



LAW OF CONTRACT - AT A GLANCE (INDIAN CONTRACT ACT, 1872)

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Meaning of a Contract

- The word 'Contract' comes from Latin word 'CONTRACTUM'.
- Which means meeting together and extend.
- So it can be said that agreeing two or more persons called contract.
- It is a legal word which means establishing a valid agreement between two or more persons.
- In other words, each agreement which creates legal liability and rights between two or more parties called contract.

Definitions of Contract



- **According to Salmond -**

A Contract is “ an agreement, creating and defining obligations between the parties.”

- **According to Pollock**

“Every agreement and promise enforceable at a Court of law is a contract.”

- The Indian Contract Act has adopted the definition given by Pollock. It defines “an agreement as an agreement enforceable at law.” **[Sec.2(h)]**

An agreement becomes a contract if it is enforceable at a Court of law.

Thus

**Contract = Agreement + Enforceability
by law**

Essentials of a valid Contract



- Agreement- Offer and Acceptance.
- Intention to create legal relationship.
- Competence of the parties to do a contract.
- Free consent of the parties.
- Lawful consideration and object.
- Agreement not hereby expressly declared to be void.
- Contract is required to be made in writing or in the presence of witness or any law relating to the registration of documents.

Capacity of parties to contract

- ▶ Capacity of parties emphasises that the parties entering into a contract should be capable of understanding it and forming a rational judgment as to its effect upon their interests.
- ▶ Sec.11 of the Indian Contract Act provides that “Every person is competent to contract who is of the
- ▶ age of majority according to the law to which he is subject and,
- ▶ Sound mind and
- ▶ Not disqualified from contracting by any law to which he is subject.”

Sound Mind

- Sec.12 defines a person of sound mind in the following words :

If at the time when he makes it,

- he is capable of understanding it and
- of forming a rational judgment as to its effect upon his interests

Unsound Mind



- Negatively speaking a person who cannot understand a contract and form a rational judgment as to its effect upon his interests is a person of unsound mind.
- Idiot
- Lunatic
- Drunkards or intoxicated persons
- Mental Decay
- Hypnotism

Free Consent

When consent is not free

If it is caused by –

- Coercion
- Undue influence
- Misrepresentation
- Fraud
- Mistake

Agreements expressly declared as Void

- ◉ Agreements in Restraint of Marriage
- ◉ Agreements in Restraint of Trade
- ◉ Agreements in Restraint of Legal Proceedings
- ◉ Agreements Involving Uncertainty
- ◉ Agreements by way of wager
- ◉ Agreements of doing Impossible Acts

THANK YOU