

Indian Contract Act, 1872

Essentials of valid contract

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What is a Contract?

The Indian Contract Act, 1872 defines the term "Contract" under its section 2 (h) as "An agreement enforceable by law".

In other words, we can say that a contract is anything that is an agreement and enforceable by the law.

Contract Agreement + Its Enforceability

Elements of a valid contract

Elements of a valid contract: -

Section 10 of Indian Contract Act 1872: 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**.

Essentials of a valid contract

1. **Agreement - offer and Acceptance.**
2. **Capacity to contract.**
3. **Free Consent**
4. **Lawful consideration and object**
5. **Not Declared to be void.**
6. **Legal formalities**

Agreement - Offer & Acceptance

In order to create a valid contract, there must be a 'lawful offer' by one party and 'lawful acceptance' of the same by the other party.

The adjective lawful means offer and its acceptance must confirm to the rules laid down in the Indian contract act regarding

Capacity to Contract :

- **The parties to an agreement must be competent to contract. If either of the parties does not have the capacity to contract, the contract is not valid.**
- **Accordingly, the following persons are incompetents to contract.**
 - 1. Minors**
 - 2. Persons of unsound mind, and**
 - 3. Persons disqualified by law to which they are subject.**

Free Consent

Consent to contract:

- Consent means the parties must have agreed upon the same thing in the same sense.

- Accordingly to sec 14 consent is said to be free when it is not caused by

1. Coercion
2. Undue influence
3. Fraud
4. Miss-representation
5. Mistake

Lawful Consideration and Object

- A lawful contract need not only to have a consideration, it also needs to have an object.
- Object means purpose of the contract.
- Consideration means "something in return for something given".
- The word 'lawful' means permitted by law.

Agreement Not Declared to be void or Illegal.

- Agreements mentioned in Section 24 to 30 of the Act have been expressly declared to be void.
- For example
 1. agreements in restraint of trade, marriage, legal proceedings etc.
 2. That is: If A is not willing to marry with B, law can not enforce him/her.

Legal Formalities.

- In India writing is required in cases of sale, mortgage, lease and gift of immovable property, negotiable instruments, memorandum and articles of association of a company, etc.
 - Registration is required in cases of documents coming within the scope of section 17 of the Registration Act.
- All the elements mentioned above must be in order to make a valid contract. If any one of them is absent the agreement does not become a contract.

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Thank you