

GENERAL  
PRINCIPLES OF LAW  
OF CONTRACT

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*Indian Contract Act, 1872*

# INTRODUCTION

- Law
- Sources of Law
- Contract as a source of law
- Wrongs – civil and criminal
- Civil wrongs – breach of contract, tort, breach of trust , Fiduciary relation
- Terminology – prosecution-suit – state v. Individual- Individual v. Individual – parties nomenclature – criminal offence-civil wrong – conviction-judgment/ order

Preamble - WHEREAS it is expedient to define and amend certain parts of the law relating to contracts; It is hereby enacted as follows -

**1.Short title.**-This Act may be called the Indian Contract Act, 1872.

- **Extent, Commencements.**-It extends to the whole of India except the State of Jammu and Kashmir and it shall come into force on the first day of September, 1872.
- Nothing herein contained shall affect the provisions of any Statute, Act or Regulation not hereby expressly repealed, nor any usage or custom of trade, nor any incident of any contract, not inconsistent with the provisions of this Act.

## S. 2. INTERPRETATION-CLAUSE

(a) When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to make a *proposal*:

(b) When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be *accepted*.

A proposal, when accepted, becomes a *promise*:

(c) The person making the proposal is called the "*promisor*" and the person accepting the proposal is called the *promisee*":

## S. 2. INTERPRETATION-CLAUSE

(d) When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing, something, such Act or abstinence or promise is called a *consideration* for the promise :

(e) Every promise and every set of promises, forming the consideration for each other, is an *agreement*:

(f) Promises, which form the consideration or part, of the consideration for each other are called *reciprocal promises*:

## S. 2. INTERPRETATION-CLAUSE

(g) An agreement not enforceable by law is said to be *void*:

(h) An agreement enforceable by law is a *contract*:

(i) An agreement which is enforceable by law at the option of one or more of the parties- thereto, but not at the option of the other or others, is a *voidable* contract:

(j) A contract which ceases to be enforceable by law becomes *void* when it ceases to be enforceable.

# Definition and Essentials of 'Contract'

S. 2(h) An agreement enforceable by law is a *contract*

**Agreement + Enforceability at law = Contract**

"All agreements are not contracts but all contracts are agreements"

Agreement – S. 2 (e) Every promise and every set of promises, forming the consideration for each other, is an *agreement*

Promise – S. 2 (b) A proposal, when accepted, becomes a *promise*

# Definition and Essentials of 'Contract'

Proposal – S. 2(a) When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other to such act or abstinence, he is said to make a *proposal*

Acceptance – S. 2(b) When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be *accepted*.



# ENFORCEABILITY AT LAW

## S. 10 What agreements are contracts -

All agreements are contracts if they are made

- by the free consent of parties
- competent to contract,
- for a lawful consideration and
- with a lawful object, and
- are not hereby expressly declared to be void.

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

# ESSENTIALS

1. Proposal
  2. Acceptance
  3. Free consent
  4. Capacity of parties
  5. Lawful consideration
  6. Lawful object
  7. Not declared void by this Act
  8. Legal formalities
  9. Intention to contract
  10. Certainty and possibility of performance
- Agreement
- S. 10  
Enforceability

General  
Princi-  
ples -  
Courts