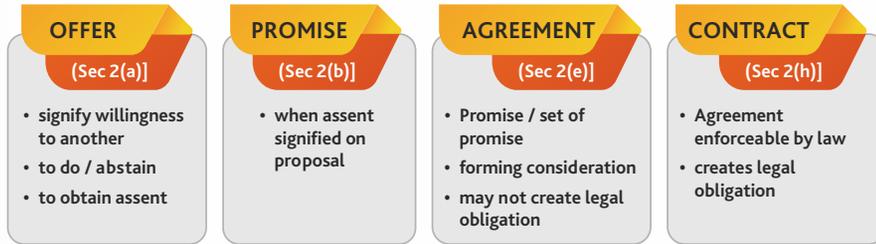
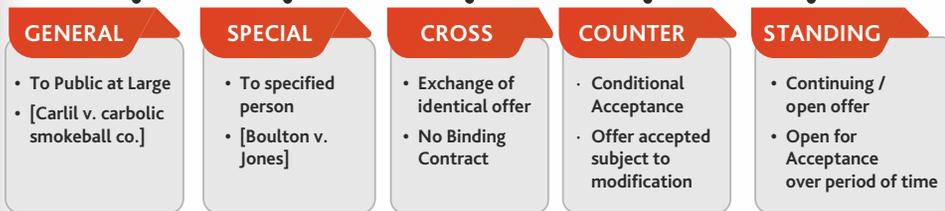


OFFER + ACCEPTANCE = AGREEMENT

AGREEMENT + ENFORCEABLE BY LAW = CONTRACT



KINDS OF OFFER



ESSENTIAL OF VALID OFFER

- Legal Relation
Legal relation must be created
- Certain, Definite, Not Vague
No contractual relationship if indefinite / vague
- Communicated to offeree
Must be communicated [Lalman Shukla v. Gauri Dutt]
- Assent
must be obtained
- Conditional
Can be subject to T&C
- Not contain term non-compliance of which would amount to acceptance
- Specific / General
made to public at large / specified person
- Express / Implied
offer can be in words or by conduct
- Invitation to offer
Terms proposed for negotiation
 - Act precedent to offer
 - Can be converted into offer

LEGAL RULES - VALID ACCEPTANCE

- Given by person to whom offer is made
General offer : Accepted by anyone
Special offer : Accepted by specific person
- Time
If mentioned : within specified time
If not : within reasonable time
- Absolute & unqualified
[Neale vs Merret]
- Mere Silence Not Acceptance
[Felthouse v. Bindley]
- By Conduct / Implied Acceptance
 - Modes other than verbal / written
- Must be communicated
Conditional acceptance ≠ Acceptance.
[Brogden v. Metropolitan Railway Co.]
- Prescribed Mode
If mode prescribed Acceptance in that mode

Communication of offer

[Sec 4]

Complete

When comes to knowledge of offeree

Communication of Acceptance

[Sec 4]

Complete

Against the offeror
When put in course of transmission by the offeree

Against the offeree
When comes to knowledge of the offeror

Revocation of Acceptance & offer

[Sec 5]

Revocation of offer

Anytime before it is accepted by offeree

Legal भाषा मे

"Revoked anytime before communication of Acceptance is complete as against the offeror"

Revocation of Acceptance

Anytime before it comes in knowledge of the offeror

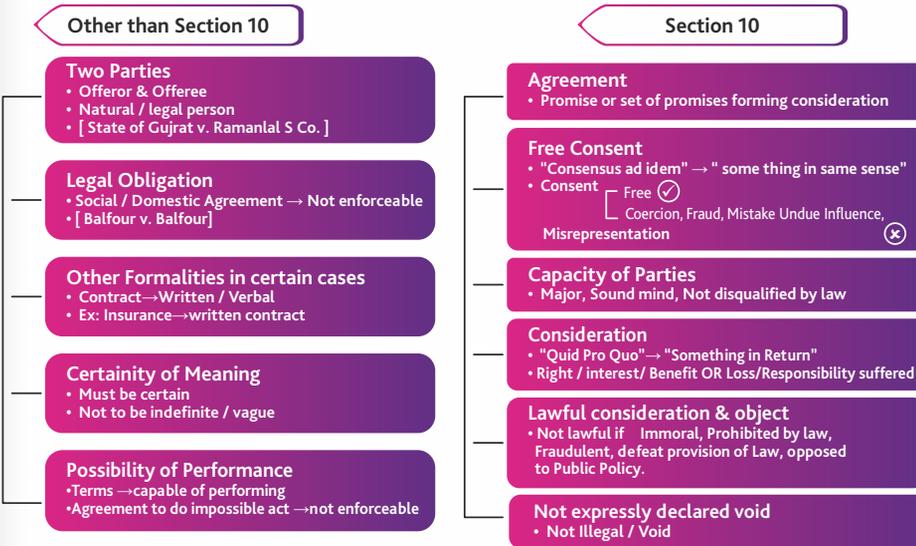
Legal भाषा मे

"Revoked anytime before communication of Acceptance is complete as against the offeree"

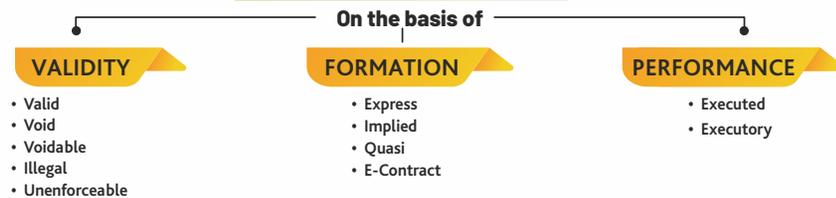
MODES OF REVOCATION



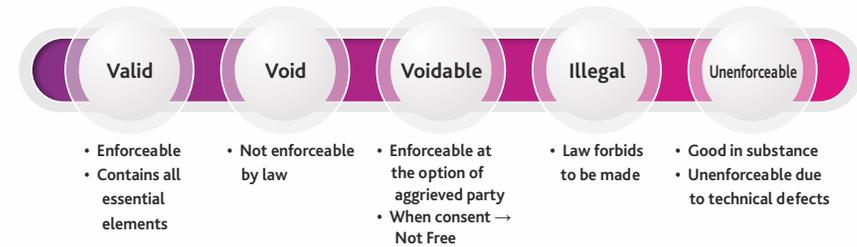
ESSENTIALS OF VALID CONTRACT



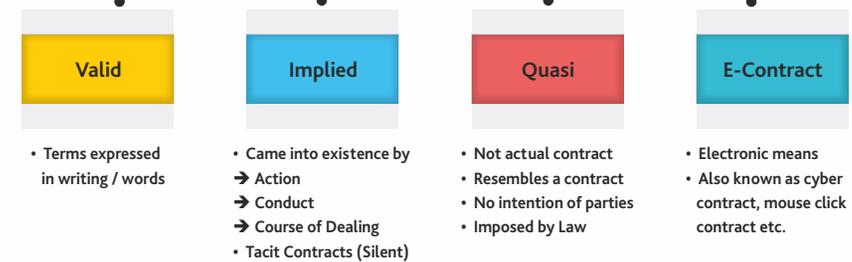
TYPES OF CONTRACTS



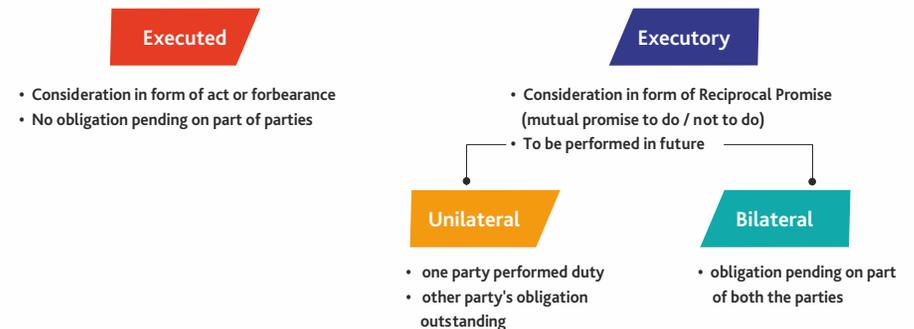
ON THE BASIS OF VALIDITY



ON THE BASIS OF FORMATION



ON THE BASIS OF PERFORMANCE



CONSIDERATION

Section 2 (d)

- When at the desire of Promisor
- Promisee or any other person
- Has done or abstained (Past), does or abstain (Present), Promises to do or abstain (Future)

Such act / abstinence / Promise → Consideration

Legal Rules → Consideration

At the desire of Promisor

- If at desire of 3rd party → Not a consideration
- [Durga Prasad v. Baldeo]

From Promisee or any other person

- Stranger to consideration ✓
- Stranger to contract ✗
- [Chinnaiya v. Ramaiyya]

Consideration

- Executed → consists in performance
- Executory → consists in promise

Consideration

- Past / Present / Future

Need not be Adequate

- Bad Bargain
- Something in return need not be equal to something given
- If consent free → cannot be void, just because consideration is inadequate

Must not be performance of what one is legally bound to perform

- Example : Paying ₹ 10,000 to police officer to investigate crime → Not a valid consideration

Consideration

- Real (Something, to which law attaches value)
- Not Illusory (not physically / legally impossible)

Must not be unlawful / Immoral / opposed to Public policy

Doctrine of Privity of Contract

- Private relation exists between the parties.
- "Stranger to contract cannot sue"
- Only party to contract can sue.
- EXCEPTIONS → Suit by third party to contract

SUIT BY THIRD PARTY TO CONTRACT

| Type of Contract | Contracting Parties | | 3rd party |
|--------------------------------------------|-----------------------|-----------------------|----------------------------------------|
| | 1 st party | 2 nd party | |
| → Trust | Settler | Trustee | Beneficiary |
| → Family Settlement | Family member | Family member | Family member not included in Contract |
| → Marriage Contract | Family member | Family member | Female member |
| → Assignment | First party | Assignor | Assignee |
| → Estoppel by Acknowledgement of Liability | Giver | Receiver | Beneficiary |
| → Covenant Running with Land | Seller | Buyer | Successor of seller |
| → Agent | First party | Agent | Principal |

Validity of Agreement without Consideration

General Rule : Agreement without consideration → Void But → certain exceptions

Natural Love & Affection Sec 25 (1)

- Near relationship
- In writing
- Registered under Law

Compensation for past voluntary services Sec 25 (2)

- Services rendered voluntarily for Promisor
- Promisor intended to compensate

Time Barred Debt Sec 25 (3)

- Promise in writing
- Signed by person or his agent to pay time Barred Debt

Agency

- Sec 185: No consideration necessary to create agency

Completed Gift Sec 25 (1)

- "No Consideration – No Contract" Do not Apply

Bailment Sec 148

- No consideration required to effect contract of "Gratuitous Bailment" (Free \bar{a})

Charity Sec 148

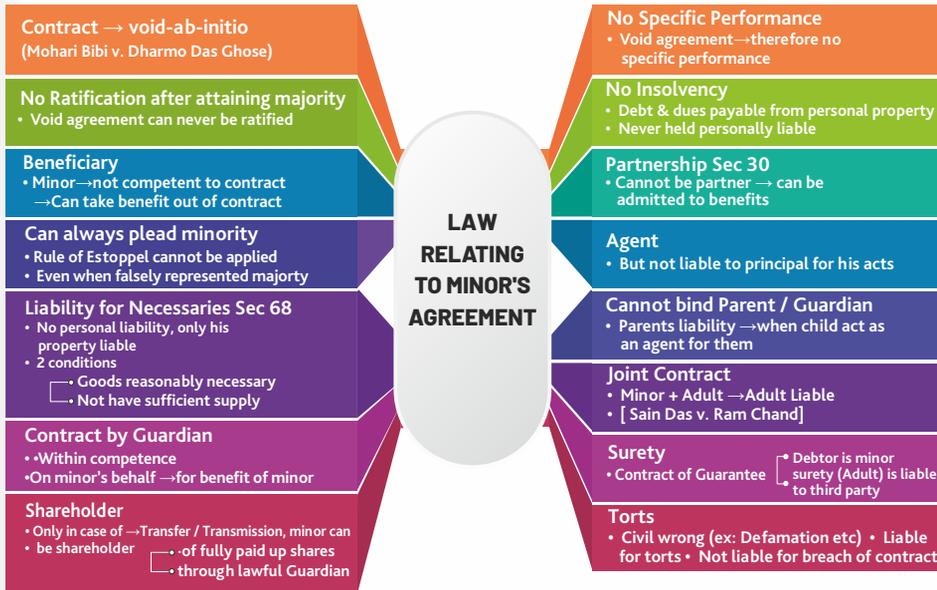
- Promisee takes Liability
- On promise of person to contribute to Charity
- [Kadarnath v. Gorie Mohammad]

OTHER ESSENTIAL ELEMENTS OF CONTRACT

Section 11

Capacity to Contract

- Major
- Sound Mind
- Not disqualified by Law



PERSON OF SOUND MIND SEC 12

usually unsound mind occasionally sound mind

• Make contract, when of sound mind

usually sound mind occasionally unsound mind

• Not make contract, when of unsound mind

NOT DISQUALIFIED BY LAW

Persons disqualified

- Foreign Sovereign
- Alien Enemy
- Convicts
- Insolvent

FREE CONSENT

Consent is Free, when not caused by

- Coercion (Sec 15)
- Undue Influence (Sec 16)
- Fraud (Sec 17)
- Misrepresentation (Sec 18)
- Mistake (Sec 20, 21, 22)

VOIDABLE

VOID

COERCION

- Committing / threatening to commit any Act (Forbidden by IPC)
 - Unlawful detaining / threatening to detain any property
 - Intention : to cause person to make agreement
 - Effect : 1 Contract voidable
 - Effect : 2 Benefit received to be restored
 - Proceed from party to contract
 - Subject must be other contracting party
- Not Necessary

UNDUE INFLUENCE

- Near Relation between 2 parties
 - One of them is position to dominate
 - Person Deemed to be in position to dominate:-
- Real & Apparent Authority (Father - Son)
 - Fiduciary Relationship (Trust) (Husband - Wife)
 - Mental Distress (Doctor Patient)
 - Unconscionable Bargain (Unreasonable)
- Effect : 1 Contract voidable
 - Effect : 2 May be set aside by court

FRAUD

Commission of Following act:-

- Fact suggested → knows, not true
- Active concealment of fact
- Promise made without intention of performing
- Other act filled to deceive
- Any act declared by Law → as Fraud

Effect:-

- Contract voidable
- Sue for damages

Committed by:-

- Party to contract, with his connivance
- Agent of party to contract

Intention:-

- To deceive
 - To induce to enter into contract
- OR

- Rescind → within reasonable time
- Insist performance

Mere silence as to Facts → Not Fraud.

(Caveat Emptor : Let the buyer beware)

Exception : i.e.

Silence = Fraud

Duty of person keeping silence to speak

Fiduciary relationship, Insurance Contracts, Marriage contracts, Family Settlement, Share Allotment

Where Silence=Speech

Contract not voidable if party had means of discovering Truth.

MISREPRESENTATION

- Representation of fact which is not true but believes to be true
- Made without intention to deceive
- Causing other person to make mistake of subject matter
- Effect : 1 Repudiate Contract
2 Sue for Restitution
3 Cannot Claim Damages

MISTAKE

- Two parties thing about different subject matter
- Lead contract towards 'voidness'
- Mistake of Law
 - Foreign Law : Excusable
 - Own Law : Not excusable
- Mistake of Fact
 - Unilateral → Not void
 - Bilateral → void

CONTRACT NOT VOIDABLE

Silence amounting to Fraud

Fraud / Misrepresentation

Enters into contract in ignorance of Fraud

- Had means to discover truth
- Did not cause consent of party

LEGALITY OF OBJECT & CONSIDERATION

Sec 23 : Consideration is said to be unlawful

Forbidden by Law

- Act punishable under any statute or prohibited

Defeat provisions of Law

- Intention of Parties → to defeat provision → Court will not enforce it

Fraudulent

- As per section 17

Consideration defeats any Rule for the time being in force in India

Consideration involves injury

- Harm to person or property of another

Consideration Immoral

Consideration opposed to Public Policy

Agreements opposed to Public Policy

Trading with enemy

- Agreement with person from country, at war with India → VOID

Stifling Prosecution

- Agreement to drop proceeding in consideration of amount → VOID
- Abuse of Justice
- Exception :- Consideration for compoundable offence

Maintenance & Champerty

- Agreement Valid except : 1 Unreasonable
2 Motive : Malicious

Interest against obligation

- Do something against his duty

Traffic relating to public offices

- Interferes appointment of best qualified person → VOID

Agreement to create monopolies

Marriage Brokerage Agreement

- Void
- Marriage Bureau → only provides information, Thus, not covered under this

Interference with course of Justice

- Agreement with Judicial officer to act partially / corruptly → VOID

Consideration Unlawful in part

- 1 or more objects → Part of single consideration
 - Single object → Part of several consideration
- Unlawful → VOID

VOID AGREEMENTS

By Incompetent Parties

Bilateral Mistake

Consideration / object unlawful

Agreement without consideration

In restraint of marriage (except Minor)

In restraint of Trade (except Sale of Goodwill & Partnership)

Restraint of Legal proceeding (except Arbitration)

Meaning uncertain

Agreement of service

Wagering Agreement

To do Impossible Acts

WAGERING AGREEMENT

- Promise to pay money / money's worth
- No interest in event

Transaction similar to wager

Lottery

- Game of chance
- Crossword Puzzle & competitions
- Speculative Transaction
 - Settlement of difference between Contract price & market price
- Horse Race Transaction

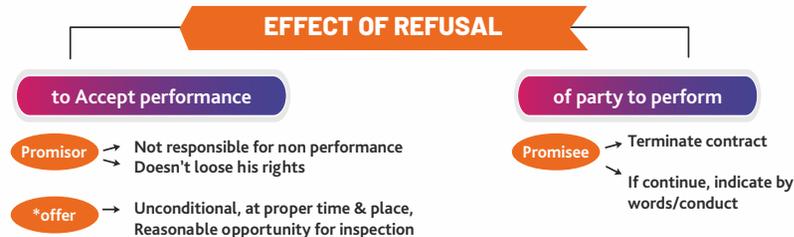
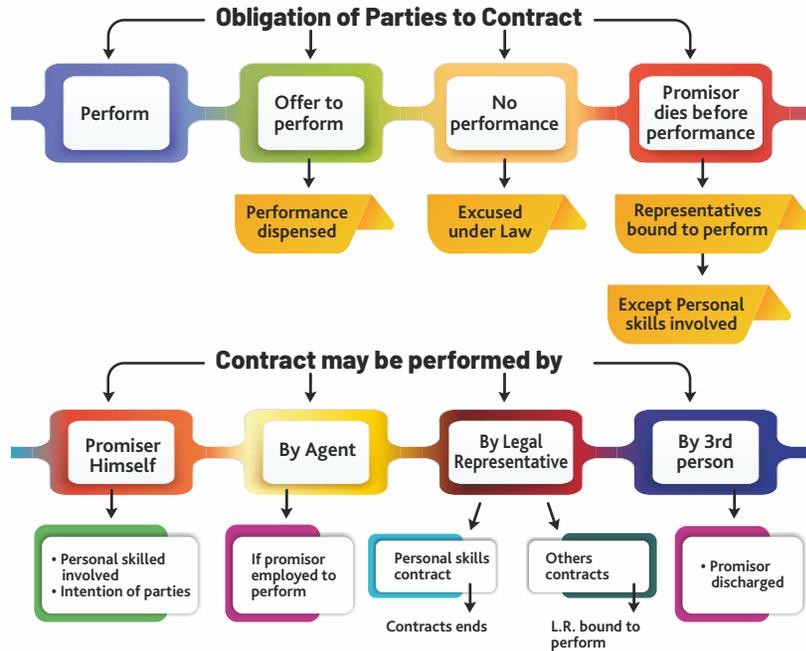
- Conditional on uncertain event
- Win or lose

Transaction resembling wager But not void

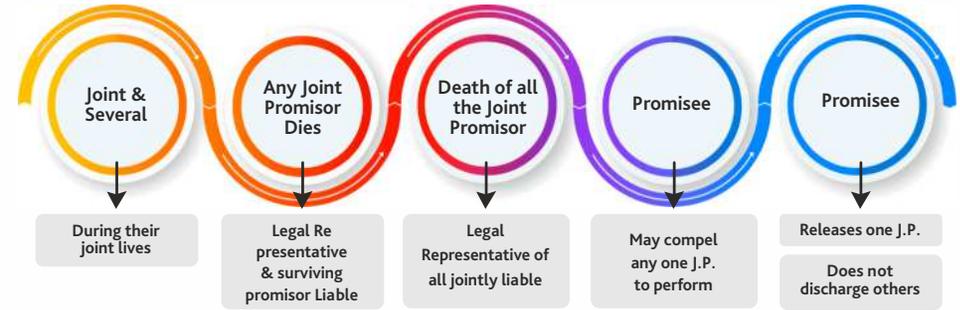
Chit Fund Share

Market Transaction

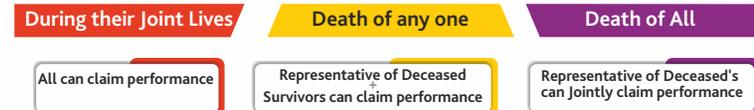
- Delivery of goods / shares → Not wager
- Game of Skills / Athletic Competition
- Contract of Insurance
 - Type of Contingent Contract → Valid



Liability of Joint Promisor



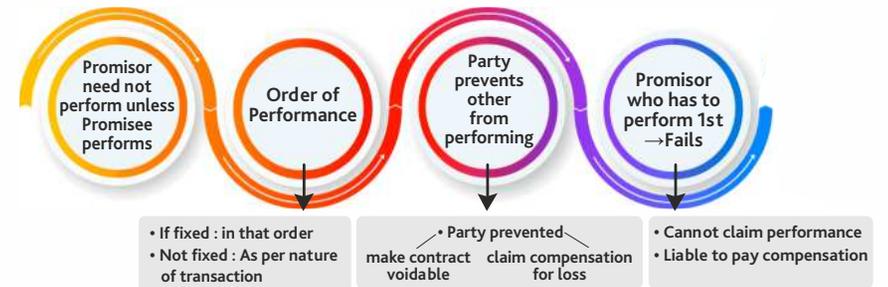
RIGHT OF JOINT PROMISEE



TIME & PLACE FOR PERFORMANCE



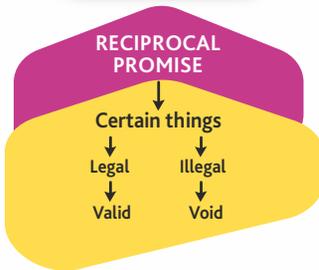
Performance of Reciprocal Promise (mutual Promise to do / not to do)



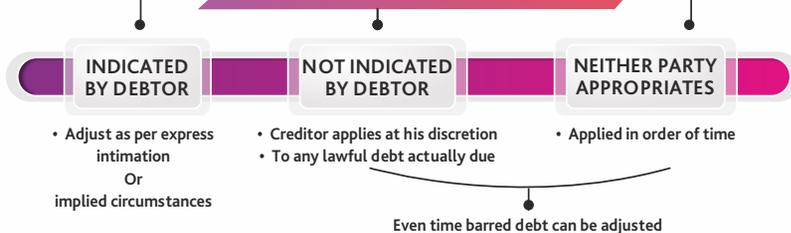
EFFECT OF FAILURE TO PERFORM AT TIME FIXED



IMPOSSIBILITY



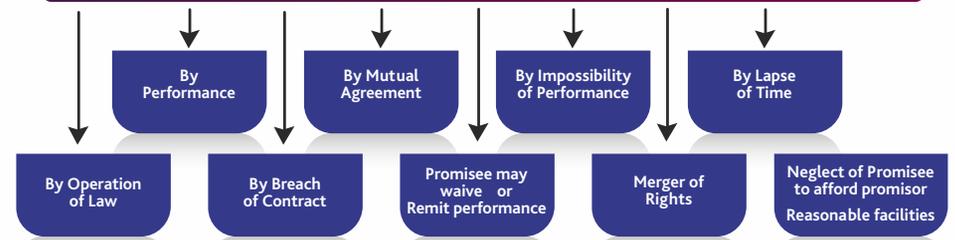
APPROPRIATION OF PAYMENTS



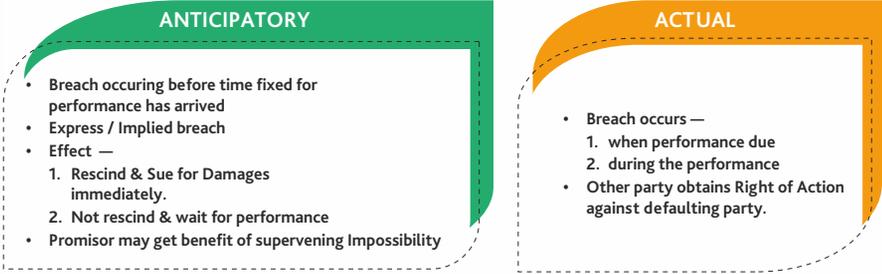
CONTRACTS WHICH NEED NOT BE PERFORMED



DISCHARGE OF CONTRACT



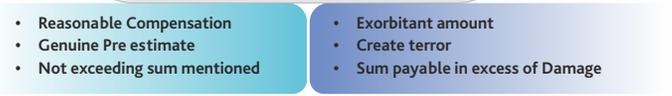
Breach FAILURE OF PARTY TO PERFORM HIS/ HER OBLIGATION UNDER CONTRACT



SUIT FOR DAMAGES

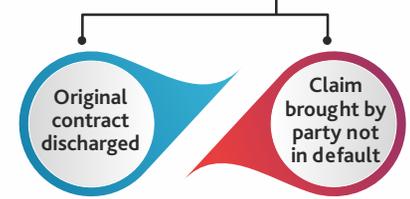


LIQUIDATED DAMAGES / PENALTY

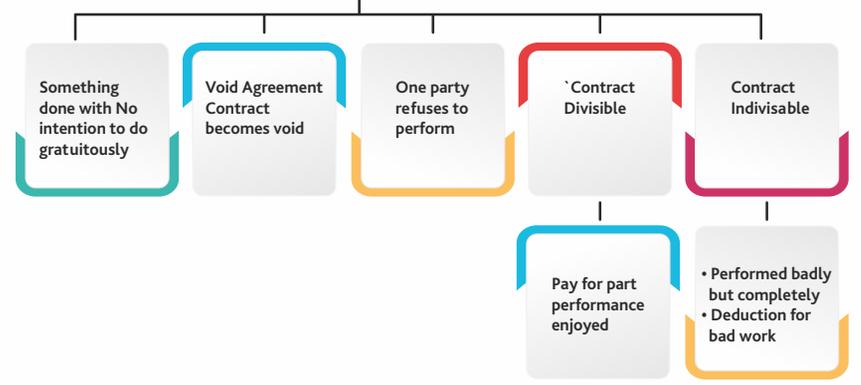


QUANTUM MERUIT

- As much as the party has deserved
- Recompensate for value of work done, where no remuneration fixed
- 2 Condition for application of Doctrine



- Claim of Quantum Meruit in following cases —



CONTINGENT & QUASI CONTRACT

CONTINGENT CONTRACTS

SEC 31 Contract to do or not to do something, if some even, collateral to contract does or does not happen

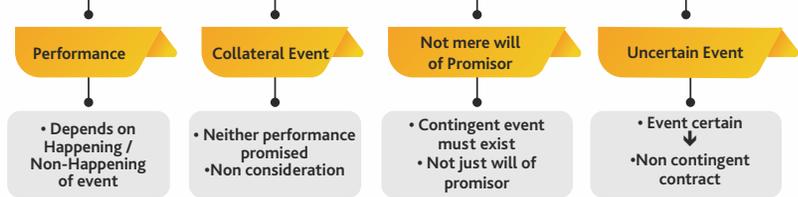
Example Contract of Insurance, Indemnity & Guarantee

* Collateral Event (Pollock & Mulla)

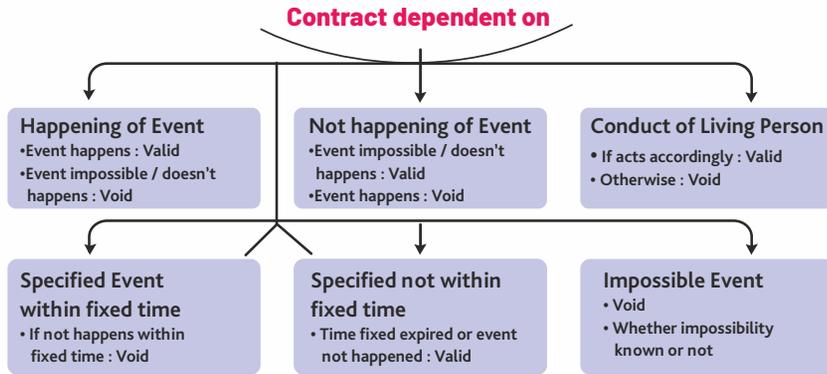
Even in which

- Neither performance promised
- Nor consideration for a promise

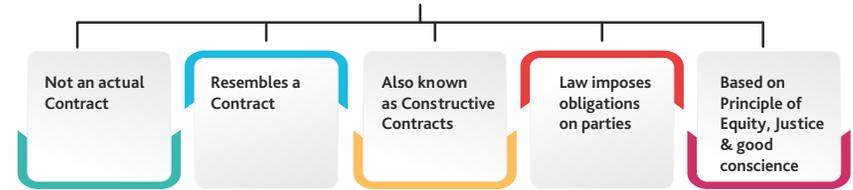
ESSENTIALS OF CONTINGENT CONTRACT



RULES RELATING TO ENFORCEMENT [Sec 32 - 36]



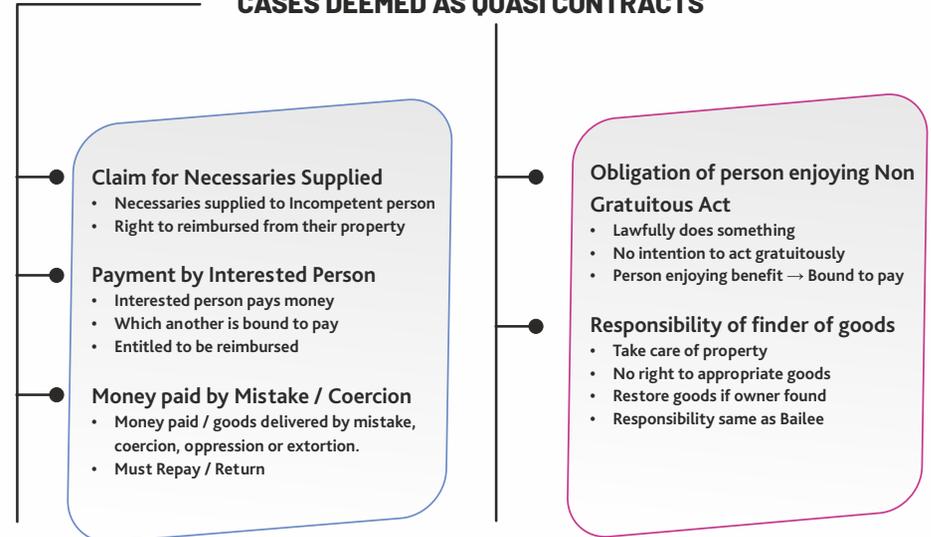
QUASI CONTRACTS



FEATURES



CASES DEEMED AS QUASI CONTRACTS



CONTRACT OF INDEMNITY

'Indemnify' Meaning:

To Make Good The Loss Incurred By Another Person.

Sec. 124 Covers The Losses Caused:

- i) By The Conduct Of Promisor Himself or
 - ii) By The Conduct Of Any Other Person.
- But As Per Decision Taken In Case of Gajanan Moreshwar V/s Moreshwar Madan (1942), Losses By Conduct Of Promisee, or Accident, or Act of God.

Parties To Contract of Indemnity

'Indemnifier' Who Promises To Compensate For The Loss,
'Indemnity Holder' Or The 'Indemnified' Whose Loss Is To Be Made Good

Rights of Indemnity Holder

- Right To Recover
- All Damages,
- Costs of Suit,
- Other Sums.

MODES OF CONTRACT OF INDEMNITY

EXPRESSED

Expressly Promises To Compensate The Loss

IMPLIED

Inferred from the Conduct of Parties/ Circumstances of Cave.

Liability of an Indemnifier Commences when liability of Indemnity holder becomes absolute and Certain.

CONTRACT OF GUARANTEE

'Guarantee' Meaning:

Contract To Perform The Promise; Discharge The Liability, of A Person Third In Case Of His Default.

Parties To Contract of Guarantee

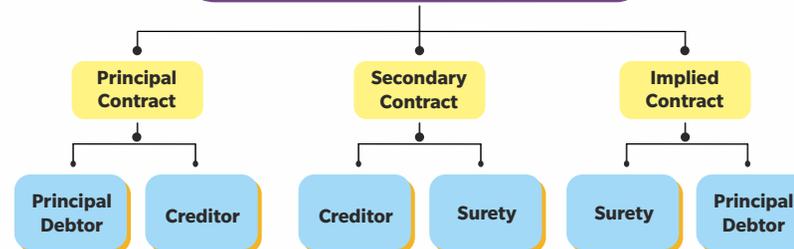
Surety: Who Gives The Guarantee,
Principal Debtor: In Respect of Whose Default The Guarantee is Given,
Creditor: To Whom The Guarantee Is Given

Essential Features

1. **Purpose:** To Secure The Payment of A Debt.
2. **Consideration:** Must Be There, May Be Direct or Indirect.
3. **Existence Of Liability:** Liability Must Be Legally Enforceable, Not Time Barred.
4. No Misrepresentation Or Concealment
5. May Be Oral Or Written.
6. Joining Of Co-sureties Must Be If Provided In Contract.

CONTRACT OF GUARANTEE

(Tripartite Agreement)



TYPES OF GUARANTEE

SPECIFIC GUARANTEE

1. Guarantee which Extends to a single Debt\ specific Transaction
2. Surety's liability Comes to an end When guaranteed Debt is duly Discharged.

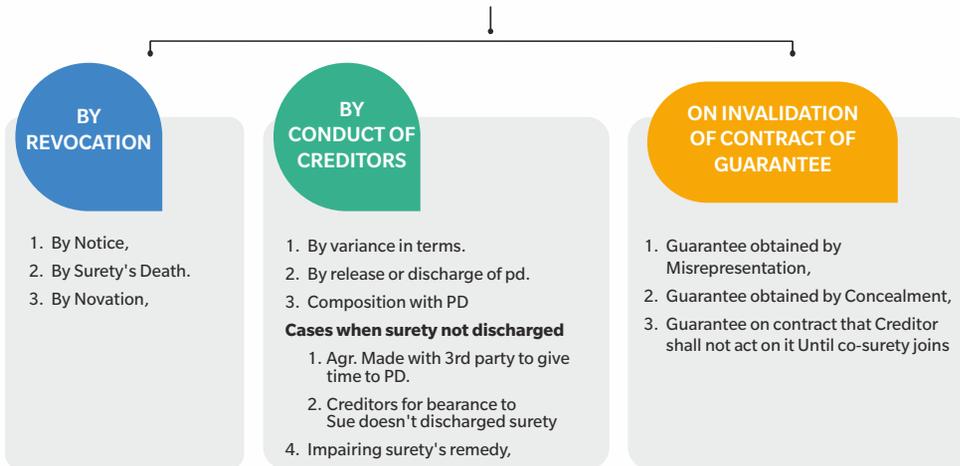
CONTINUE GUARANTEE

1. Guarantee which Extends to a series of Transaction,
2. Surety's liability Continues until the Revocation of the Guarantee

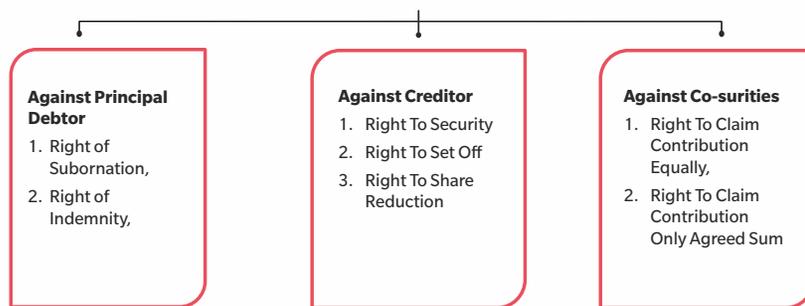
NATURE AND EXTENT OF SURETY'S LIABILITY



MODES OF DISCHARGE OF SURETY



RIGHTS OF SURETY



BAILMENT (SECTION 148 - 171)

Meaning: Delivery of goods, by one person to another, for some purpose, upon a contract, that they shall, when the purpose is accomplished, be returned or otherwise disposed, according to the directions of the person delivering them.

Parties

Bailor: Who Delivers;
Bailee: Who Receives;

Essentials

1. Agreement
2. Delivery of goods.
 - a. Actual Delivery (Physically handover)
 - b. Constructive Delivery (Delivery through sign or symbol)
3. For some purpose.
4. Return to goods

Kinds of Bailment

On the basis of benefit

1. For the benefit of bailor
2. For the benefit of bailee
3. For the benefit of both

On the basis of consideration

1. Gratuitous - no Consideration
2. Non-gratuitous - For consideration

Gratuitous Bailment: Without Consideration, Bailor Is Liable For Known Faults Only. All Expenses Borne By Bailor.

Non-gratuitous Bailment: With Consideration, Bailor Is Liable For All Faults, Extra Ordinary Expenses Borne By Bailor

DUTIES & RIGHTS

Duties of Bailor

1. Disclose known Faults,
2. Bear expenses,
3. Indemnify bailee,
4. Receive back goods.

Rights of Bailor

1. Terminate bailment,
2. Demand return of Goods any time,
3. Claim accretion,
4. Right against third Party.

Duties of Bailee

1. Take care of the goods bailed,
2. No unauthorized use of goods,
3. Not mix goods with own goods,
4. Return the goods,
5. Return accretions to goods,
6. Not to set up adverse title

Rights of Bailee

1. Delivery to any of joint bailors,
2. Right to compensation,
3. Claim necessary expenses,
4. Action for wrongful deprivation of goods,
5. Right of lien

RIGHTS OF BAILOR AND BAILEE AGAINST ANY WRONDOER

Suit Against Wrondoer

Apportionment of Compensation obtained by such suits

Termination of Bailment

1. On expiry of stipulated period,
2. Accomplishment of Specified purpose,
3. Doing anything inconsistent with conditions,
4. Gratuitous Bailment (Any time),
5. By Death,
6. Destruction of subject-matter,

Finder of Lost Goods

Duties: same as of bailee,
Rights: lien, sue for reward, sale of goods, No right to sue for compensation for trouble expense incurred voluntarily

LIEN

Meaning: To retain the goods belonging to another until his claim is satisfied or some debt due to him is repaid,
General lien: Right to retain any goods in respect of any debt.
Particular lien: Right to retain any goods in respect of concerned debt only.

PLEDGE (SECTION 171-181)

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

Parties: Bailor - pawnor; bailee - pawnee

ESSENTIALS

Bailment for security against payment

Subject matter is good

Existing Goods

Deliver of Goods

DUTIES & RIGHTS

Duties of pawnor

1. Pay debt,
2. Indemnify Pawnee,
3. Disclose all the Faults,
4. Pay extra ordinary Expenses,
5. Pay deficit if Pawnee sells Goods due to Default by pawnor

Rights of pawnor

Same as that of bailor along with right of redemption (to recover back the goods by making of the payment of debt)

Duties of pawnee

1. Take care of the goods bailed,
2. No unauthorized use of Goods,
3. Not mix goods with own Goods,
4. Return the goods,
5. Return accretions to the Goods,
6. Not to set up adverse title

Rights of pawnee

1. Retain the Pledged goods,
2. Retention for Subsequent Debts,
3. Recover Extraordinary Expenses,
4. Right on Default by Pawnor

Pledge by Non-owner

1. Pledge by Mercantile Agent
2. Pledge by Person in Possession under voidable contract

3. Pledge where Pawnor has only a Limited Interest,
4. Pledge by co-owner in possession,
5. Pledge by buyer or seller in possession

Meaning - relation between an agent & his principal created by An express/ implied argument authorising an agent by his principal to Create contractual relation with 3rd parties

PARTIES TO CONTRACT



MODES OF CREATION OF AGENCY



Essentials For Valid Ratification

- A. May Be Express Or Implied;
- B. Full Knowledge Of Facts;
- C. Whole Transaction Must Be Ratified;
- D. Ratification Not Put A Third Party To Damages;
- E. Within Reasonable Time;
- F. Communication; G. Act To Be Ratified Must Be Valid

Extent of Agent's Authority

In Normal Circumstances

Every Lawful Thing Which Is Necessary For Conducting Such Act And Business

In An Emergency

To Do All Acts For Protecting The Principal From Loss

Sub-Agents



[Appointment of sub agent is not lawful based on maxim delegates non potest delegates]

Exception

- Terms of appointment provider for
- Customs of Trade
- Unforeseen Emergency

Rules of Sub-Agent

1. Work under control and directions of agent.
2. Agent delegates a part of his own duties to Sub Agent.
3. No privity of contract between principal and sub-agent.
4. Sub-agent is responsible to the agent only.
5. Agent is responsible to the principal for the acts of the sub-agent.
6. Sub-agent has no right of action against the principal for remuneration due to him.

Sub Agent Properly

Appointed

Principal is liable to 3rd Party

Agent Responsible to Principle for SA's Act

In case of fraud liable to principal

SA Appointed without Authority

Responsibility

Agent for his Act to Principal to 3rd Party

Principal for act of sub agent

sub agent is not responsible



Substituted Agent

A person appointed by agent to act for principal with knowledge and consent of principal.

Rules of Substituted Agent

1. Works under the instructions of the principal.
2. Agent does not delegate any part of his task to a substituted agent.
3. Privity of contract exists between a principal and a substituted agent.
4. Responsible to the principal.
5. Agent is not responsible to the principal for the acts of the substituted agent.
6. Substituted agent can sue the principal for remuneration due to him.

Duties of Rights of Agent

Duties of Agent

1. To act according to Principal,
2. Reasonable care,
3. Present proper accounts,
4. Communicate with principal,
5. Not to deal on his own account,
6. Not to make secret profit,
7. Not to delegate authority.
8. Pay sums received,
9. Not to Mis-use information

Rights of Agent

1. Right of Retainer,
2. To receive agreed remuneration,
3. Right of lien,
4. Right of indemnification,
 - a) For Lawful Acts
 - b) Acts Done In Good Faith
 - c) For Injury Caused By Principal's Neglect.
5. Right of compensation for injuries.

Personal Liability of Agent

1. Foreign principal,
2. Undisclosed principal,
3. Principal incompetent,
4. Pretended Agent.
5. Acts beyond his authority

Termination of Agency

1. By Revocation
2. By Renunciation by agent
3. On completion of business.
4. On death or insanity of Principal or Agent
5. Principal's insolvency
6. On expiry of time

Principal liability to third party

1. Liable for acts of agent within his scope
 2. Not bound when agent exceeded his authority (if separable then liable for act within scope)
 3. consequences of notice given to agent
 4. Agent's fraud Misrepresentation
- | | |
|------------------|-------------------|
| Within authority | Outside authority |
| ↓ | ↓ |
| Liable | Not Liable |