

## Indian Contract Act 1872

The law of contract is one of the important branches of law. When one purchase a commodity either by paying cash or credit basis or deposits his money into his bank accounts, he enters into contracts.

Thus, everyday; person knowingly or unknowingly enters into many types of contracts and perform them. The law of contracts is of a great importance to people engaged in trade, commerce, industry, business. This act was come into force from 1st day of September 1872.

### Meaning and Nature of a Contract

The term 'contract' is defined by different authorities in different ways.

- (1) Sir William Anson - A contract is an agreement enforceable by law made between two or more person's by which right are

acquired by one or more to act or forbearance on the part of the others"

(2) Salmond :- "An agreement creating and defining obligation between the parties"

(3) Sir Frederic Pollock: "Every agree-able at law is a contract."

## ⇒ PROPOSAL OR OFFER

The term proposal has been defined in Section 2(a) as follows:

"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"

Date \_\_\_\_\_  
Page \_\_\_\_\_

for example, A's willingness to sell his radio set to B's for Rs. 500 if B accepts to purchase the same, amounts to proposal by A for the sale of the radio set. But if a statement is made without any intention to obtain the assent of the other party thereto, that cannot be termed as proposal.

## ⇒ PROMISE / ACCEPTANCE

A promise is a result of an offer (proposal) by one person and its acceptance by the other.

"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 promise.

For example, when A makes a proposal to sell his watch to B for Rs 2,000 and B accepts his proposal, there results a promise between two persons.

## ⇒ PROMISOR AND PROMISEE (Section-2)

When the proposal is accepted the person making the proposal is called promisor and the person accepting the proposal is called promisee.

## ⇒ Consideration - section 2(d)

When at the desire of the promisor the promisee or any other person has done or abstained from doing or does or do

## ⇒ Agreement

According to section 2(e) "Every promise and every set of promises forming the consideration for each other is an agreement"

For Example, A promises to deliver his watch to B and in return B promises to pay a sum of Rs 2000 to A, there is said to be an agreement between A and B.

# \* Difference b/w Agreement & Contract

## Agreement

1. Every promise and every set of promises, forming the consideration for each other is an agreement.

(Section 2(e)): For constituting an agreement, an offer by one party and its acceptance by other party are required.

In other words 'an offer and its together constitute an agreement. Thus,

Agreement  
= offer + its acceptance

2. For constituting an agreement, a promise or sets of promises forming consideration for each other are required

## Contracts

1. An agreement enforceable by law is a contract [Section 2(h)]. Merely an agreement is not a contract but enforceability at law together constitute a contract. Thus  
Contract = agreement + its enforceability at law.

2. An agreement becomes a contract only when the agreement fulfills all the legal conditions of a contract  
e.g. formation of legal relationship, free consent, object etc.

3. An agreement is a wider concept than that of a contract.

3. A contract is a specie of an agreement and as such narrower concept. Therefore, it is said that every contract is an agreement but every agreement is not necessary contract.

4. It is not necessary that every agreement must create legal obligation because all agreement do not go to constitute contracts.

4. Every contract necessarily creates a legal obligations because every contract is basically an agreement.

5. An agreement cannot be concluded of a binding contract.

5. A contract is always concluding and binding on the concerned parties.