

CONTRACTS-II/FC/ASR

ESSENTIALS OF A VALID CONTRACT

(conditions for an agreement to become a contract)

1. Consideration
2. Capacity
3. Meeting of minds
4. Legality of object and consideration
5. Certainty
6. Possibility
7. Intention to create legal relationship
8. Free consent (otherwise –voidable)
9. Legal formalities (for certain type of contracts) [*Unenforceable Contract*]

- **KINDS OF CONTRACTS/AGREEMENTS**

- ◆ 1. **Valid contract**
- ◆ 2. **Voidable contract**
- ◆ 3. **Void agreement**
- ◆ 4. **Illegal agreement**
- ◆ 5. **Void contract**
- ◆ 6. **Unenforceable contract**

UNENFORCEABLE

CONTRACTS (AGREEMENTS)

- If the problem is with compliance of a **formality** then it is a case of unenforceable contract.
- If defect is removed or the requisite formalities are complied with, they become enforceable.
- Examples :
 - Promissory note
 - Negotiable instruments
 - Contract of sale of immovable property.

Void contracts

- **Contract is valid at the time of entering but becomes subsequently invalid.**
- **Subsequent impossibility**
or failure of object (Frustration)
 - (a) Destruction of the subject matter.
 - (b) Death or incapacity of party (**personal contracts**)
 - (c) Intervention of war
 - (d) Government or legislative intervention.

Void Agreements

- If an agreement does not have one of the 6 following essentials, the agreement is a void agreement -----
- 1. Consideration
- 2. Capacity
- 3. Consensus ad idem (meeting of minds)
- 4. Certainty
- 5. Possibility

Void agreements

contd

- 6.. Legality of object and consideration
- (a) Agreements opposed to public policy.
- (b) Agreements in restraint of trade
- (c) Agreements in restraint of marriage
- (d) Agreements in restraint of legal proceedings
- (e) Agreements by way of wager **etc.**

ILLEGAL AGREEMENTS

- Void + Penal element (punishment)
Examples : (a) An agreement to murder someone.(b) An agreement to supply heroin (a drug).

The difference between void and illegal agreements is that the incidental or collateral transactions of a void agreement is valid, whereas the incidental transactions of illegal agreement are invalid.

EXAMPLES-VOID/ILLEGAL

- **VOID**--Anand requested vijay to lend Anand Rs.50,000, stating the purpose that he wishes to lend the same to K.K.Rawat, a minor. If Vijay lends money, Vijay **can recover** from Anand(although Anand cannot recover from K.K.Rawat).
- **ILLEGAL**-- Anand requested Vijay to lend him Rs.50,000 stating the purpose that with the money he wishes to purchase cocaine(drug) from T.T.Rawat.If Vijay lends money he **cannot recover** .
- **In both =vijay lent money to anand.**

Voidable contracts

- **Valid but can be invalidated by one party.**
- **Avoidable at the instance of a party whose consent is obtained by ---**
 - (a) Misrepresentation
 - (b) Fraud
 - (c) Coercion
 - (d) Undue influence (position to dominate the will /obtain an unfair advantage)

STANDARD FORM CONTRACT

- Standard Form Contract is a fine-print consumer form contract which is generally given to consumers at point-of-sale, with no opportunity for negotiation as to its terms, and which sets out the terms and conditions of the sale, usually to the advantage of the seller.
- Standard form contracts probably account **for more than ninety percent** of all formal contracts now made.

BREACH OF CONTRACT

- means non-fulfillment of obligations under the contract.
- **Consequences of breach of contract (remedies for parties)**
- (a) Damages or compensation.
- (b) A decree for specific performance.
- (c) An injunction.