.

4. Collateral agreements:

Void agr: Contracts collateral to void may be valid

Illegal agr: Agreements collateral to illegal, always void.

Diff b/w Void contract / Voidable contract

• Meaning:

Void contract ÷

Contract (Void) — Uses to be enforceable by law..... becomes void when it ceases to be enforceable.

• Voidable contract ÷

Voidable contract — Agreement enforceable by law at a option of one or more parties but not at option of others.

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Enforceability :

Void contract : Cannot be enforced at all.

Voidable contract : Enforceable only at option of aggrieved party.

Cause :

Void contract : Contract becomes void due to

Change in law, change in circumstances beyond contemplation of parties
(Subsequently illegality or supervening impossibility)

Voidable contract :

Contract is voidable if consent of parties not free.

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Performance of contract :

Void contract : Cannot be performed

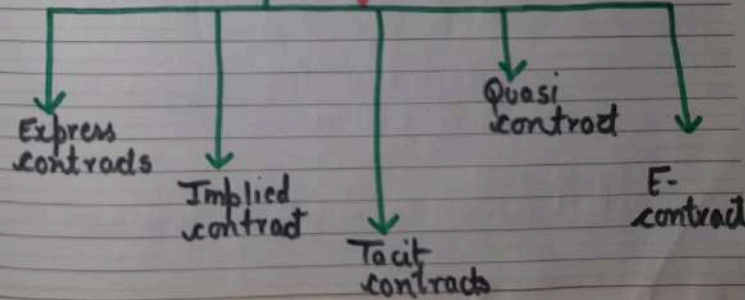
Voidable contract : If aggrieved party doesn't avoid contract in reasonable time, contract valid

Rights :

Void contract : No legal remedy to partner.

Voidable contract : If not rescinded by aggrieved party, valid contract

Types of contract (On the basis of contract formation)



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SATURDAY
FEBRUARY 2018

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1. Express contracts:

Terms expressed by
↳ words
↳ writing

2. Implied contract:

↳ By action
↳ Conduct of parties
↳ Course of dealing

(Proposal / Acceptance made
→ Otherwise than words)

3. Quasi contracts:

↳ Not actual contract,
↳ Resembles contract
↳ Created by law under certain circumstances.

Eg: Obligation of finder of lost goods to return to true own.

18

SUNDAY

4. Tort contract: Contracts inferred through conduct of parties.

Eg → ATM
→ Auction sale - fall of hammer.

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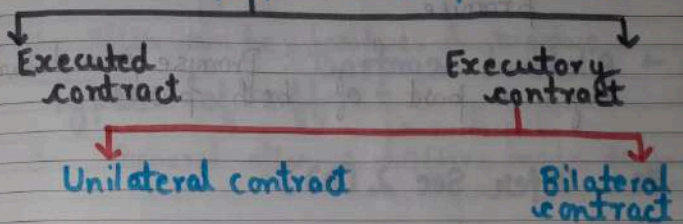
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MONDAY
FEBRUARY

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5. E-contracts: Entered using electronic means → Email id etc.

Types of contract on the basis of performance of contract.



→ Executed contract:

↳ Act: → Done / Executed
→ Forbearance is brought in record.

→ Executory contract:

↳ Consideration is reciprocal promise
↳ To be performed in future
↳ Partially performed or whole unperformed.

→ Unilateral contract: One party performed other's outstanding.

4. Counter offer

Offeree offers to qualified acceptance of offer i.e. [makes modification or variations in term of original offer]

→ Counter offer / Conditional acceptance

Rejection of original offer.

5. Standing / continuing / open offer

- Offers allowed to remain open for acceptance over period of time

Eg: Tenders invited for supply for goods



offers: Open for all]

* Essentials of valid offer:

1. Must be capable of creating legal relations
2. It must be
 - Certain
 - Definite
 - Not vague
3. Must be communicated to offeree

Case law: Lalman Shukla Vs Gauri Dutt

[An acceptance of offer in ignorance of offer is not acceptance]

4. Must be made with view to obtain assent of other party.
5. May be conditional
6. Offer should not contain a term of non-compliance of which would amount to acceptance.

7. Offer: Specific or General

8. Offer: Express or Implied.

9. Statement of price is not offer
Eg: Advertising
Auction sales

10. Offer different form
- Mere statement of intention
 - Invitation to offer
 - Mere communication of info
 - An answer to question [Honey vs Facie]
 - Prospectus & Advertisement

Types of offer :- (Examples)

• General offer :

- Offer made to public at large
 - Anyone can accept.
- Case law : Carlill vs Carbolic

25 Special / Specific order.

Eg : A gives offer to B that if we book a order he will get 500 RS discount on it.

Diff. between offer & invitation to offer :-

• Meaning :

Offer : Offer is willingness by offeror to be bound by it if other party accepts.

Invitation to offer : Party without expressing willingness proposes certain terms on which he is willing to negotiate.

he does not makes offer but invites other person to make offer.

• Intention of parties :

offer : Offeror has intention to be bound by it if accepted.

Invitation to offer : Intention of negotiating on terms.

• Sequence :

offer : An offer cannot precede invitation to offer.

Invitation to offer : Invitation to offer is precedent to offer.

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Acceptance [Sec 2(b)]

When person to whom Proposal is made Signifies his assent.

Proposal → Accepted → Promise

Relationship b/w offer & Acceptance - (Sir William Anson)

Acceptance is to offer what a lighted match is to a train of gun powder.

Offer in itself

Can't create legal relationship

But becomes a contract as soon as it's accepted.

Means offer can be withdrawn jus before it's accepted. i.e offer after acceptance.

It's too late to revoke it & both parties

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Legal rules regarding acceptance

1. Acceptance can be given only by person to whom offer made:

Specific offer: Accepted by only one person.

Case law: Boulton Vs. Jones (1857)

Bought a business from Brocklehurst (Boulton) Creditor of Brocklehurst's Jones ^{bought}

Placed an order with Brocklehurst fo supply of certain goods.

Boulton supplied the goods even order was not in his name.

Jones refused to pay

So Boulton and Jones has no contract bcz Jones want to set off his debt against Brocklehurst.

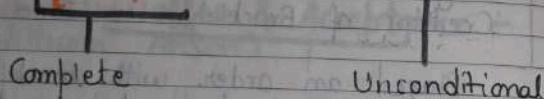
No CONTRACT

General offer :-

Accepted by any person who has knowledge of offer.

Case law **Cartill v/s Carbolic Small ball Co.** (1893)

2. Acceptance must be absolute and qualified



3. Acceptance must be communicated.

Case law: **Brodgen vs. Metropolitan Railway Co.** (1877)

B a supplier sent a draft to the supply of coal to manager of Railway Co.

He signed it and wrote approved and put in the table so he will send to make a formal contract

But it remained in the drawer

So there was no contract as manager has not communicated for Acceptance.

4. Acceptance must be in prescribed mode

Where mode of acceptance is prescribed } If must be accepted in that manner.

5. Time

- Must be in specified time
- If no time specified, within reasonable time.

6. Mere silence is not acceptance :-

The acceptance of an offer cannot be implied from

- Silence of the offeree
- Or his failure to answer unless offeree has in any previous conduct indicated silence is evidence of acceptance.

03

SATURDAY
MARCH 2018

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Case law : Felthouse vs. Bindley (1862)

F offered to buy his nephew's horse saying
 "If I had heard no more about it I shall consider the horse is mine."

Nephew didn't reply at all but told his auctioneer, (B) to keep the particular horse out of sale of his farm stock as he intended to reserve it for his uncle.

By mistake, auctioneer sold the horse
 Nephew sued F (Uncle)

04 [[Held, F could not succeed because no acceptance was communicated.]]

Mere silence is not accepted.

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MONDAY 05
2018 MARCH

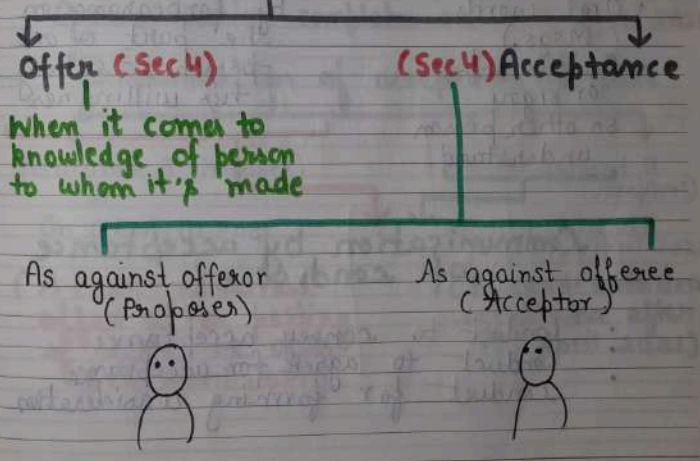
7. Acceptance by conduct / Or Implied acceptance +

- Verbal → Word / Mouth
- Written
- By conduct / Performance

Mode of Acceptance

★ COMMUNICATION

[Offer & Acceptance → When complete?]



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Modes of acceptance

By act

would include expression of words (whether written or oral)

- Oral words (Msgs.)
- Positive acts or signs so other person understand.

By omission to do something

In this case conveyed by a conduct or by forbearance on the part of one person to where his willingness

Communication by acceptance of conduct

- Conduct to convey acceptance
- Conduct to agree for acceptance.
- Conduct for forming consideration

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Eg: Offeror (Mr A) Letter dispatched 15 June 2021 → Offer → Offeree (Mr B) Letter received by offeree on 4th April 2021

Letter of acceptance reached Mr A ←

Letter of the acceptance dispatched on 6th April 2021 ↓

Communication completes on: 4th April 2021

Communication of acceptance complete

As against A (Proposer) ↓ On 6th April 2021

As against B (Acceptor) ↓ on 9th April 2021

(A can't withdraw offer after posting of letter i.e. after 6th April 2021)

(B can't withdraw acceptance after 9th April 2021)

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COMMUNICATION OF PERFORMANCE :-

- (i) From the viewpoint of proposer
- (ii) From the other point of acceptor himself

From the viewpoint of proposer

When the acceptance is put into a course of transmission

(When it would be completely out of the power of acceptor)

From the viewpoint of acceptor :

It would be complete when it comes to the knowledge of the proposer.

Communication of performance is required by offeree.

By the way of acceptance.

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COMMUNICATION OF REVOCATION [OFFER & ACCEPTANCE]

I: Offeror (Mr A) letter of revocation of offer dispatched on 2nd April 2024

Offeree (Mr B) letter of revocation of offer reaches 3rd April 2024

Revocation of offer.

Offer revoked on 3 April 2021 →

B's acceptance not valid / can't accept offer

II: Offeror (Mr A) letter of revocation of offer dispatched on 2 April 2024

Offeree (Mr B) letter of revocation of offer reaches 5 April 2024

Revocation of offer

Offer revoked on 5 April 2021 : B's acceptance invalid / B can't accept offer

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TUESDAY
MARCH 2018

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III Offeror (Mr A) letter of revocation of offer dispatched on 2 April 2021

Offeror (Mr A) → (letter of revocation) of offer reaches 7th April

Offeror (Mr A) ← (letter of revocation) of offer reaches 7th April

Revocation of offer

Revocation is invalid → Both parties bound by contract

★ Revocation of Acceptance =

I: Offeror (Mr A) receives revocation of acceptance on 10th April 2021

Offeror (Mr A) ← (letter of revocation) of acceptance on 7th April 2021

Revocation of acceptance

Acceptance revoked

14

WEDNESDAY
MARCH 2018

14

II. Offeror (Mr A) receives revocation of acceptance on 10th April 2021

Offeror (Mr A) ← (letter of revocation) of acceptance on 7th April 2021

Offeror (Mr A) → (letter of revocation) of acceptance on 7th April 2021

Acceptance can't be revoked. Contract valid

III Offeror (Mr A) receives revocation of acceptance on 10th April 2021

Offeror (Mr A) ← (letter of revocation) of acceptance on 7th April 2021

Offeror (Mr A) → (letter of revocation) of acceptance on 7th April 2021

Same condition will happen with other circumstances

* When revocation of offer and acceptance can be done (Sec 5)

Offer

Anytime before acceptance is complete as against proposer

Acceptance

Anytime before communication of acceptance complete as against acceptor (9th April 2021)

* Modes of revocation of offer :-

1. By notice of revocation

2. By Lapse of time.

Case law :-

Ramsgate Victoria Hotel Co. vs Montefiore

3. By non-fulfilment of condition precedent.

4. By death or insanity.

5. By counter offer.

6. By non-acceptance of offer according to prescribed or usual mode.

7. By subsequent illegality.

Acceptance



Contract

Offer



Contract

UNIT : 2 [CONSIDERATION]

Quid pro quo
(Something in return)

What is consideration ?

[Sec 2(d)]

- When at the desire of the PROMISOR
- The promisor OR any other person
- Has done OR abstained from doing (PAST)
- Does OR abstains from doing (PRESENT)
- Promises to do OR abstains from doing something (FUTURE)
- Such an act OR abstinence OR promise
- Is called CONSIDERATION FOR THE PROMISE

Defines ÷

- Consideration is an act of doing something
- Consideration is abstinence
From stopping for doing something

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SATURDAY
MARCH 2018

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- Consideration must be at the desire of the promisor.
- Consideration may move from promisee or any other person.
- Consideration may be
 - Post
 - Present
 - Future

CONSIDERATION :

- (PROMISE)
- Performance that parties exchange with each other.

Legal Rules Regarding consideration :-

18 SUNDAY
1. Consideration must move at the desire of the promisor :

Consideration must be offered by the promisee
OR

The third party

At the desire or request of the promisor

Calendar for APRIL 2018

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• This implies 'return'

Element of consideration.

An act done at the desire of 3rd party] → Not a consideration

Durga Prasad v. Baldeo,

D promised to pay P a certain commission on articles which would be sold through their agency in market.

Market constructed by P at the desire of C (not at the desire of D)

D was not bound to pay as it was without consideration

hence, void

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(ii) Consideration may move from promisee or any other persons :-

Consideration may proceed from the

→ promisee

→ or any other person who is not a party to the contract

When they does something such an act is consideration.

Case law :-

Old lady
(Promisor)

→ Daughter
(Promisee)
↓
Gift of her property

Daughter
(Promisor)

→ Maternal uncle
(Promisee)
↓
To pay a certain amount of money

So there can be a stranger into the consideration but not stranger to contract (Sufficient consideration for uncle by old lady)

(iii) Executed and executory consideration

↓
Consist in performance of an act

↓
Consists in promises.

(iv) Consideration may be past, present or future ÷

has done / abstained from doing → Doctrine of past consideration (Section 2(d))

_____ | _____
Past consideration must move by previous requests

(v) Consideration needs not to be adequate.

CONSIDERATION ———→ Must be equal to value of thing promised to be exchanged

—————→ Or the thing exchanged will be lawful.

Explanation 2 to 25 states :-

→ An agreement in which consent is free is not **VOID** just bcz. consideration is inadequate.

But if it's shockingly less

And the party alleges the consent was not free,

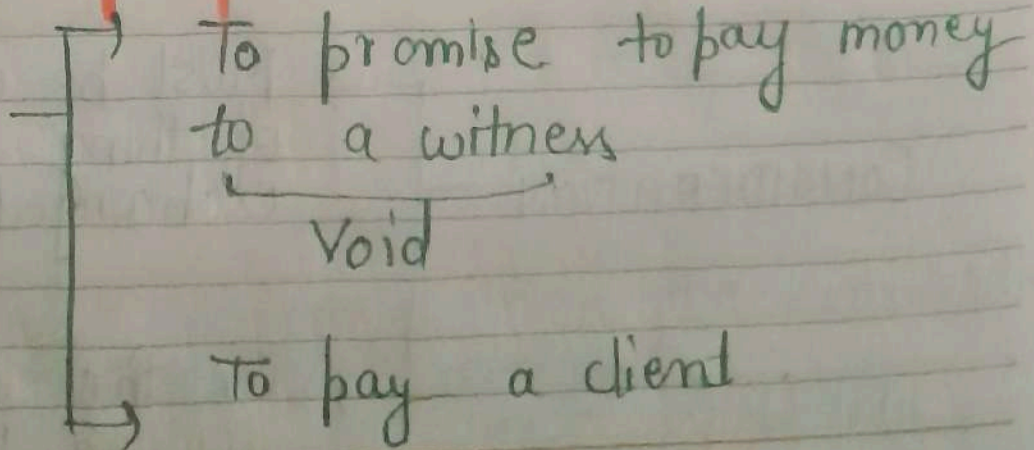
Can be EVIDENCE in support of allegation

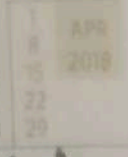
then this inadequate consideration



(vi) Performance of what one is legally bound to perform :

No consideration





(vii) Consideration must be real and not illusory ÷

- I It must be something } That attaches some value by law.
- II If it legally impossible } Not a valid consideration

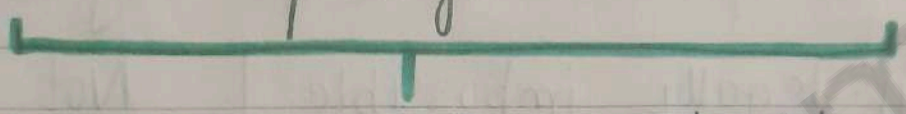
(viii) Consideration must be lawful; not be immoral or opposed to public policy.

Presence of consideration is sufficient, } when it is lawful.

• Immoral
• Opposed to public policy } Not valued as valid consideration

Suit by 3rd party to contract

Consideration may come from 3rd party



But the stranger to contract cannot sue on it, only a party on contract can sue on it

Stranger to contract cannot sue is known as 'doctrine of priority of contract'

Exceptions of this doctrine is below:-

(Cases where even, a stranger to contract can sue.)

1. In case of trust: Beneficiary can enforce his rights
2. In case of family settlement: Terms in writing, family members

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3. In case of marriage contracts and arrangements:

4. In case of assignment of contract:
Benefit assigned

5. Acknowledge / estoppel: Person represent himself as an agent of third party, binding obligations towards third party

6. In case of covenant running with the land:

- Person who purchases land with notice that owner is bound by certain duties
- Covenant affecting land may be enforced by successor of seller.

7. Contracts entered into through agents:

Principal can enforce contract entered by agent if agent has acted within scope of his authority in name of principal

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TUESDAY

MARCH

2018

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Validity of an agreement without consideration

Sec 25 - Agreement without consideration is void.

Exceptions to 'No Consideration, No Contract' or agreement without consideration is valid in following cases.

1. Natural love and affection:-

- (i) Must be made by natural love & affection
- (ii) Parties must stand in near relationship
- (iii) Must be in writing.
- (iv) Must be registered under law

All conditions to be fulfilled

Sec 25(1)

2. Compensation for past voluntary services :-

- i) Services - voluntary :-
- ii) Services rendered for promisor
- iii) Promisor must be in existence when services rendered
- iv) Promisor must intend to compensate promisee.

All conditions Sec 25 (2)

3. Promise to pay time barred debt :-

- (i) Promise in writing
- (ii) Signed by person making it or his authorised agent
- (iii) To pay time barred debt (Limitation Act)

4. Agency :-

Sec 185 of Indian Contract Act, 1872

5. Completed Gift :-

Rule → No Consideration, no contract
does not apply

Sec 25(1) Explanation + Nothing in this section
affect validity as b/w donor & donee of any gift

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6. Bailment ÷

Sec 148 of Indian Contract Act 1872

7. Charity ÷

- If promisee undertakes liability
- On promise of person.
- To contribute to charity.
- Contract shall be valid.

Case law : Kedarnath V. Gorie Mohammed (1886)

- Town - hall construction
- By commissioner of Howrah municipality : subscription is invited.
- The defendant was a subscriber to this fund of Rs 100, on the faith of promised contract, the plaintiff

(Desire - Defendant's Desire)

vice chairman of municipality

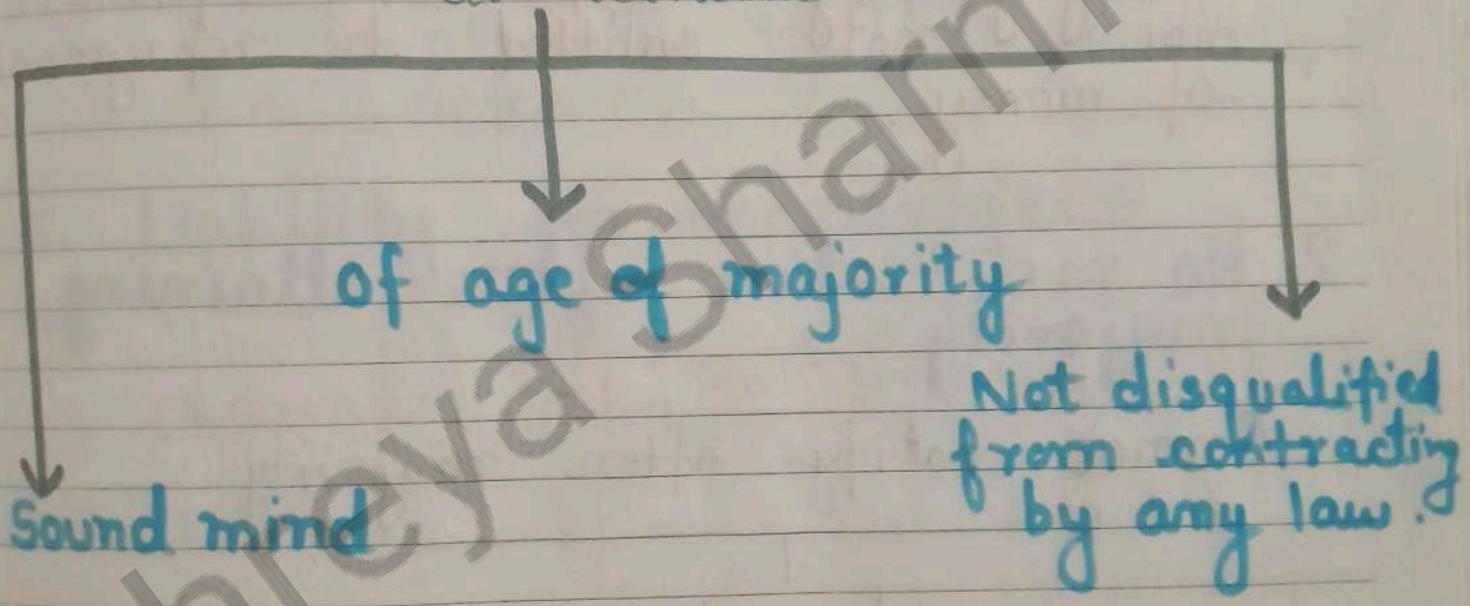
entered into a contract with a contractor, was done at the desire of the defendant (promisor)

Constitute consideration [Valid]

Unit - 3 [OTHER ESSENTIAL ELEMENTS OF A CONTRACT]

Capacity to contract / Who is competent to contract [Sec 11]

Every person who is competent to contract.



A Age of majority :-

Law relating to minor's agreement / position of minor :-

1. A contract made with or by minor IS

VOID - AB - INITIO

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Case law ÷

Mohin Bibi Vs Dharmo Das Ghose

Minor

Mortgage by minor was void, Mohan Bibi not entitled to repayment of money.

2. No ratification after attaining majority.

Cannot ratify after majority

void - ab - initio

01 3. Minor can be a beneficiary:
SUND → Can take benefit out of contract

A promissory note duly executed in favour of minor is not void

He can accept a benefit

Minor cannot be a partner in partnership firm, but he can be a beneficiary

4. Minor can always plead minority

- Rule of estoppel cannot be applied against a minor.
- He is allowed to plead minority in his defence.

5. Liability for necessaries :-

→ Claim for necessaries supplied to minor] Is enforceable by law

→ Minor not personally liable] Only his property is liable.

(i) Contract must be for goods : Necessary for support] Condition to satisfy to make minor's estate liable

(ii) Minor must not have sufficient supply of these necessaries.] ↑

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6. Contract by Guardian - How far enforceable :-

Guardian of minor can enter into contract on minor's behalf & for benefit of minor

7. No specific performance

8. No insolvency

9. Partnership

10. Minor can be an agent :

But not liable to his principal for his act.

11. Minor cannot bind parent or guardian.

12. Joint contract by Minor & Adult

Case law : Sain Das v/s Ram Chand.

13. Surety for minor.

14. Minor as shareholder

15. Liability for torts: Minor liable for torts.

• Person of sound mind :

A person is of sound mind if at time of making contract he is

→ Capable of understanding it

&

forming a rational judgement as to his effect upon his interests

• Contract by disqualified persons :

- Foreign sovereigns & ambassadors
- Alien Enemy
- Convicts
- Insolvents

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* Free consent :

Consent (Sec 13) → Agree upon same thing in the same sense

(Consensus ad idem)

Consent is not free if caused by (Sec 14)

→ Coercion (Sec 15)

→ Undue influence (Sec 16)

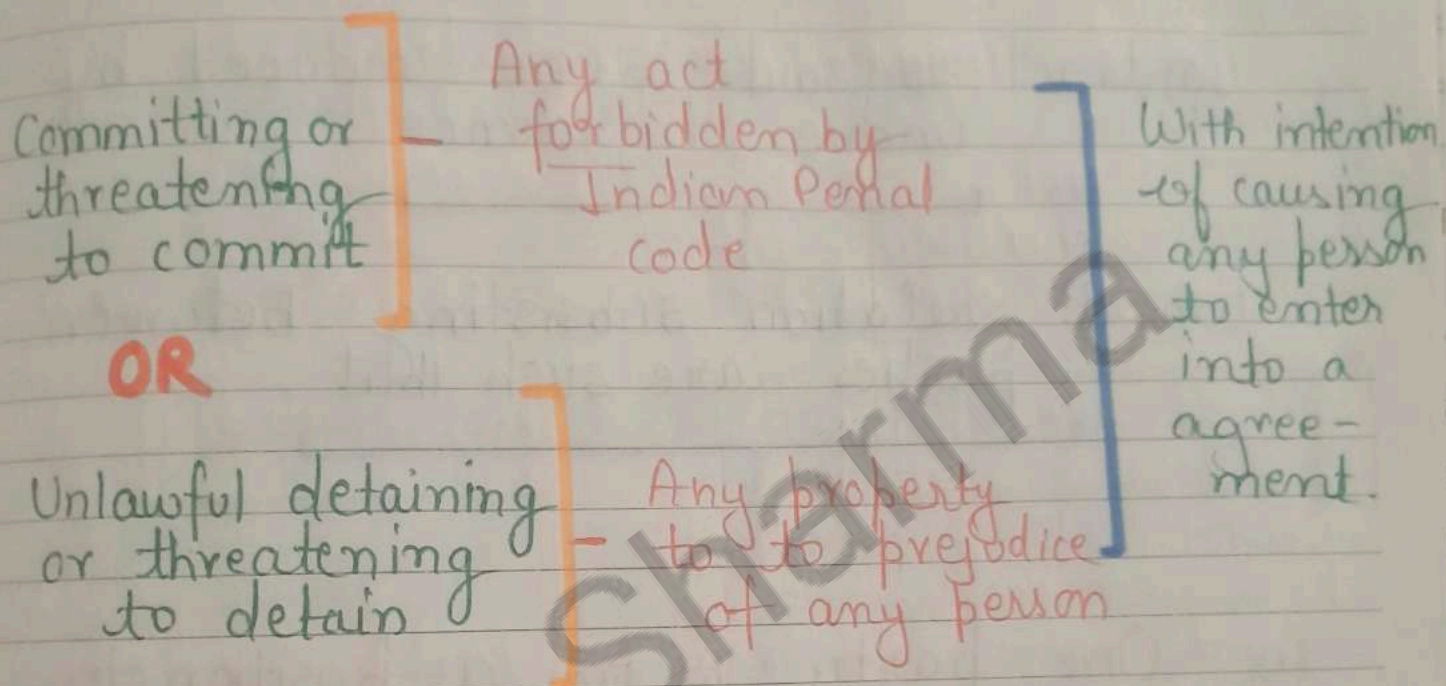
→ Fraud (Sec 17)

→ Misrepresentation (Sec 18)

→ Mistake (Sec 20, 21, 22)

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COERCION ÷



Effects of coercion ÷

- Voidable contract at option of aggrieved party.
- Party rescinding a void contract should restore benefit to other party if received any
- Money paid / anything delivered must be repaid / returned...

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* Undue influence : (Sec 16)

Contract is said to be induced by undue influence.

where relation subsisting between parties are such that

(i) One party is in a position to [Dominate will of other]

(ii) Uses that position to obtain [Unfair advantage]

08 Essential ingredients :

1. Relation b/w parties → [Near relation exists]

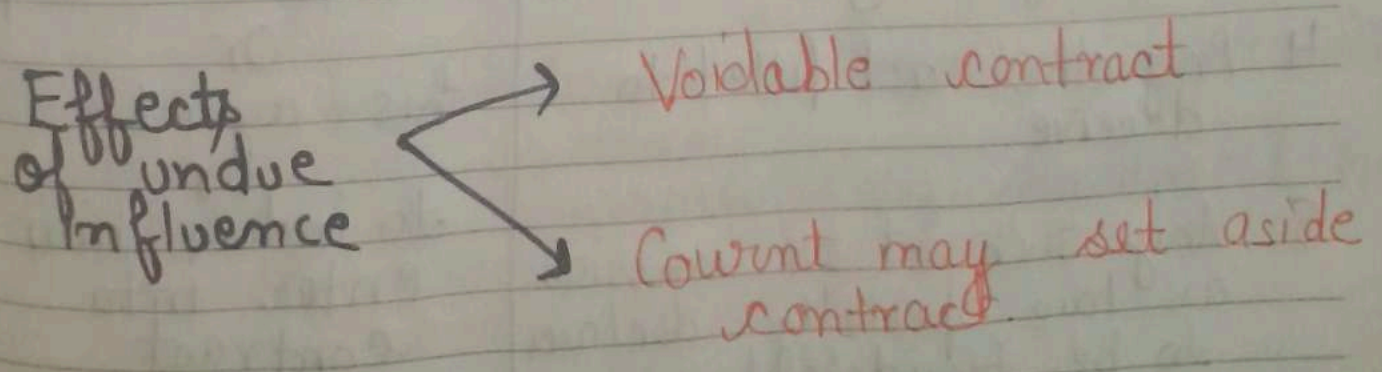
2. Position to dominate will of another.

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- a) holds real or apparent authority
- b) stands in fiduciary relation
- c) Mental Distress
(Mental / Bgdy stress / illness / old age)
- d) Unconscionable bargains.

[Case law : Kirpa Ram Vs Sami Ud-din Ad-Khan]

- 3. Object must be to take undue advantage.
- 4. Burden of proof : Lies on party who is in dominant position (who dominates other's will)



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Fraud (Sec 17)

Fraud means & includes

- Commission of following acts
- Committed by

Commission of following acts

Committed by

1. Suggestion of a fact of that which is not true by person who does not believe it to be true.

Party to contract
Or
his convenience

2. Active concealment of fact having knowledge or belief

Or
by his agent
with intent to

3. Promise made without intention of performing it.

deceive another party

4. Any other act fitted to deceive.

Or
his agent

5. Any such act or omission as law specially declares to be fraudulent

Or
to induce him to enter into contract

Explanation to Sec 17 ÷

Mere silence as to facts likely to affect willingness of a person to enter into contract → NOT FRAUD

UNLESS] Circumstances of such case such that → it's duty of person keeping silence or to speak

UNLESS] → His silence is in itself equivalent to speech.

Mere silence is not Fraud

Case law: Word Vs. Hobbs

1. Duty of person to speak

Contracts of Ubessimae fidai (Contracts of utmost good faith.

- Fiduciary relationship (Regler Vs Campbell stant)
- Contracts of Insurance
- Contracts of marriage (Hazi Ahmed Vs Abdul Gani)
- Contracts of family statement
- Share allotment contracts.

102-263 • WK 15
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THURSDAY

APRIL

2018

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2. Where silence itself is equivalent to speech.

A \rightarrow B [=]

Eg: If you don't deny it, I shall presume horse to be mine.

(A says nothing, his speech is silence)

Exception to Sec 19.

In case of fraudulent silence contracts are not voidable if party whose consent was so obtained had means of discovering truth with ordinary diligence.

Effects of fraud \div

\rightarrow When contract is caused by fraud, contract is voidable at aggrieved party's opinion.

And he has following remedies

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1. He can rescind (consideration) contract in a reasonable time.
2. He can sue [for damages]
3. He can insist on performance of contract on condition that he shall be put in position he would have been, if representation had been true.

MISREPRESENTATION ÷ (SEC-18)

Means & includes

1. Positive Assertion
 - of fact which is false though he believes it to be true.
 - Made in manner not warranted by info of person making it.
2. Any breach of duty
 - without an intention to deceive
 - gains an advantage
3. Causing other person to make mistake
 - as to substance of subject of agreement.

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Effects : Injured party entitled to

Repudiate
the
contract

sue
for
restitution

Cannot
claim
damages
(bcz there is
no intention
to deceive)

Explanation to Sec 19

[Contract not voidable]

→ When consent is caused by

1 ⇒ Silence amounting to fraud consent of party to agreement.

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SUNDAY

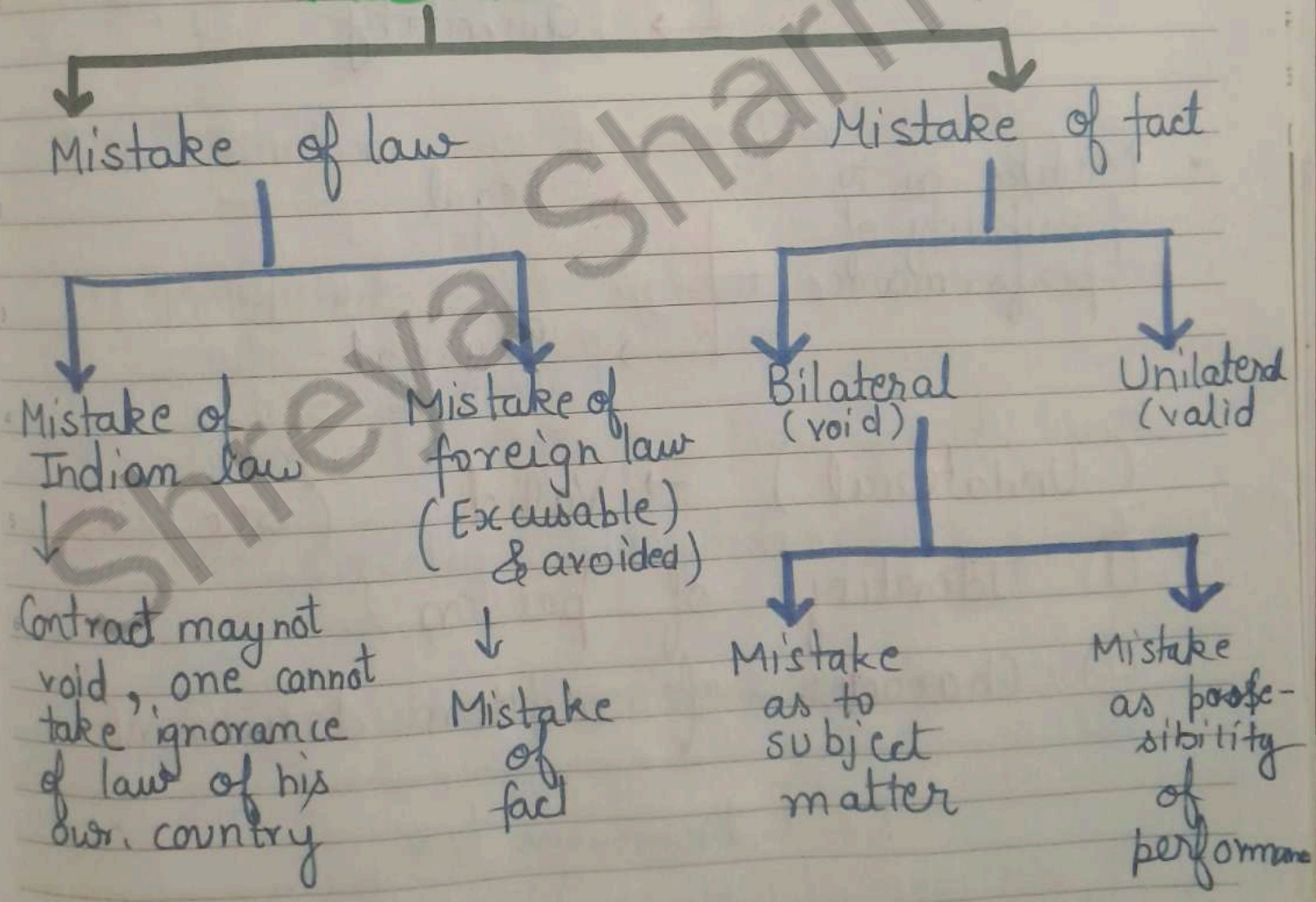
2 ⇒ A fraud / representation which did not cause consent of party to agreement.

3 ⇒ Where the party enters into contract in ignorance of fraud.

MISTAKE :-

Innocent Or Enormous belief] Leads party to misunderstand others

Mistake



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• Mistakes as to subject matter

- Quality
- Existence
- Identity
- Title
- Price
- Quantity

• Mistake as to possibility of performance

- Legal
- Physical

(Unilateral) → Valid (Sec 22)

① Identity of person

② Character of written document

→ Legality of object & consideration (Sec 23)

Consideration or object of an agreement is lawful unless.

1. It's forbidden by law
 - Punishable under any statute
 - Or Prohibited by regulations or orders made by legislature

2. When it defeats provision of law

Not directly but indirectly

Defeat the provisions of the law

Void agreement.

3. When it's **fraudulent** :] To promote fraud
Void

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4. When consideration defeats any rule for time being enforce in India.

5. Involves injury to the the person or property of anothes

Means] Criminal or wrongful harm

6. Court regards it as immoral.

for eg: Arrange a girl for marriage I will give give Rs 50000

7. Opposed to public policy.

Till then Scope is restricted

freedom to contract becomes illusory

Agreements opposed to public policy:

1. Trading with enemy: (At times of war)

A person owing support to a Govt

Void

2. Stifling Prosecution:

An agreement to stifle prosecution tends to

per version or an abuse of justice
(Void)

The principle is that one should not make a trade of felony & the compromise of any public offence is generally illegal.

Under Indian Criminal Procedure Code !!!

Compoundable

Uncompoundable.

Not opposed to public policy

opposed to public policy

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SATURDAY

APRIL

2018

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3. Maintenance & champerty

Person promises to maintain suit in which he has no interest

Person agrees to assist another in litigation in - exchange of promise to hand over portion of proceeds of action.

4. Trafficking related to public offices & titles.

Interferes with the appointment of a person best qualified for the service of the public.

Public policy requires that there should be no money consideration for the appointment to an office in which public is interested

22

SUNDAY

5. Agreements tending to create monopolies

Are opposed to public policy

Therefore void

6. Marriage brokerage agreements ÷

Agreement to negotiate marriage for reward which is known as a marriage brokerage contract.] Void

7. Interference with the course of justice

An agreement whose object is to induce any judicial officer of the state to act partially or corruptly is void as it is opposed to public policy.

8. Interest against obligation ÷] Only Eg. under this

for eg. An agreement by an agent to receive without his principal's consent compensation from another for the performance of his agency is invalid.

9. Consideration unlawful in part : (By Virtue of Sec 24)

If any part of a single consideration for one or more objects, or any one or any part of any one of several considerations for a single object, is unlawful, the agreement is void.

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TUESDAY
APRIL

2018

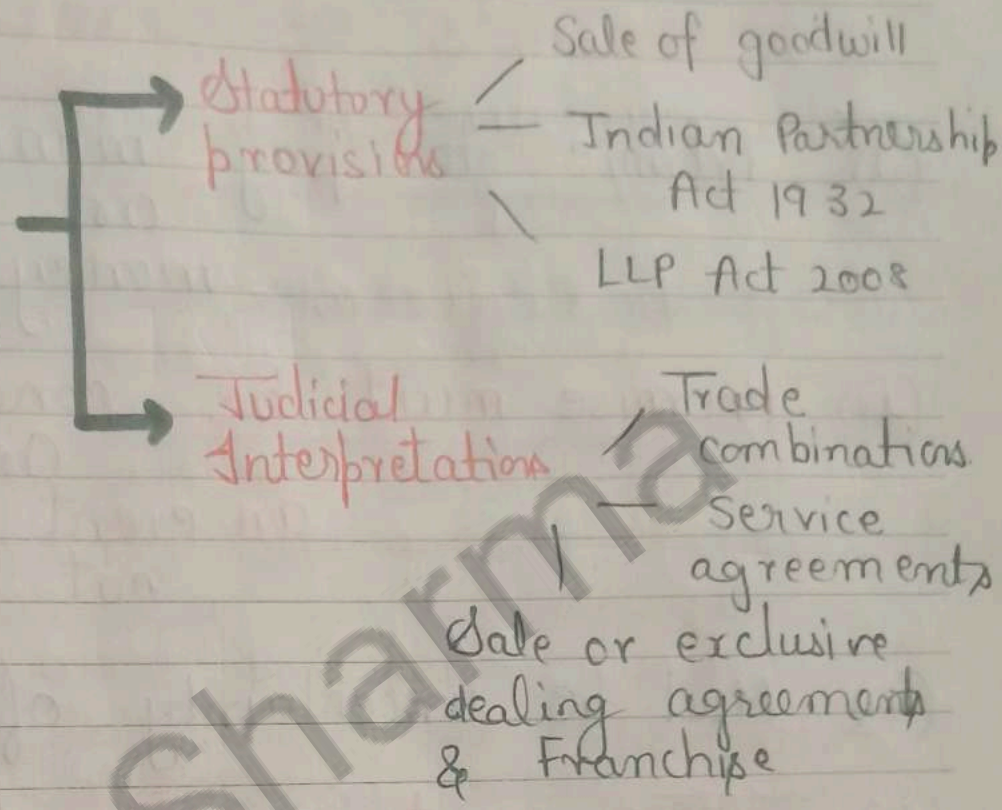
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VOID AGREEMENTS ÷

1. Made by incompetent parties (Sec 11)
2. Agreements made under bilateral mistake of fact (Sec 23)
3. Agreements - Consideration or object
Unlawful (Sec 23)
4. Agreements - Consideration or objects
Unlawful in parts (Sec 24)
5. Agreements made without consideration (Sec 25)
6. Agreements in restraint of marriage (Sec 26)
7. Restraint of trade (Sec 27)

Exceptions ÷ Continued

Exceptions to agreement in restraint of trade is void



8. Agreement in restraint of legal proceeding (Sec 28)

Exceptions :

- (i) Dispute referred to arbitration.
- (ii) Parties agree to refer to arbitration] Writing

9. Agreement meaning of which is uncertain

10. Wagering agreement (Sec 30)

↓
Continued

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THURSDAY
APRIL 2018

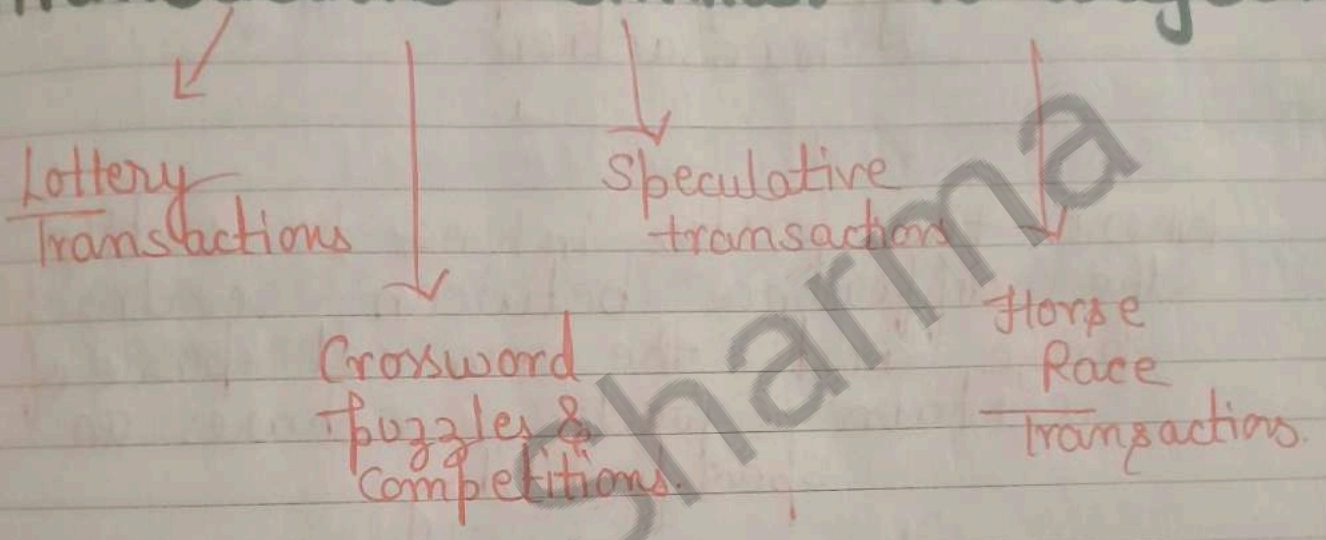
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Essentials of wager :-

- (i) Promise to pay money
or
money worth
- (ii) Promise must be conditional
Or
an event happening or
not happening
- (iii) Must be uncertainty of event
- (iv) There must be 2 parties
Stand to win or lose
- (v) There must be
Common intention] to bet at the
timing of
making
such
agreement
- (vi) Parties should have no interest in the
event] except for stake

11. Agreements to do an impossible acts (Sec 56)

Transactions similar to wager:-



★ Lottery Transactions] Game of chance
[Not of skill & knowledge]

★ Crossword puzzles & competitions.

Case law: State of Bombay vs. RMD Chamarbongwala AIR (1957)

- But if on basis of skill & intelligence → Valid
- Prize competition not wagers if prize 1000 or less

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★ Speculative transactions:

An agreement of a share market transaction.

Where the parties intend to settle the difference between contract price and the market price of certain goods or shares on specified day.

Hence void.

★ Horse Race Transactions

29

SUNDAY

if less than ₹ 500

Transactions resembling with wagering transaction

(1) Chit fund :] Does not come with scope of wager.

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In this a certain number of person decide to contribute a fixed sum for a specified person/ period

- At end of a month,
- paid / contribute amount to lucky winners, by lucky draw.

(ii) Commercial transactions or share market transactions.

Delivery of goods or shares is intended to be given or taken.

Do not amount to wagers

(iii) Games of skill and athletic competition =

When prizes are awarded on the basis of skill

valid

01

TUESDAY

MAY

2018

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(iv) A contract of insurance :

Type of contingent contract

Valid under law

Different from wagering agreements.

Shreya Sharma

Youtube channel

Learn with Shreya :-)

Username :

Shreyasharma606

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UNIT - 4

[Performance of Contract]

Performance of contract [Obligations]

[1] Parties to contract must either perform or offer to perform] their respective promise

Unless

Such performance is dispensed with or excused] under provision of contract act / any other law.

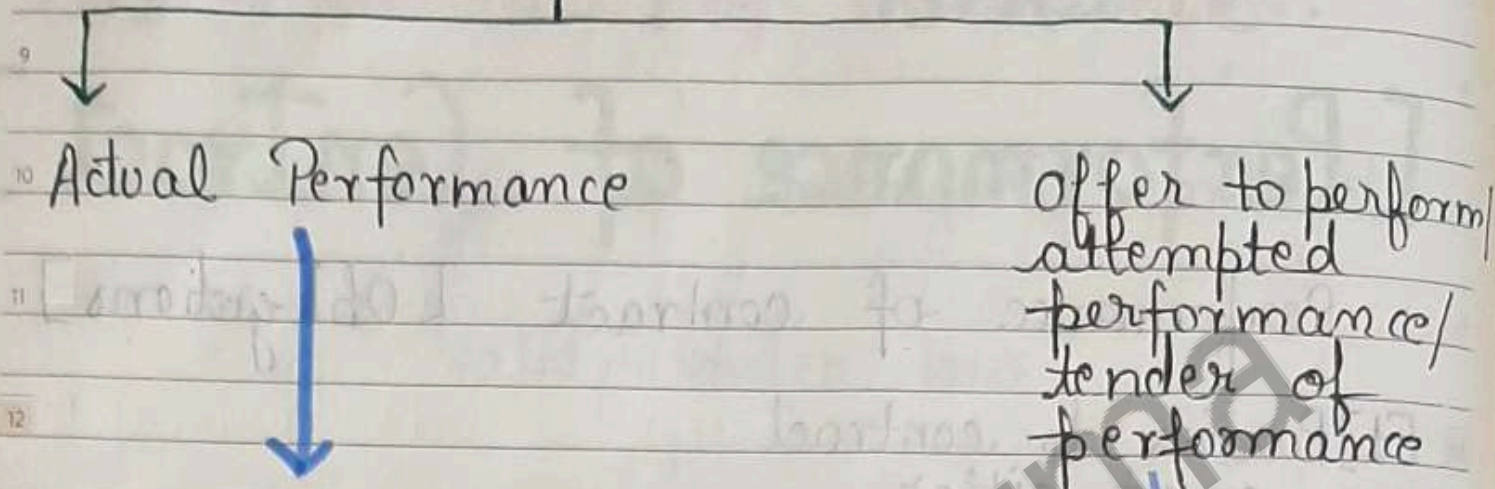
→ Promises bind representatives of promisor even after death of promisor

Unless contrary intention appears from contract

- Legal representatives not liable if
- (a) Involves personal skill of promisor
 - (b) Terms of contract are such.

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Performance



1 Parties performed / fulfilled their obligations under the contract

2

3

Performance becomes due, promisor offer to perform his obligation

4

5 but promisee refers to accept performance

■ Conditions to satisfy for offer of performance

→ It must be unconditional.

→ It must be made at proper time & place

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→ Promisee have reasonable opportunity to see thing offered by promisor.

Effect of refusal of party to perform wholly ÷ [Sec 39]

- Party to contract refused to perform,
- disabled himself from performing promise entirely.
- promisee may put an end to contract
- unless he signified by words ^{Or} conduct his acquiescence in continuance

Rights to aggrieved party

- To terminate contract
- To indicate by words or by conduct that he is interested in his continuance.

In both cases, promisee able to claim damages that he suffers as a result of breach.

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By whom a contract may be performed?

[Sec 40, 41 & 42]

1. Promisor himself.

(a) Something in contract to show

it was the intention of the parties that promise to be performed by promisor himself.

(b) Contract involve : Personal skill
: Due diligence

(c) Personal confidence b/w parties - that promisor has to perform.

06 2. Agent.

SUNDAY

Promisor / legal representative

may employ an agent.

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3. Legal representative :-

Bound to perform it] unless a contrary intention appears from contract.

4. Third persons :

Effect of accepting performance from third person (Sec 41)

(a) Promisor accepts

performance of promise from 3rd party

In this case, he cannot afterwards enforce it against promisor

Performance by stranger.

Thus,

A stranger's performance can't be accepted by promisee, results in discharging promisor even though promisor neither authorized nor satisfied] the act of third party

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5. Joint promisors (Sec 42)

Performance by Joint promisors.

During joint lives

All to fulfil promise

Death of any of them

Surviving promisors, & legal representatives of deceased

Death of all

Representative of all

Diff between Succession and assignment :-

Succession : Liabilities of successor would be limited to extent of property inherited by successor.

Assignment : Benefit can be assigned, not the liabilities, if the benefit

M	T	W	T	F	S	S
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5	6	7	8	9	10	11
12	13	14	15	16	17	18
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26	27	28	29	30		

is coupled with liability then benefit cannot be assigned.

♦ Liability of joint promisor / promisee

1. Devolution of joint liabilities [Sec 42]

2 Any one of the joint promisors compelled
[to perform whole promises]

Two or person make a joint promise ---
--- so the promisee in the absence of agreement to the contrary, any one or much of such joint promisors to perform the whole promise

[If any one of them defaults
Remaining must bear loss equally.]

	S	M	T	W	T	F	S
APR	1	2	3	4	5	6	7
2018	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30					

3. Effect of release of one joint promisor [Sec 44]

Two or person made joint promise

Release of one of such joint promisors
by the promisee does not
discharge the other joint
promisor

Neither does it free joint promisors
so released from responsibility
to other joint promisor

Time and place for performance of promise :-

Time for performance of promise, where
no appⁿ to be made
&
no time specified [Sec 46]

Reasonable time

M	T	W	T	F	S	S
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2. Time & place for performance of promise where time specified & no application made [Sec 46]

Anytime during usual hours of business

3. Application for performance on certain day to be at proper place & within usual hours of business [Sec 48]

4. Place for performance of promise where no application is made & no place fixed for performance [Sec 49]

Duty of promise to apply for performance at proper place & within usual hours of business

5. Performance in manner or at time prescribed / sanctioned by promiser [Sec 50]

	S	M	T	W	T	F	S
APR	1	2	3	4	5	6	7
2018	8	9	10	11	12	13	14
	15	16	17	18	19	20	21
	22	23	24	25	26	27	28
	29	30					

* Performance of reciprocal promise] & [Sec 51 to 58]

1. Promisor not bound to perform unless reciprocal promise ready and willing to perform [Section 51]

2. Order of performance of reciprocal promises [Sec 52]

1 → fixed by contract
Performed in that order

2 → Not fixed by contract
Performed in order

Nature requires

13 3. Liability of party preventing event on which contract is to take effect [Sec 53]

One party prevents another from performing his promise
Contract is voidable at the option of party so prevented & he is entitled to compensation for loss incurred

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25	26	27	28	29	30	

4. Effect of default as to promise which is to be performed first, in contract of reciprocal promise



Voidable] → May be Promisor who has to perform first, fails, cannot claim performance of another, also compensate others.

5. Effects of failure to perform at time fixed in contract in which time essential [Sec 55]

If time not essence → Not voidable but promisee is entitled to compensate from promisor.

Effect of acceptance of performance at time other than agreed upon

- Promisee cannot claim compensation, unless at the time of acceptance - gives notice to promisor of his intention to do so.

	S	M	T	W	T	F	S
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2018	8	9	10	11	12	13	14
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	22	23	24	25	26	27	28
	29	30					

6. Agreement to do impossible act : [Sec 56] Void

Contract to do act afterwards becoming impossible or unlawful.

Compensation for loss through non-performance of act known to be impossible or unlawful

Compensation for loss] person knew or with reasonable diligence, might have known.

Promisor to compensate promisee for loss] is impossible / unlawful.

① Initial impossibilities — at time of contract making

Void

- (i) If known to party : Void
- (ii) If not known to parties : Void
- (iii) If known to promisor only : Promisee should be compensated

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② Subsequent or supervening impossibility
(after making contract)

Performance become impossible or illegal by occurrence of unexpected event or change in circumstance beyond parties control

Void (Eg: Change in law)

7. Reciprocal promise to do certain things that are

- legal (Valid)
- Some other one that is illegal (Void)

(Sec 57)

8. 'Alternative promise' one branch being illegal (Sec 58)

Legal branch can only be enforced.

* Appropriation of payments :-

Debtor owes several debts to same creditor & makes payment not sufficient to disclose all debts.

How to appropriate?
(Adjust)

Appropriation of payments

Where debt discharge is indicated (Sec 59)

Express intimation or implying

Must be applied accordingly

Where debt discharged is not indicated (Sec 60)

Creditor applies at own direction, but not to limitation act.
[But cannot apply disputed debt]

Where neither party appropriates (Sec 61)

Discharge of all debts in order of time. Whether barred by limitation or not. If debts equal not proportionately

* Contracts which need not to be performed with mutual consent of parties.

1. Effect of novation, rescission & alteration of contract (Sec 62)

(a) **Novation**: Parties substitute new contract for old.

It can be

- (a) either between same parties.
- (b) different parties.

(b) **Rescission**: All contract is cancelled & new contract come to exist in its place.

(c) **Alteration**: Terms of contract altered.

Novation

Alteration

- | | |
|----------------------------------|---|
| 1. New contract | 1. Terms altered |
| 2. Same / Different parties | 2. Same parties. |
| 3. New contract in place of old. | 3. Terms altered and is not possible to form new. |

	S	M	T	W	T	F	S
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2018	8	9	10	11	12	13	14
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2. Promisee may waive or remit performance of promise [Remission] Sec 63.

Promisee may dispense or remit wholly or part performance of promise of performance, or may extend time for such performance, or may accept instead of it any satisfaction which he thinks fit.

3. Restoration of benefit under voidable contract (Sec 64)

Where at option of aggrieved party, contract is voidable & he rescinds the contract he must restore any benefit if received to whom he received benefit from.

20 4. Obligations of person who has received advantage under void agreement or void contract (Section 65)

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- Agreement discovered to be void

When contract becomes void -

Any person who received any benefit must restore it to other person.

5. Communication of rescission (Sec 66)

Voidable contract can be rescinded but rescission must be communicated to other party in same manner as proposal is communicated, also rescission can be revoked as proposal is revoked

6. Effects of neglect of promisee to afford promisor reasonable facilities for performance (Sec 67)

If promisee neglects / refuses to afford promisor, reasonable facilities for performance of promise, promisor excused.

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	29	30					

DISCHARGE OF CONTRACT :-

1 - Discharge by performance

- Actual performance
- Attempted performance

2 - Discharge of mutual agreement :-

- Novation
- Rescission
- Alteration
- Remission

3 - Discharge by impossibility of performance

(i) Initial impossibility → Void ab initio

Void agreement

(ii) Subsequent impossibility due to
- Void contract)

(a) Unforeseen change in law

(b) Destruction of subject matter essential to performance

(c) Non existence / non occurrence of particular things

(d) Declaration of war (Sec 56)

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(e) Death.

4 - Discharge by lapse of time :
(Limitation Act, 1963)

5. Discharge by operation by law.

- Death of promisor
- Insolvency.

6. Discharge by breach of contract.

7. Promisee may waive or remit performance of promise.

8. Effect of neglect of promisee to afford promisor reasonable facilities for performance (See 67)

9. Merges of rights :

Inferior rights merge with superior rights

On merger inferior rights vanish and not required to be enforced.

COMPLETED :)

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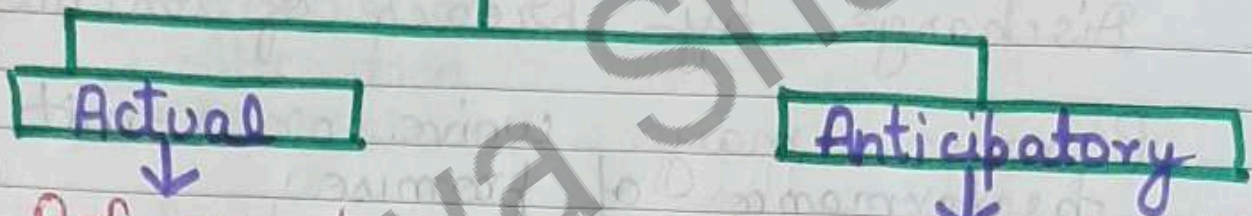
Chapter - 5

Breach of contract and its remedies

* Breach of contract :-

Failure to perform obligation

Breach



Refuses to perform on scheduled date

i.e

(i) at time when performance of contract is due

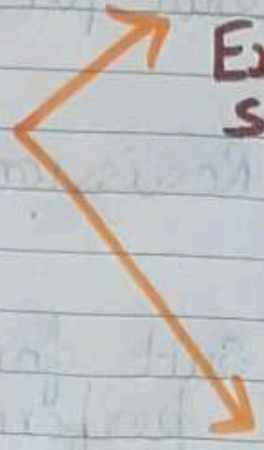
(ii) During performance of contract

Occurs before time fixed for performance has arrived

Promisor refuses altogether to perform it & signifies the unwillingness even before time to perform has arrived

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Anticipatory breach is happened either by



Expressly by words spoken or written

Implied by the conduct of one of the parties

Effects of anticipatory breach.

- (i) Either treat contract as rescinded & sue other party for damages immediately
- (ii) May elect to treat the contract still operative
- (iii) Wait for time of performance

then hold other party responsible

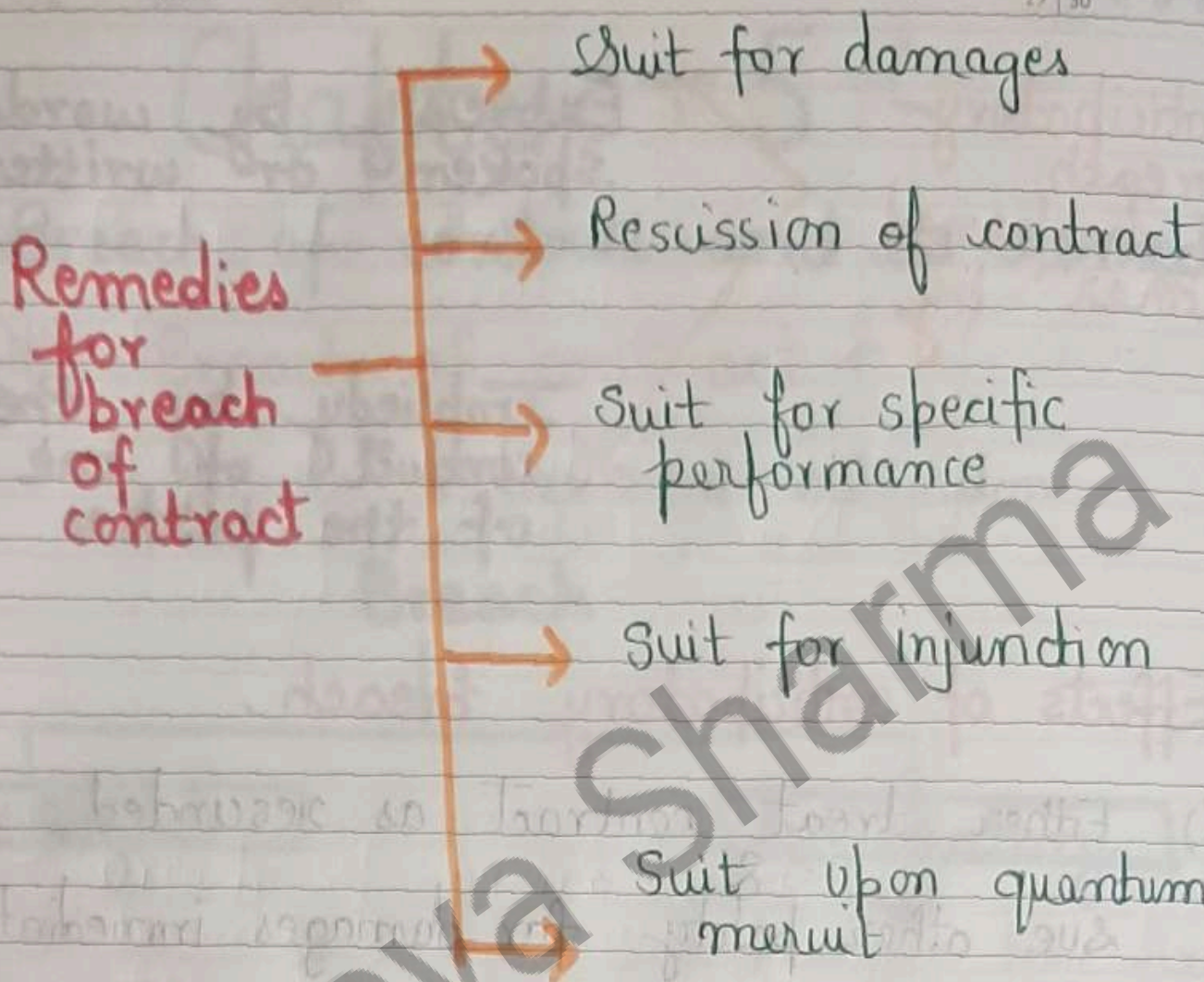
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* Suit for damages :-

1. Compensation for loss or damage caused by breach

(Sec 73)

Aggrieved party entitled to receive compensation for loss / damage which

(i) naturally, arose in usual course

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of things from such breach,
or
[Ordinary damage]

(ii) the parties knew at time of contract to be likely result breach of it
or

[Special damage]

- With previous notice
- Take reasonable steps to minimise loss.

[Compensation not to be given for remote/indirect loss/damage sustained by reason of breach]

2. Remedy by way of damages or kind of damages :-

(i) Ordinary damages :-

- (i) Naturally arose in usual course [or]
- (ii) parties knew at time of contract.

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	29	30					

(ii) Special damages →

→ Party to contract receives notice of special circumstance affecting contract

then he is liable not only for ordinary damages but also special damages.

(iii) Vindictive or (exp) exemplary damages

- breach of promise to marry
- because it causes injury to his / her feelings
- wrongful dishonour by banker of customer's cheque.

(iv) Nominal damages ÷

- Plaintiff not suffered real damage
- May be rupee or even 10-paise

(v) Damages for deterioration caused by delay ÷

- Damages can be recovered from carrier without notice] Deterioration - Not only physical damage to good] also loss of special opportunity for sale.

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(vi) Pre fixed damages :-

- Either liquidated damages or penalty

Penalty & liquidated damages :-

Parties may provide for compensation payable in case of failure to perform contract.

(called penalty or liquidated)

Unreasonable

Genuine pre estimate

[Injured party cannot recover more than actual loss courts never allow more, may allow less]

Exceptions → Person gives any bond to Cent. Govt or State govt. for performance of public duty or act in which public interested

→ On breach of such condition - liable to pay whole sum mentioned therein

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	22	23	24	25	26	27	28
	29	30					

Besides claiming damages, following remedies also available :-

1. Rescission of contract :-

Contract is broken by one party } the other party treat the contract as rescinded.

2. Quantum meruit :-

as much as the party doing the service has deserved.

Not 100% (Part of the promise)

Application of this doctrine, two conditions has been fulfilled.

(i) It is only available

original contract has been discharged.

(ii) The claim must be brought by a party not in default.

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16	17	18	19	20	21	22
23	24	25	26	27	28	29

- (a) Agreement discovered to be void
or
Contract becomes void
- (b) Something done without intention to do so
gratuitously
- (c) Express or implied contract but no agreement to remuneration.
- (d) One party abandons or refuses to perform contract
- (e) Contract divisible & party not in default has enjoyed the benefit of part performance
- (f) Indivisible contract completely performed but badly other party can debit for bad work.

(iii) Suit for specific performance

(iv) Suit for injunctions :-

Court may issue injunction orders to restrain him from doing what he promised not to do

02

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MAY			1	2	3	4	5
2018	6	7	8	9	10	11	12
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UNIT - 6

CONTINGENT & QUASI CONTRACTS

Contingent contract :-

A contract, to do Or
 not to do something
 if some event collateral to
 such contract does Or
 does not happen.

Eg: Contracts of Insurance,
 Indemnity & guarantee.

What is a collateral event

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Neither a performance
 directly promised
 as a part of
 contract

Not whole of
 consideration,
 for a promise.

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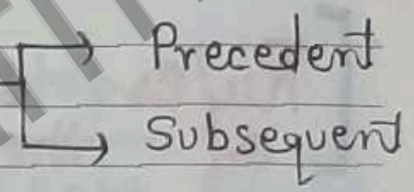
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Essentials ÷

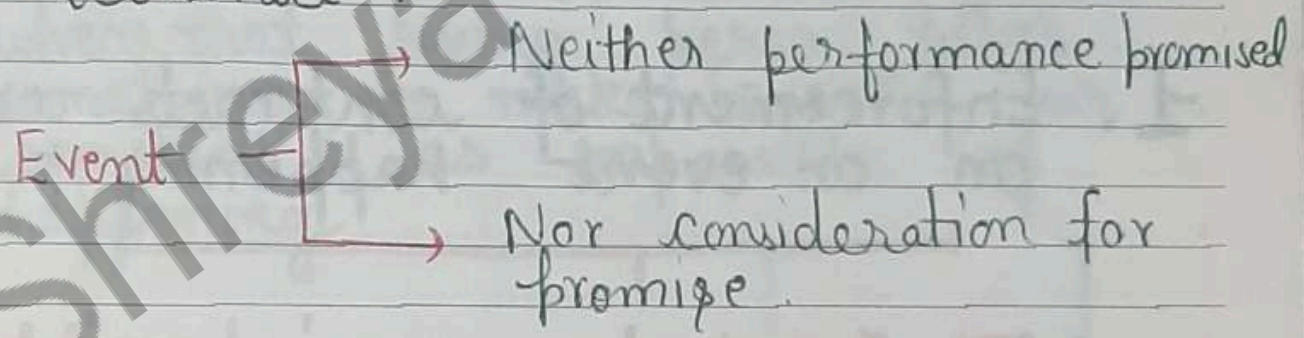
1. Performance of contingent contract would depend upon happening or non happening

of some event

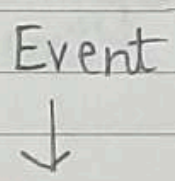
or condition



2. Event referred to as collateral to contract



3. Contingent event should not be a mere 'will' of promisor



Contingent + Will of promisor ÷

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	27	28	29	30	31		

4. Event must be uncertain

Event



Certain or bound to happen →

Not a contingent contract

Rules regarding to enforcement of the contingent contract

[Sec 32, 33, 34, 35, 36]

1. Enforcement of contracts contingent on an event happening :-

If Event becomes impossible

Such contracts become void

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2. Enforcement of contracts contingent on an event not happening.

[Sec 33]

"Enforced only when a happening of that event becomes impossible and not before"

3. Contracts which would cease to be enforceable if it is contingent upon conduct of a living person when that living person does something to make 'event' or 'conduct' as impossible of happening

[Sec 34]

4. Contingent on happening of specified event within fixed time.

[Sec 35]

5. Contingent on specified event not happening within fixed time.

[Sec 35]

6. Contingent on an impossible event.

[Sec 36]

Diff	Contingent contract	Wagering contract
Meaning	Contract to do or not to do something with collateral event happening or unhappening	Promise to give money or money's worth with reference to uncertain event happening or non-happening
Reciprocal premises	No	Yes
Uncertain Event	Collateral	Contingent / Uncertain event - core factor
Nature	Not wagers	Contingent

9	Int. of parties	Yes	No
10	Doctrine of mutuality of lose & gain	Not based on this	Game, losing and gaining matters
12	Effect	Valid	Void

Quasi contracts ÷

[Certain relations resembling those of contracts]

Law implies a promise imposing obligations on one party and conferring rights in favour of the other event

Even when there is no acceptance, no genuine consent, lawful consideration etc., and in fact neither agreement nor promise.

Quasi contracts are based on
- Principles of

- (i) Equity
- (ii) Justice
- (iii) Good Conscience.

Quasi / Constructive Contract → Maxim

6 No man must grow rich
out of another person's loss

Features

1. Some right is always a right
to money.

2. Imposed by law, not
arised by agreement.

3. Right against a particular
person, not against all
world.

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Cases deemed to / as Quasi Contracts

1. Claim for necessaries supplied to persons incapable of contracting [Section 68]

Person who furnished supplies



Entitled to be reimbursed from property of incapable person.

2. Payment by interested person [Section 69]

Which another is bound by law to pay & therefore who pays it

Entitled to be reimbursed by other

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3. Obligations by person enjoying benefits of non-gratuitous act

[Section 70]

Plaintiff must prove.

- (i) that he had done act ^{Or} had delivered the thing lawfully.
- (ii) He did not do so gratuitously
- (iii) Other person enjoyed the benefit

Case law :-

Shyam Lal V/s State of UP.

4. Responsibility of finder of goods [Sec 71]

Person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a 'bailee'

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A finder of lost goods has:

- (i) to take proper care of party as man of ordinary prudence would take
- (ii) no right to appropriate the goods and
- (iii) to restore the goods if the owner is found.

Case law: Hollins vs. Fowler.

5. Money paid by mistake or under coercion (Sec 72)

Person to whom money paid or anything delivered by mistake or under coercion

Must repay or return it

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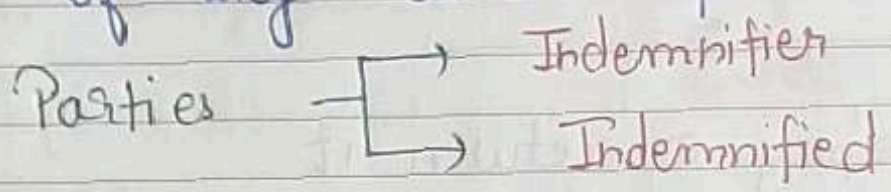
CONTRACT OF INDEMNITY & GUARANTEE

Loss की भरपाई

[Security against loss
 To make good the loss
 To compensate the party who
 has suffered some loss.

Acc. to ICA, 1872 (Section 124)

A contract by which a party promises to save other from losses caused (by) to him by the conduct of the promisor himself, or by the conduct of any other person.



Indemnifier → The party who promises to indemnify / save the other party from loss.

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Indemnified : Party who promised to be saved against the loss.

- Loss occasioned by
 - accident
 - act of God
 - Natural event

Not covered

Case law : Gajaman Moreswar v/s Moreswar Madam (1942)

Modes of contract of indemnity

Express

When a person expressly promises to compensate other from loss

Implied

Inferred from the conduct of parties.

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→ Must fulfill all the essential elements of contract.

Promisee can recover damages which he may have been compelled to pay in defending/bringing the suit.

Rights of indemnify holder when sued

Cost of suit can be recovered by promisee.

All costs which he may have paid in compromise the suit.

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When does liability of an indemnifier commence?

as soon as liability becomes absolute and certain

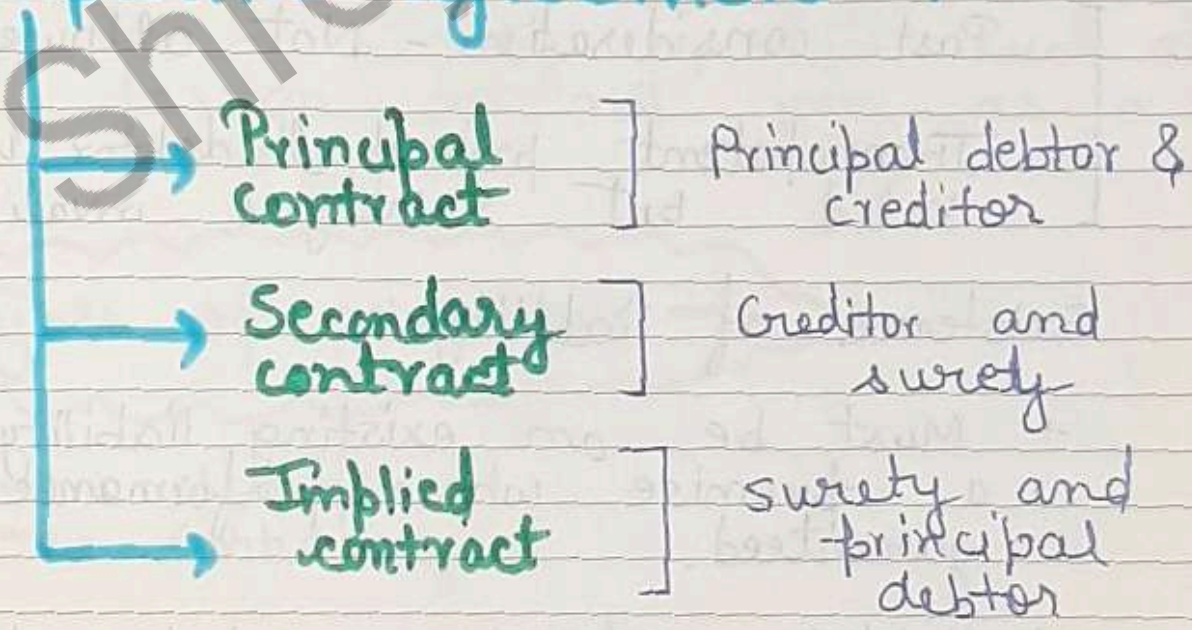
CONTRACT OF GURANTEE ÷

• Perform the promise
 • Discharge liability
 of third person

Three parties ÷

- Surety
- Principal debtor
- Creditor

Tripartite agreement ÷



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ESSENTIAL FEATURES ÷

1. Purpose :

- To secure the payment of a debt
- No principal debt, no valid guarantee.

2. Consideration

- Guarantee without consideration is void.
- No need for a direct consideration between the surety and the creditor.
- As per sec 127 ÷

[Past consideration - Not allowed]
 [Incompetent principal debtor is valid but surety is invalid]

3. Existence of liability ÷

- Must be an existing liability or a promise whose performance is guaranteed.
- liability or promise must be enforceable

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4. No misrepresentation or concealment
[Section 142 and 143] - Void

Any guarantee which the creditor has obtained by means of keeping silence as to material circumstances is invalid (Sec 143)

5. Writing not necessary

Can be oral too

6. Joining of other co-surety :

- The Guarantee by surety is not valid if the condition is imposed by a surety that some other person must also join as a co-surety, but such other person does not join as a co-surety.

Types of guarantee :-

- Specific
- Continuing

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Specific :-

- Extends to single debt
- Liability comes to end] Principal debtor is discharged

Promise is performed

Continuing :-

- Extends to a series of transaction
- Continues until revocation of guarantee.
- Not to a specific no. of transactions but to any number of transactions.

Makes surety liable for the unpaid balance at the end of the guarantee

Nature and extent of surety's liability [Sec 128]

- The liability of the surety is [Co-extensive]

M	T	W	T	F	S	S
30	31	1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	1	2	3

- Liability of surety] - Secondary nature] He is liable only on the default of principal debtor.

- Debtor cannot be held liable on account of any defect in the document

Liability of the surety also ceases.

- Creditor may choose to proceed against a surety first.

7.6 Liability of two persons, primarily liable not affected by arrangement between them that one shall be surety on others default.

→ When two persons contract with third person to undertake liability then such third person can claim from any of such person irrespective of contract between them.

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Discharge of surety :-

- By revocation
- By conduct of the creditor
- On invalidation of contract of guarantee.

By revocation of the contract of guarantee :-

(i) By notice, revocation of continuing guarantee :-

→ May be revoked at any time by the surety for future transactions

→ Once revoked, surety is not liable for any future transaction.

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SUNDAY

(ii) Revocation by surety's death :-

→ Guarantee revoked for all transactions after death

→ For past transactions surety's estate remains liable

M	T	W	T	F	S	S
						1
30	31	4	5	6	7	8
2	3	11	12	13	14	15
9	10	18	19	20	21	22
16	17	25	26	27	28	29
23	24					

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(ii) By novation ÷ [Sec 62]

New contract instead of old contract

If fresh contract is entered between principal dr. and creditor then surety is discharge when it is without consent

• By conduct of creditor ÷

(i) By variance in terms of contract
Change

When terms of contract are changed without surety's consent then his guarantee is also withdrawn.

(ii) Release / Discharge of principal debtor (Sec 134)

- Fresh / New contract
Does act or omission] , Discharge of principal debtor.

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(iii) Discharge of surety when creditors compound, give time or agree to sue; principal debtor.

① Composition

→ If creditor makes composition with Principal Debtor

Surety Discharged.

② Promise to give time ÷

→ When due dates arrives, it is one of the duties of the creditor towards the surety not to allow the principal debtor more payment time

③ Promise not to sue ÷

If creditor promises principal debtor not to sue him

Surety discharged.

M	T	W	T	F	S	S
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27	28	29	30	31	1	2

By the invalidation of the contract of guarantee :-

- By the misrepresentation
- By concealment
- Creditor shall not act on it until co-surety joins

[(Sec 144)]

Cases where surety is not discharged :-

1. Agreement made with third person to give more time to Principal debtor] Not discharge (surety)
2. Creditor's forbearance to sue does not discharge surety [Sec 137]
3. Discharge of surety by creditors Act or omission impairing surety's eventual remedy.

(i) Creditor does any act which is inconsistent with his act

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Or

Omit any act which impairs surety remedy

surety is discharged to such amount of impairment

Rights of surety :-

(a) Against Principal debtor :-

① Rights of subrogation on payment of debt surety

On payment of debt surety steps into shoes of the creditor.

② Implied promise to indemnify surety (Section 145)

— Surety can be revoked from Principal debtor and amt. paid by him

Can recover - sum he has rightfully paid but not sums which he paid wrongfully

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23	24					

(b) Rights against creditor :

1. Surety's right to benefit of creditor's securities [Section 141]

Surety has right to get benefit of every security which creditor has against Principal Debtor.

2. Rights to set off :

which principal debtor has against creditor.

3. Claim reduction :

Principal debtor insolvent.

(c) Rights against co-sureties :

1. Liable to contribute equally.
2. Principal of equal contribution is subject to max. limit fixed by surety.

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UNIT - 8

Bailment & Pledge

Derived from French word

"Bailier"

- handling over
- Change of possession.

As per Section 148 of the Act, bailment is the delivery of goods by one person to another for some purpose.

When the purpose is accomplished,

01

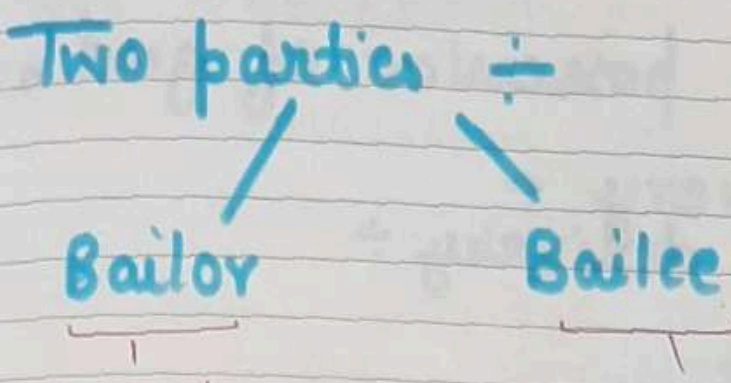
SUNDAY

be returned

Or

otherwise disposed of according to the directions of the person delivering them.

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The person delivering the goods

The person to whom the goods are delivered

ESSENTIAL ELEMENTS :-

1. Contract

Express Implied

No consideration is necessary to create a valid contract of bailment.

2. Delivery of goods :

From one person to another for some purpose

Bailment is only for

- movable goods
- Not for immovable goods.

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Delivery of the possession of good is:

- (a) Actual delivery ÷
 (b) Constructive delivery ÷

Actual delivery

Physically handed over to the bailee by bailor.

Constructive delivery

Where delivery is made by doing anything that has the effect of putting goods in the possession of the bailee or of any person authorized to hold them on his behalf.

(c) Purpose :

Goods are delivered for some purpose

Purpose may be

Express

Implied

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(d) Possession :

Possession of goods changes.

- by physical delivery
- or by any action which has the effect of placing the goods in the possession of bailee.

Change of possession } does not lead to change of ownership.

Bailor continues to be the owner of goods.

Where a person is in custody without possession he does not become a bailee.

(e) Return of goods :

Bailee is obligated to return the goods physically to the bailor.

The goods should be returned in the same form as given or may be altered as per bailor's direction.

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• Bailee cannot deliver some ^{other} goods not those of higher value

Types of Bailment:-

On the basis of benefit.

(a) For exclusive benefit of bailor

(b) For exclusive benefit of bailee.

(c) For exclusive benefit of bailor & bailee.

On the basis of reward:-

(a) Gratuitous Bailment:

Free of charge

Either for exclusive benefits of bailor or bailee.

(b) Non-gratuitous bailment:

Both will get some benefit

for both bailor & bailee

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Duties of a bailor ÷

[Sec 150, 158, 159, 164]

- Disclose known facts
- Bear necessary expenses
- Indemnify bailee
- Bound to accept the goods

(i) Bailor's duty to disclose faults in goods bailed

Gratuitous bailment

Bailor is bound to disclose faults in the goods bailed to bailee of which bailor is aware

He is responsible for damage arising to the bailee directly from such faults.

Non-gratuitous bailment

If the goods are bailed for hire, the bailor is responsible for such damage

Whether he was or was not aware.

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(ii) Duty to pay expenses

Gratuitous bailment

Non-gratuitous bailment

[No remuneration - to bailee]

But bailor shall pay necessary expenses incurred by him & extraordinary expenses incurred by him for bailment purpose

The bailor is liable to pay the

Extraordinary expenses

(iii) Duty to indemnify the bailee for pre-mature termination

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समयपूर्व समाप्ति

Bailor decides to terminate the bailment before the expiry of the period of bailment

Bailee suffered loss that is in excess of the benefit received gratuitously

The bailor must compensate the bailee

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(iv) Bailor's responsibility to bailee.

Indemnify for any loss

To receive back the goods.

which the bailee may sustain by reason

Can claim for all necessary expenses incurred for the safe custody

- Bailor not entitled to make bailment
- To receive back the goods
- To give directions, respecting them

Duties of a bailee :-

(1) To take reasonable care of goods :-

Bailee has to take care of them as he has done for his own goods under same circumstances

Goods will be of [same bulk, quantity, value] as bailed

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Exception :

Bailee when not liable for loss etc of thing bailed.

In the absence of any special contract.

2. Not to make inconsistent use of goods :

Bailee Does not makes any use of the goods bailed, otherwise he is liable

to pay / compensate

- for any loss
- compensation for destruction of goods

As per Sec 153 :-

A (contract) becomes
(of bailment)

Voidable at the option of the bailor, if the bailee does not use the goods acc. to the terms and conditions of bailment

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3. Not to mix the goods :-

If bailee mix the goods with the consent of bailor

If bailee mix the goods which can be separated without the consent of bailor

If bailee mixes the good can't be separated without the consent of bailor

Shall have an interest in proportion to their respective shares.

Bailee is bound to bear the exp. of separation or any damage arising from mixture

The bailee has to compensate the bailor for loss of the goods

4. Return the goods :

If by default not able to return

Responsible to the bailor for any loss, destruction or deterioration of the goods from that time

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5. Return an accretion from the goods:

Any increase or profit which may have accrued from the goods bailed

The bailee is bound to deliver that too
(सह अपने दादा)

6. Not to setup adverse title :-

- Bailee must not set up a title adverse to that of the bailor.
- Hold the goods on behalf of the bailor.
- Cannot deny the title of the bailor.

Rights of a bailor :-

1. Right to terminate bailment :-

Contract of bailment is voidable.

- If bailee does any act with regards to good bailed, inconsistent with the conditions of bailment.

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2. Right to demand back the goods

Any time

- Before the period fixed is not expired
- Or after achievement of objective

3. Right to file a suit against a wrong doer ÷

performer (कर्मी)

[Detailed]

4. Right to sue the bailee ÷

For enforcing all the liabilities and duties

5. Right to compensation ÷

- If any damage is caused by
 - ① Unauthorized use
 - ② Unauthorized mixing
- Bailor can claim compensation

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Rights of a bailee :-

1. Rights to deliver the goods to any one of the joint bailors.
2. Right to indemnity :-

Bailee is entitled to indemnified by bailor for

- any loss
- to receive back the goods.
- to give directions in respect to them.

If Bailor has no title to the goods

Bailee in good faith

15 SUNDAY delivers them back to or according to the directions of the bailor, the bailee shall not be responsible to owner.

Bailee can also claim all necessary expenses [Unlawful bailment]

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3. Right to claim compensation in case of faulty goods.
4. Right to claim necessary expenses
5. Right to apply to court to decide the title of the goods.

Bailed Goods claimed by the other person than the bailor

The bailee may apply to the court to stop its delivery and to decide the title to the goods.

Ownership } Court will decide.

That whose property is this.

6. Rights of particular lien for payment of services.
7. Rights of general lien.

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Rights of a bailor and bailee against any wrong doer [3rd Party]

Suit by bailor & bailee against wrong doers

Apportionment of relief or compensation obtained by such suits.

3rd person wrongfully deprives the bailee for use or possession of the goods bailed, does them any injury

Whatever is obtained by way of relief or compensation in any such suit shall, as between bailor and bailee

The bailee is entitled to do such remedies as the owner might have used in case of no bailment had been made

Acc. to their respective interests.

② Either bailee or the bailor may bring against a 3rd person.

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Termination of bailment

1. On the expiry of stipulated period.

Bailment shall terminate after expiry of such period

2. On fulfillment of purpose +

3. By notice :-

- (a) A purpose (x)
- B purpose (✓)

So here bailor can terminate the contract of bailment

A gratuitous bailment can be terminated by bailor any time

By giving a notice to the bailee.

4. By Death :-

of either bailor or bailee.

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5. Destruction of subject matter :-

Makes it impossible to be used for the purpose of bailment

- Destroyed
- Change in nature of goods

FINDER OF LOST GOODS :-

Right of finder of lost goods -
May sue for specific reward offered

When finder of thing commonly on sale may sell it.

① Finder has right to retain the goods against owner until he receives compensation

② Where owner has offered specific reward on the lost goods, the finder may sue the owner for such reward or retain goods also

- Thing is in danger of perishing or losing greater value
- Lawful charges of the finder in respect of the thing found amount to two-third of value.

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• General Lien :-

• Sec 171 of ICA, 1872

• Right to retain the goods not only for demands arising out of the goods retained

But for a general balance of account in favour of certain persons.

• Not automatic

• Can be exercised against goods even without involvement of labor or skill

• Only such persons

Bankers

Factors/ Agents

Wharfingers

policy brokers

advocates

etc.

Are entitled to general lien.

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PLEDGE :-

Bailment of goods as security for payment of a debt or performance of a promise

Parties

- **Pawnor** : Person who pledges goods as security
- **Pawnee** : Person who receives the goods as security

Bailor - Pawnor
Bailee - Pawnee

ESSENTIALS :-

Essentials of bailment are also the essentials of the pledge - Apart from this -

- Bailment for security against payment or performance of the promise.
- Subject matter of pledge] - Goods] • Should be in existence.
- Delivery of goods from pledger to pledgee

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Rights of a pawnee / pledgee:

• Right to retain goods [pledged]

Pawnee may retain

- payment of the debt or performance of promise
- Int for the debt
- All necessary expenses

incurred by him in respect of the possession or for the preservation of the goods pledged

• Rights to retention of subsequent debts.

- Right to retain goods for subsequent debts can be exercised.

• Rights for extra ordinary expenses:

He cannot retain goods but can sue for extra ordinary expenses.

• Pawnee's right where pawnor makes default.

If pawnor makes default

Bring a suit

Sell goods

SP < Debt then
- claim

SP > Debt
↓
Pay excess to the pawnor.

Rights of a pawnor :- Same as bailor.

• Right to redeem (Sec 177)

If pawnor makes any default in payment of debt / promise then he may redeem goods at any time before actual sale but he must pay additional expenses which may have arisen due to his default.

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Duties of a Pawnee :-

1. To take reasonable care of pledged goods.

2. Not to make unauthorized use of pledged goods.

3. To return the goods

- when debt has been repaid
- the promise is performed.

4. Not to mix his own goods.

5. Not to do any act which is inconsistent

In terms of pledge.

6. Duty to return goods, if any accretion to the

To give extra benefit occurred.

Duties of a pawnor :-

1. Pawnor is liable to pay the debt or perform as the case may be.

2. Duty of the pawnor to compensate the pawnee for any extraordinary expenses incurred.

3. To disclose all the faults which pawnee may put for any extraordinary expenses.

4. Loss occurs to the pawnee due defect in pawnor's title to the goods.

5. The pawnee sells the good due to default by the pawnor, the pawnor must pay the deficit.

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PLEDGE BY NON-OWNERS

1. Pledge by mercantile agent:

Business

To buy
To sell
To pledge.

- Mercantile agent who is in possession of goods with consent of owner
- Can pledge them if it is in ordinary course of business
- It shall be valid as if it is made by owner of goods.

29 2. Pledge by person in possession under (which) voidable contract.

- If any person obtains possession in voidable contract
- And before contract is avoided
- Pawnee gets good title in case of goods pledged.

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- Provided pawnee acted in good faith
or
bonafide

He doesn't know
that possession
is under
violable contract

3. Pledge where pawnor has only limited interest.

Goods are owner's but Rights are

→ Where person pledges goods in which he has limited interest.

Pawnor is not absolute owner. Pledge is valid upto that Interest.

4. Pledge by co-owner in possession

If any co-owner is in possession of goods with permission of other co-owner then he can pledge goods and pledgee get good title.

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5. Pledge by seller or buyer in possession

- When any buyer who is in possession of goods before property passes to him can pledge goods.

- Where seller who sold goods has possession of that goods can pledge them.

[In both cases he gets good title]

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CHAPTER - 9

AGENCY ...

Relationship between the agent and principal

A person employed to do any act for another or to represent another in dealing with the third person.

The principal means a person for whom such act is done or who is so represented

Test of agency :-

- Whether the person has the capacity to bind the principal (and) make him answerable to 3rd party
- Whether he can establish privity of contract between Principal & 3rd parties.

एक दूसरे पर case file करनी

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Rule of agency is based on the maxim

"Qui facit per alium facit per se"

who acts through an agent is himself acting

9.2 Appointment and authority of agents

Who may employ an agent:

- Any person who has attained majority according to the law to which he is subject and who is of

Sound mind, may employ an agent

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Who may be an agent ?

Any person may become an agent i.e.

- even a minor
 - of unsound mind
- Principal shall be bound by his acts.

Consideration not necessary :-

No consideration is necessary to create an agency

9.3 Creation of agency :-

The relationship of the principal and the agent may be created in any of the following ways

Where authority can be

Express

Implied

Given by words / spoken / written

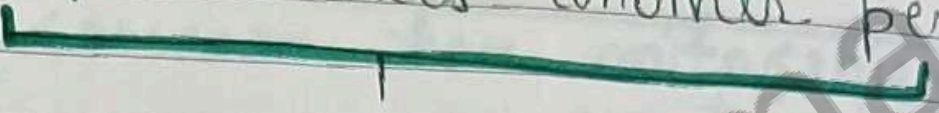
Inferred from the circumstances / conduct of the parties and things spoken / written in ordinary course of dealing

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Implied agency includes +

★ Agency by estoppel.

Principal induces another person



To believe that a certain person is his agent



He is subsequently prevented / estopped from denying the fact of agency.

Can be created if :

Principal must have made a representation

Express

Implied

Representation must state the agent has an authority to do certain act although really he has no authority

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- Principal must have induced the third person by such representation.
- 3rd party must have believed the representation and made the contract on the belief of such representation.

★ Agency by necessity ÷

Due to some emergent circumstances.

Agent is authorised to do certain act and while doing such an act, an emergency arises, he acquires an

- extra-ordinary or special authority to prevent his principal from loss

★ Agency by operation of law ÷

When law treats one person as an agent of other

★ Rights of person as to acts done for him without his authority, effect of ratification ÷

Kaam hone ke baad authority dena.

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Where acts are done by one person on behalf of another (without his knowledge or authority)

He may elect to ratify or to disown such acts.

★ If he ratifies them, the same effects will follow as if they had been performed by his authority.

Ratification

Approving a previous act or transaction

May be express or implied by the conduct of the person whose behalf the act was done

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Essentials of a valid ratification ÷

- a) Ratification may be expressed or implied
- b) Knowledge requisite for valid ratification.

No valid ratification can be made] by a person whose knowledge of the facts of the case is materially defective.

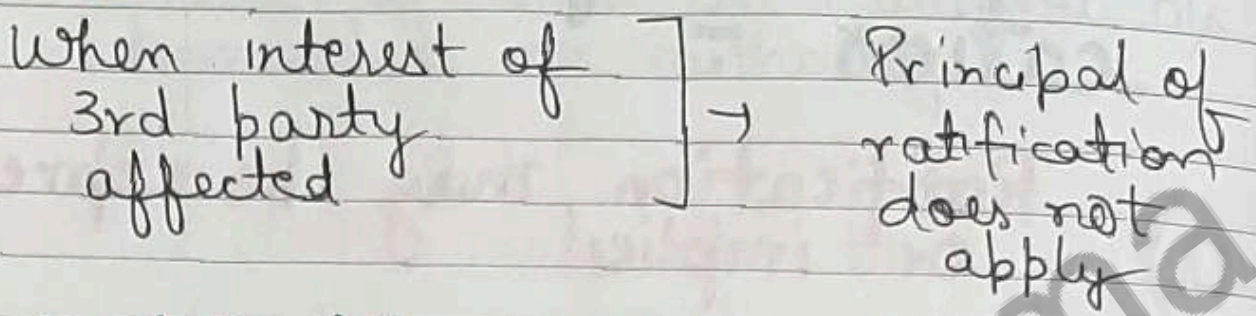
c) The whole transaction must be ratification.

Ratification of an act entirely or its rejection in entirety

Principal cannot ratify a part of the transaction which is beneficial to him and reject the rest

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d) Ratification cannot injure third person ÷



e) Ratification within reasonable time.

f) Communication of ratification.

↓ ↓
To other party.

(g) Act to be ratified must be valid ÷

It should not be void [or] illegal.

[or] any other criminal offences or anything.

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Extent of Agent's authority:

1. Agent's authority in normal circumstances:

Work authorized + Incidental work
if necessary

2. Agent's authority in an emergency:

Agent can do all such acts in an emergency that are for the purpose of protecting his principal from loss as would be done by a person of ordinary prudence in his own case.

→ To constitute a valid agency in an emergency

★ Agent should be in position to communicate with principal in reasonable time

★ Actual and definite commercial necessity for the agent to act promptly

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Agent should have acted

Bonafide for the benefit of the principal



The agent should have adopted the most reasonable and practicable course under (ord) circumstances



Agent must have been in

possession of goods belonging to his principal and which are the subject of contract

SUB AGENTS :-

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SUNDAY

Agent appoint agent

→ Delegator

→ Delegatee

Mainly can't appoint

अपना काम किसी और को

* when agent cannot delegate :-

Cannot lawfully employ another to perform

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his act, which he has

Expressly Impliedy
Undertaken to
perform personally

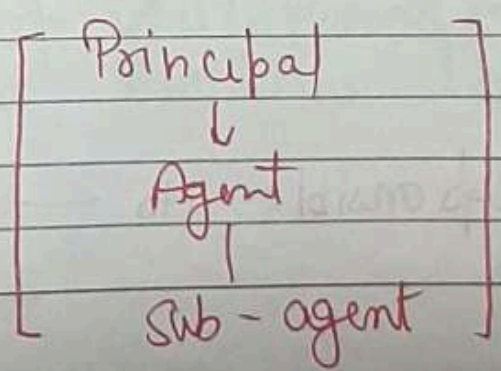
by the ordinary custom of trade a sub agent may, or from the nature of the agency a sub agent must be employed.

Sub agent

A person employed by, and acting under the control of the original agent in the business of the agency.

Based on the principle of

"Delegatus Non Prodest Delegare".



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• Exception where an agent can appoint sub-agent:

1. The terms of appointment originally contemplated it.
2. Customs of the trade
3. Unforeseen emergency.

• Representation of principal by sub-agent properly appointed

1. Principal — Liable to 3rd parties
2. Agent — Responsible to the principal for the acts of the sub-agent

3. Sub-agent's liability to principal:

sub agent is responsible to agent

Not to principal

• Agent's responsibility for sub-agent appointed without authority

↳ Agent responsible to — Principal, 3rd person

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2. Principal isn't responsible for the acts of the sub-agent.

3. The sub-agent is not responsible to the principal at all.

→ Answerable to agent only.

9.6 SUBSTITUTED AGENT :-

is a person appointed by the agent to act for the principal, in the business of agency, with the knowledge and consent of principal.

[Agents of principal]

Relation between principal and person duly appointed by agent to act in business of agency [Section 194]

Agent : has authority to suggest a name for principal if he asks as substituted agent.

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Agent's duty in naming such person

He is bound to exercise the same amount of discretion as a man of ordinary prudence would exercise in his own case.

Duties and obligations of an agent

Duty to follow instruction or customs.

★ An agent is bound to conduct the business of his principal according to the directions given by the principal.

★ In absence of such directions] - Acc to customs which prevails in doing business of the same kind at the place where agent conducts such business.

★ When agent acts otherwise] - Loss sustained by Principal is indemnified
] - Must account for the profit accrues.

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Duty of reasonable care and skill.

As he has done
in his own case

Conduct the
business of
the principal
with as much
skill as is generally
possessed by
persons engaged
in similar business

To make compensation
↓
in respect of direct
consequences of his
own neglect, want
skill and misconduct

Duty to render proper accounts.

Book of Account + Voucher

Agents duty to communicate with principal

Duty not to deal in his own account.

without first obtaining the consent
of the principal, otherwise
the principal may -

(a) Repudiate the transaction

(b) claim from the agent any benefit which may
have resulted to him from the transaction

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• Duty not to make secret profits

Any advantage obtained by agent over and above his agreed remunerations and which he would not have been able to make but for his position as agent

[Principal की वरिष्ठता के लिए पैसे]

• Duty not to delegate ÷

The act agent has promised to do expressly or impliedly perform personally unless by the ordinary custom of trade a sub-agent may or from the nature of agency a sub agent is employed.

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• Duty to pay sums received for Principal

• Duty not to use any confidential information received in the course of agency against the principal.

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9.9 RIGHTS OF AN AGENT :-

• Right to retain out of sums received on principal's account.

All money due to himself in respect of advances made

In respect of expenses properly incurred by him in conducting such business

Remuneration as may be payable to him for acting as agent

• Right to remuneration :-

In absence of any agreed amount, he is entitled for usual remuneration which is customary in the business. However, an agent who is guilty of misconduct

No remuneration.

• Agent's lien on principal property :-

In the absence of any contract to contrary agent may retain the goods, papers & property of principal

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Condition of rights:

(a) Agent should be lawfully entitled to receive from the principal a sum of money by way of commission earned or disbursement made or services rendered in proper execution of the business of agency.

(b) The property over which the lien is to be exercised should belong to principal.

It should have been received by the agent in his capacity and during the course of his ordinary duties as an agent.

Agent obtains possession of the property by unlawful means if he cannot exercise particular lien.

The agent right to lien is lost

When

- Possession of the property is lost
- Agent waives his right
- Agent's lien is subject to a contract to the contrary

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(v) Right to compensation for injury caused by principal's neglect:

Principal [Must compensate] [In case of his neglect or want of skill.]

9.10 ★ Principal's liability to 3rd parties:

Agent does all acts on behalf of principal } But incurs No personal liability

Bcz there is no privity of contract and passing of consideration between the agent & third party } The liability remains that of the principal unless there is a contract to contrary.

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1. Principal's liability for the acts of the agent:

which are within the scope of his authority.

2. Principal's liability when agent exceeds authority:

Only that part for which authority granted not other party.

- Principal not bound when excess of agent's authority is not seperable.

Not seperable [Mere repudiate

Exception: liability of principal inducing belief that agent's unauthorized acts were authorized.

If agent has done acts / obligations to 3rd party on behalf of principal.

Then principal is bound for agent's authority and action taken by him.

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3. Consequences of notice given to agent.

Any notice given to or information obtained by agent

The knowledge of the agent is treated as the knowledge of the principal.

4. Principal's liability for the agent's fraud, misrepresentation or torts:

Done for principal with authority - Same effects on agreements made by such agents.

26 Without authority - Do not affect principals.

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9.11 Personal liability of agent to 3rd parties :-

Agent cannot personally enforce, nor be bound by contracts on behalf of principal.

He can neither sue nor be sued on contracts made by him on principal's behalf.

Exceptions :-

1. Foreign principal } Then it is assumed agent is buying goods for him not on behalf of principal.

2. If the agent does not disclose the name of his principal.

3. Non-existent or incompetent principal.

4. Pretended agent

5. When agent exceeds authority { Seperable
Non-seperable

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RIGHTS OF 3RD PARTIES ÷

(i) Rights of parties to a contract made by undisclosed agent:

The other contracting party has the same right as against the principal as he would had as against the agent if the agent had been the principal.

If principal discloses himself before the contract is completed, the other party may refuse to fulfill the contract.

(ii) Performance of contract with agent supposed to be principal

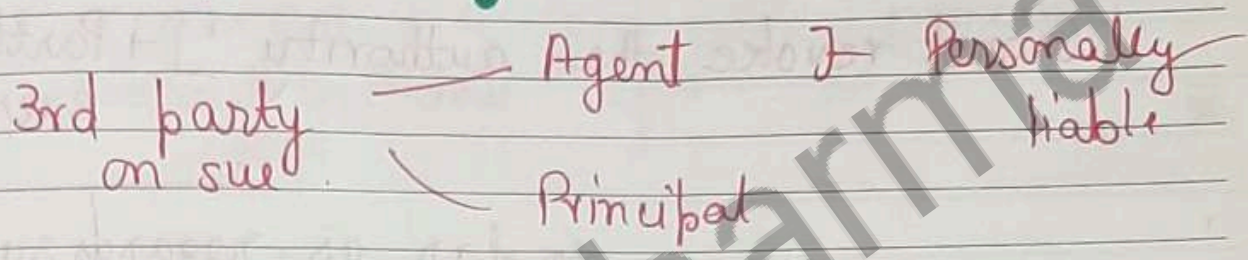
When agent does not disclose that he is acting as an agent and principal requires

the performance of the contract, then the principal can obtain such performance subject to the rights and obligations subsisting b/w agent and other party.

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(iii) Option to third person - sue the agent or the Principal.

(a) Right of person dealing with agent personally liable.



(b) Consequences of inducing agent or principal to act on belief the principal or agent will be held exclusively liable.

★ Revocation of Authority

Termination of agency means putting an end to the legal relationship between principal and agent.

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(a) **Revocation**: An agency may be terminated by the principal revoking authority of an agent

Cannot revoke the authority] → Partly exercised

so far as regards such act and obligations as arise for acts already done in the agency

Compensation for revocation by principal:

Premature Revocation] → The principal must compensate

Notice of revocation:

There is a reason so given] Reasonable notice] NO compensation

Revocation and renunciation may be — Expressed
— Implied

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when agent cancel.

(b) Renunciation by agent:

If agent renounce (Premature renunciation) without sufficient cause.

He have to compensate principal.

(c) Completion of business:

Business complete

Agency Khatam

(d) Death or insanity

If agent & principal dies } Agency done and renounce

(e) Principal's insolvency

(f) On expiry of time.

Purpose completed

Automatic expiry

01

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Why the agency is irrevocable?

If the agent has personal right in agency
(Eg compensation, loan) by Principal.

Then agent cannot cancel the contract bcz he has rights in the contract.

Effects of termination :-

- When termination of agent's authority takes effect as to agent and as to 3rd persons.

Termination can't be done

→ Until we don't tell the agent he have taken his authority

02

SUNDAY

- Agent's duty on termination of agency by principal's death or insanity.

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2018 MONDAY
SEPTEMBER

03

Agent can take
compensation on
behalf the
representatives of
his late principal

If he died
or
Becoming of
unsound
mind.

Termination of sub-agent's authority.

Principal - Gya ✓
Agent - Gya ✓
Sub agent - Bhi Gya ✓

COMPLETED

[ICA] UNIT 9

(a) Learn with Shreya! :-)