

Unit-1
The Indian Contract Act, 1872

Law of Contract

Nature of Contract

What is Law?

"Law is the body of principles recognised and applied by the state in the administration of Justice."

Law means rules and principles framed and enforced by the state to regulate the conduct of its people so as to maintain peace and order in society.

For example → Indian Penal Code by Section 302 provides punishment for murder.

What is a Contract?

- The term contract is defined under section 2(h) of the Indian Contract Act, 1872 as -
- "an agreement enforceable by law"
- The contract consists of two essential elements:
 - (i) an agreement and
 - (ii) its enforceability by law.

(i) Agreement - The term 'agreement' given in Section 2(e) of the Act is defined as -

"every promise and every set of promises, forming the consideration for each other."

To have an insight into the definition of agreement we need to understand promise.

Section 2(b) Defines promise as - "when the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. Proposal when accepted, becomes a promise".

[offer + Acceptance] = Promise

Some are not enforceable by law → Domestic, Social agreement etc.

Enforceable by law - Commercial agreement

The following points emerge from the above definition:-

- When the person to whom the proposal is made signifies his assent on the proposal which is made to him.
- the proposal becomes accepted.
- accepted proposal becomes promise.

Thus, we say that an agreement is the result of the proposal made by one party to the other party and that other party gives his acceptance thereto of course for mutual consideration.

Agreement = offer / proposal + Acceptance + Consideration.

Enforceability by law - An agreement to become a contract must give rise to a legal obligation which means a duty enforceable by law.

Contract = Agreement + Enforceability by law

On elaborating the above two concepts, it is obvious that contract comprises of an agreement which is a ~~prom~~ promise or a set of reciprocal promises, that a promise is the acceptance of a proposal giving rise to a binding contract. Further, section 2(h) requires an agreement capable of being enforceable by law before it is called "contract". Where parties have made a binding contract, they create rights and obligations between themselves.

Example - ① A agrees with B to sell car for Rs 2 lacs to B. Here A is under an obligation to give car to B and B has the right to receive the car on payments of Rs. 2 lacs and also B is under an obligation to pay Rs 2 lacs to A and A has a right to receive Rs 2 lacs.

Example - ② Father promises his son to pay him pocket allowance of Rs. 500 every month. But he refuses to pay later. The son cannot recover the same in court of law as this is a social agreement. This is not created with an intention to create legal relationship and hence it is not a contract.

→ So, Law of Contract deals with only such legal obligations which has resulted from agreements. Such obligation must be contractual in nature. However some obligations are outside the law of contract.

■ Example³ An obligation to maintain wife and children on order of the court of law etc. These are status obligations and so out of the scope of the Contract Act.

Difference Between Agreement and Contract

Basis	Agreement	Contract
Meaning	Every promise and every set of promises forming the consideration for each other (Promise + Consideration)	Agreement enforceable by law. (Agreement + legal enforceability)
Scope	It is a wider term including both legal and social agreement.	It is used in a narrow sense with the specification that contract is only legally enforceable agreement.
Legal obligation	It may not create legal obligation. An agreement does not always grant rights to parties.	Necessarily create a legal obligation. A contract always grants certain right to every party.
Nature	All agreement are not contracts.	All contracts are agreements.

In terms of Section-10 of the Act, "all agreements are contracts if they are made by the free consent of the parties competent to contract, for a lawful consideration and with a lawful object and are not expressly declared to be void".

Since section 10 is not complete and exhaustive, so there are certain other sections which also contains requirements for an agreement to be enforceable. Thus, in order to create a valid contract, the following elements should be present.

Not given by Section 10 but are also considered essential.

① Two Parties - One cannot contract with himself. A contract involves at least two parties - one party making the offer and the other party accepting it. A contract may be made by natural persons and by other persons having legal existence e.g. Companies, universities etc. It is necessary to remember that identity of the parties be ascertainable.

④ Example - To constitute a contract of sale, there must be two parties - seller and buyer. The seller and buyer must be two different persons; because a person cannot buy his own goods.

② Parties must intend to create legal obligation.

There must be an intention on the part of the parties to create legal relationship between them. Social or domestic type of agreements are not enforceable in court of law and hence they do not result into contracts.

Example (5) Mr. Lekhpal promises to pay Rs 5 lakhs to his son if the son passes the CA exams. On passing the exams, the son claims the money. Here, the son could not recover as it was a social agreement.

3. Other Formalities to be complied with in certain cases:-

A contract may be written or spoken. As to legal effects there is no difference between a written contract and contract made by word of mouth. But it is in the interest of the parties the contract must be written. In case of certain contracts some other formalities have to be complied with to make an agreement legally enforceable.

(4) Certainty of meaning - The agreement must be certain and not indefinite.

Example (6) A agrees to sell B a hundred tons of oil. There is nothing certain in order to show what kind of oils was intended for.

⑤ Certainty of meaning

⑥ Possibility of performance of an agreement - The terms of agreement should be capable of performance. An agreement to do an act impossible in itself cannot be enforced.

⑦ Example - A agrees with B to discover treasure by magic. The agreement cannot be enforced as it is not possible to be performed.

According to Section 10 of the Indian Contract Act, 1872, the following are the essential elements of a valid contract:

(i) Offer and Acceptance of an agreement - An agreement is the first essential element of a valid contract. According to Section 2(c) of the Indian Contract Act, 1872. "Every promise recording and every set of promises forming consideration for each other, is an agreement" and according to Section 2(b) "A proposal when accepted, becomes a promise." An agreement is an outcome of offer and acceptance for consideration.

(ii) Free Consent - Two or more persons are said to consent when they agree upon the same thing in the same sense. Need both two parties can understand each other. Then such consent must be free.

→ Consent would be considered as free consent if it is not caused by undue influence, fraud, misrepresentation or mistake.

→ Capacity of the parties -

- Capacity to contract means the legal ability of a person to enter into a valid contract. Section - 11 of the Indian Contract Act specifies that every person is competent to contract who -
- (i) is of the age of majority according to the law to which he is subject and
 - (ii) is of sound mind and
 - (iii) is not otherwise disqualified from contracting by any law to which he is subject.

→ Consideration -

Consideration is the price for which the promisee of the other is bought. When a person makes a promise he must get something in return. Consideration means when both parties return something in return. A valuable consideration in the sense of law may consist in some right, interest, profit or benefit accruing to one party or some forbearance.

A agrees to sell his books to B for Rs 100. B's promise to pay Rs 100 is the consideration for A's promise to sell his books. A's promise to sell the books is the consideration for B's promise to pay Rs 100.

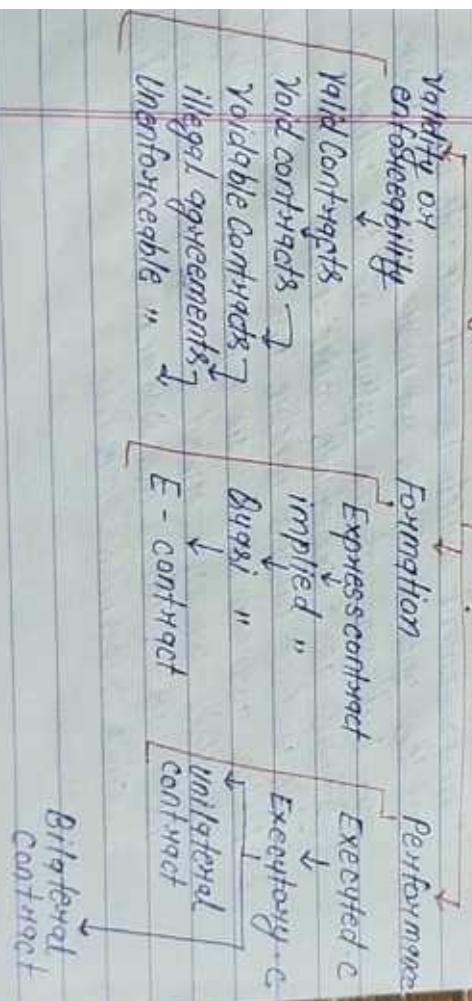
* lawful Consideration and object - The consideration and object of the agreement must be lawful.

Section-23 states that Consideration or object is not lawful if it is defunct the rules and regulation of law. It is lawful when both parties are contract for legal thing or legal work.

⇒ A promises to drop case against 'B' for robbery and 'B' promises to purchase the value of the things taken. The agreement is void, as its object is unlawful.

* Not expressly declared to be void - The agreement entered into must not be which the law declares to be either illegal or void. An illegal agreement is an agreement expressly prohibited by law. A void agreement is one without any legal effects.

Type of Contract on the basis of



On the basis of the validity →

① Void Contract - An agreement which is binding and enforceable is a valid contract. It contains all the essential elements of a valid contract.

② Void Contract - A contract which ^{per se} ceases to be enforceable by law becomes void when it ceases to be enforceable. "Thus, a void contract is one which cannot be enforced by a court of law."

Example - Mr. X agrees to write a book with a publisher. Such contract is valid. But after few days, X dies due to the impossibility of performance of the contract. Thus, a valid contract when cannot be performed because of some uncalled happening becomes void.

③ Voidable Contract :- Section 2 (i) defines that "an agreement which is enforceable by law at the option of one or more parties there-to, but not at the option of the other or others, is a voidable contract." This in fact means where one of the parties to the agreement is in a position or is legally entitled or authorized to void performing his part, then the agreement is treated and becomes voidable.

Following are the situations where a contract is voidable -

- (i) When the consent of party is not free is caused by misrepresentation or fraud.
- (ii) When a person promises to do something for another person but the other person prevents him from performing his promise, the contract becomes voidable at the option of first person.
- (iii) When a party to a contract promise to perform a work within a specified time, could not perform within that time, the contract is voidable at the option of promisee.

Difference Between Void Contract & Voidable Contract

Basis	Void Contract	Voidable Contract.
Meaning	A contract ceases to be enforceable by law becomes void when it ceases to be enforceable.	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.
Right.	A void contract does not grant any legal remedy to any party.	The party whose consent was not free has the right to rescind the contract within a reasonable time.

Void Agreement → A void agreement is not necessarily illegal. Parties are not liable for any punishment under the law. It is not necessary that agreements collateral to void agreements may also be void. It may be valid also.

Illegal Agreement → An illegal agreement is always void. Parties to illegal agreements are liable for punishment.

Agreements collateral to illegal agreements are always void.

⑤ Unenforceable Contract → Where a contract is good in substance but because of some technical defect that is absence in writing, barred by limitation etc. One or both the parties cannot sue upon it, it is described as an unenforceable contract.

On the basis of the formation of contract. The

① Express Contract - A contract would be an express contract if the terms are expressed by words or in writing. Section 9 of the Act provides that if a proposal or acceptance of any promise is made in words, the promise is said to be express.

Example-

A tells B on the telephone that he offers to sell his house for 20 lakhs and B in reply informs A that he accepts the offer. This is an express contract.

Implied Contracts →

Implied contracts are contracts come into existence by implication. Most often the implication is by action or contract of parties or course of dealings between them. Section 9 of the Act contemplates such implied contracts when it lays down that in so far as such proposal or acceptance is made otherwise than in words, the promise is said to be implied.

Example- Where a coolie in uniform picks up the luggage of A to be carried out of the railway station without being asked by A and A allows him to do so. It is an implied contract and A must pay for the services of the coolie detailed by him.

Tacit Contracts- The word Tacit means silent. Tacit contracts are those that are inferred through that conduct of parties without any words spoken or written. A classic example of tacit contract would be when cash is withdrawn by a customer of a bank from the automatic teller machine (ATM).

Buyers-Contract → A Buyers- contract is not actual contract.

But it resembles a contract. It is created by law under certain circumstances. The law creates and enforces legal rights and obligations when no real contract exists. Such obligations are known as quasi contract.

Example - A tradesman, leaves goods at C's house by mistake. C treats the goods as his own. The C is bound to pay for the goods.

E-commerce Contracts - When a contract is entered into by two or more parties using electronic means, such as e-mails is known as e-contracts.

* On the basis of the performance of the contract.

Executed Contract - The consideration in a given contract could be an act or forbearance. When the act is done or forbearance is forbearance is brought on record, then the contract is an executed contract.
Ex. Cash payment.

Executory Contract - In an executory contract the consideration is reciprocal promise or obligation. Such consideration is to be performed in future only and therefore these contracts are described as executory contracts.
A take tuition and make payment next month.

- (5) Breach of con.
- (5) Discharge by operation of law
- (6) Discharge by lapse of time. of law
- (6) Discharge by breach of contract Discharge by breach of contract
- (7) Unilateral contract - Unilateral contract is a one sided contract in which one party has performed his duty or obligation and the other party's obligation is outstanding.

(b) Bilateral Contract - A Bilateral Contract is one where the obligation or promise is outstanding on the part of both the parties. When some money are pay to the second party and second party give a sale deed on the receipt of the whole amount. The contract b/w the A and B is executory because there remains something to be done on both same sides.

Contingent Contracts - According to section 31 of the Indian contract act "A contingent contract is a contract to do or not to do something, if some event conditional to such contract does or does not happen. It is called conditional contract is English law.

Discharge of contract - When the parties to the contract fulfill their obligation, the contract is to be executed. Discharge of contract implies termination of contractual obligation.

- (1) Discharge by performance
- (2) Discharge by mutual consent or agreement.
- (3) Discharge by impossibility of performance.
- (4) Personal incapacity or death.

Proposal / offer [Section 2(a) of The Indian Contract Act, 1872]

Definition of Offer - According to the Section 2(a) of the Indian Contract Act 1872, "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".

Essentials of a proposal / offer are -

1. The person making the proposal or offer is called the 'promisor' or 'offeror'. The person to whom the offer is made is called the 'offeree' and the person accepting the offer is called the 'promisee' or 'acceptor'.
2. For a valid offer, the party making it must express his willingness 'to do' or 'not to do' something. There must be an expression of willingness to do or not to do some act by the offeror.

Example → A willing to sell his good at certain price to B. A is willing to not to dance in a competition if B pays him certain sum of money.

- ③ A willingness must be expressed with a view to obtain the assent of the other party to whom the offer is made.

④ An offer can be positive as well as negative -
Thus "doing" is a positive act and 'not doing' or
abstinence is a negative act. none the less both
these acts have the same effect in the eyes
of law.

A offers to sell his car to B for 3 lacs is an act
of doing. So in this case, A is making an offer
to B. It is positive.

When C asks D, after his car meets with an acci-
dent with B's scooter not to go to Court and
he will pay the repair charges to B for the
damage to B's scooter. It is an act of not
doing, or negative.

→ Classification of Offer ←

General offer,

Special offer

Counter offer

Cross offer

Standing offer.

Case law - *Carlill v Carbolic*
→ (1893) *Smoke Ball Company*.

⑤ General offer - It is an offer made to public at
large and hence anyone can accept and do the
desired act. In terms of Section 8 of the Act
anyone performing the conditions of the offer
can be considered to have accepted the offer.
Until the general offer is retracted or withdrawn
it can be accepted by any one at any time
as it is a continuing offer.

(b) Special / Specific offer - When an offer is made to a special person it is called special offer. Specific offer can be accepted only by that specified person to whom the offer has been made.

[Boulton vs. Jones]

Example - 'A' offers to sell his car to 'B' at a certain cost. This is a specific offer.

(c) Cross offer - When two parties exchange identical offers in ignorance of the time of each other's offer, the offers are called cross offers. There is no binding contract in such a case because offer made by a person cannot be construed as acceptance of the another's offer.

(d) Counter offer - When the offeree offers to qualified acceptance of the offer subject to modification and variations in the terms of original offer he is said to have made a counter offer. Counter-offer amounts to rejection of the original offer. It is also called as Conditional Acceptance.

Exp \Rightarrow Rahul offers to sell his plot to 'B' for Rs 100000. 'B' agrees to buy it for 80000. It amounts to counter offer. It will result in the termination of the offer of Rahul. If later on 'B' agrees to buy the plot for Rs 100000, 'A' may refuse.

(e) Standing or continuing or open offer - An offer which is allowed to remain open for acceptance over a period of time is known as standing or continuing or open offer. Tenders that are invited for supply of goods is a kind of standing offer.

* Essential of a valid offer ->

(1) It must be capable of creating legal relations:- Offer must be such as in law is capable of being accepted and giving rise to legal relationship. If the offer does not intend to give rise to legal consequences and creating legal relations, it is not considered as a valid offer in the eye of law. Social offer -> Birthday, etc.

(2) It must be certain, definite and not vague - The terms of an offer are indefinite, its acceptance cannot create any contractual relationship. A offers to sell B 100 litre of oil, there is nothing whatever to show what kind of oil was needed. The offer is not capable of being accepted for want of certainty.

If A is a dealer in mustard oil only, it shall constitute a valid offer.

(3) It must be communicated to the offeree - An offer to be complete must be communicated to the person to whom it is made otherwise there can be

no acceptance by it. An acceptance of an offer, in ignorance of the offer, is not acceptance and does not confer any right on the acceptor.

Case → Lalman (servant) (Gauhati HC son missing case)

- ④ It must be made with a view to obtaining the address of the both party.
- ⑤ It may be conditional an offer can be made subject to any terms and conditions by the offeror.
- ⑥ Offer should not contain a term the non-compliance of which would amount to acceptance. Thus one cannot say that if acceptance is not communicated by a certain time the offer would be considered as accepted.

Example - A offers B to buy mobile. If B is not reply in a week A assumed B accept it. But it is not valid contract.

- ⑦ The offer may be express or implied:- An offer may be made either by words or by conduct.

A boy starts cleaning the car as it stops on the traffic signal without being asked to do so, in such circumstances any reasonable man could guess that he expects to be paid for this, here boy makes an implied offer.

⑧ Offer is different from a mere statement of intention, an invitation to offer, a mere communication of information. A prospectus and advertisement.

③ What is invitation to offer?

An "invitation to offer" is an invitation for someone to make an offer, not an offer itself. It's a preliminary step in negotiations, like a shop displaying goods or a company putting out a job advertisement. The key difference is that the invitation is not legally binding; it is a way to show you are open to receiving and considering other people's proposals, which can then become a contract once they are accepted.

Invitation to offer vs. offer

Invitation to offer	Offer
To invite others to make an offer and start negotiations.	To make a specific proposal that can be accepted to form a contract.
No, it is not a binding offer and does not create legal obligations.	Yes, it creates legal consequences once accepted.
A shop displaying items with price tags, a restaurant menu, or an advertisement for job applications.	A specific proposal to buy a particular item from the menu, a customer taking an item to the cash register to pay.
It is the other party who makes the offer.	The other party accepts it, and a contract is formed.

Acceptance - According to section 2(h) a proposal or offer is said to have been accepted when the person to whom the proposal is made signifies his assent to the proposal is said to be accepted. The proposal when accepted becomes a promise. -

Definition - According to William Anson. "acceptance is to offer what is a lighted match is to a train of gun powder." An acceptance can be made by words spoken or written. It can be made by conduct also. It can be accepted only by the person to whom it is made.

Essentials of a Valid Acceptance -

- ① Acceptance must be absolute and unconditional. Partial and conditional or qualified acceptance will not be a valid acceptance.
- ② Acceptance must be given in a good manner.
- ③ Time of Acceptance - Acceptance must be made within the time allowed. When no time allowed is specified, acceptance must be given within a reasonable period of time.
- ④ Acceptance must be communicated - Acceptance to be legally effective must be communicated and brought to the knowledge of the offeror.

5. Acceptance may be express or implied. - When an acceptance is made by words spoken or written it is an express acceptance, if it is accepted by conduct, it is implied acceptance.

6. Acceptance must be made before offer is revoked. The acceptance of an offer must be done before the offer lapses or is withdrawn or cancelled.

(7) Acceptance must be made by the offeree. - Acceptance must be made only by the person to whom the offer is made and not by others.

(8) Acceptance is not implied from silence of the party. Generally, silence on the part of offeree regarding the offer in no case may amount to acceptance.

Communication of offer and Acceptance -

Communication of offer and acceptance is necessary for forming a contract. The communication of an offer is complete as soon as it comes to the knowledge of the offeree.

Communication of acceptance is complete -

- as against the proposer, when it is put in a course of transmission to him.
- as against the acceptor when it comes to the knowledge of the proposer.

Essentials of Consideration :-

- * Consideration must move at the desire of the promisor - It is essential that promisee should perform his part of the promise only at the desire of the promisor. The desire of the promisor may be express or implied.
- * Consideration may move from the promisee or any other person - According to Indian law, the consideration may proceed either from the promisee or any other person. Under the English law consideration must move from the promisee.
- * Consideration may be past, present or future. When consideration receives before date of promise it is past and if in present time get then it is present but if get in future then it is future consideration.
- * Consideration need not be adequate - it is not necessary that the value of promise should be equal to the value of consideration.
- * Consideration must be real and not illusory. It is in the eyes of law and not fraud consideration.
- * Consideration must be lawful.

A stranger to a contract/ Privity of Contract -

A stranger to a contract is a person who is not a party to the contract. Such a party neither makes nor accepts any offer. Privity of contract states that the contract confers right and obligations on contracting parties only. Therefore, stranger to a contract cannot sue on the contract.

Capacity of Parties

According to section 10 of the contract Act parties making an agreement must have the contractual capacity. Thus every person is competent to enter into a contract if, he has attained the age of majority, he is of sound mind and he is not disqualified by any law from contracting.

Minor:- A person who has not attained the age of majority is a minor. According to the Indian Majority Act 1875, a person who has not completed his 16th year of age is considered to be a minor. But if a minor is under the care and custody of the court and guardian is appointed by the court for the minor, then the minor becomes major only on the completion of the age of 21 years.

Minor can be an agent - A minor can act as an agent and bind his principal by his acts.

He cannot be adjudged insolvent - A minor cannot be adjudged insolvent as he is not competent to enter into contracts for debts.

Minor - as partner - A minor cannot be a partner, but he may be admitted to the benefit of a partnership if his liabilities are limited to the extent of his interest in the partnership.

Persons of Unsound Mind - A person must be sound mind. A person who is usually of unsound mind and occasionally of sound mind may make a contract when he is of sound mind. A person who is usually of sound mind but sometime of unsound mind may not make a contract when he is of unsound mind.

Types of persons of Unsound mind

Idiots - A person who completely lost his mental powers and incapable of forming a relational judgment. All agreements other than of necessities of life with idiots are absolutely void.

Lunatic - A person who suffers a serious mental strain.

He is not liable for agreements entered into during his madness.

Drunken persons - A drunken person suffers from temporary incapacity to contract. He can not understand the rules and regulations of business.

Persons disqualified by other laws:-

① Alien enemies - A person who is not a citizen of India is called alien. No contract can be made with an alien enemy during the subsistence of war.

② Insolvents -

③ Convicts.

④ Corporations - A company can enter into contracts only through its agents in to contracts.

Board of directors, managing directors etc in accordance with its memorandum of association. Any contract beyond the memorandum is not valid.

⑤ Married women -

Free Consent

According to Sec 13 of the Contract Act defined consent as "two or more persons are said to consent when they agree upon the same thing in the same sense". Without free consent of the parties an agreement does not acquire legal sanctity and consequences.

Section 14 of this act states that consent is said to be free when it is not caused by

Coercion

Undue influence

Misrepresentation

Fraud

Mistake.

Elements of Free Consent

- ① Coercion - Coercion implies use of some kind of physical force by doing some act for which law to seek consent of the other party by using physical power take any one property unlawfully.
- ① Coercion implies the use of physical force or threat to cause consent.
- ② Coercion involves a criminal act while there is no.
- ③ the consent force their act on other.
- ② Undue influence - Undue influence is the improper use of any power possessed over the mind of the contracting party.
Section - 16 ① it is involve use of moral or mental pressure to cause consent.
- ② There is no criminal act in this. emotional force the party.
- ③ Fraud - When a wrong representation is made by a party with the intention to deceive the other party or to cause him to enter in to a contract it is said to be fraud.
full knowledge is given wrong.
- ④ Misrepresentation - There is no intention to deceive. the person making wrong statement it to be true. aggrieved party cannot avoid the contract if discovered the truth.
The wrong. statement is made without the knowledge of the fact.

Remedies for Breach of Contract:-

If a party to a contract does not perform his obligations, or expressly refuses to perform the contract it is called breach of contract.

In the case of a breach of contract the party who does not or refuses to perform his obligations is called the defaulting party whereas the other party is the aggrieved party.

Remedies Available to Aggrieved Party:-

- ① Cancellation - When one party commits a breach of contract, the aggrieved party can assume the contract is terminate, then he also not perform their contract.
- ② Suit for Quantum Meruit - It is a legal action that allows a party to recover the reasonable value of goods or services they provided to another party when there was no express contract specify the amount of compensation.
- ③ Suit for Damages - The party may claim compensation for any loss or damage caused by breach of contract.
- ④ Suit for Specific Performances - The court to force by law to perform as promised.
- ⑤ Eliminate the Contract - The promisee can stop doing the performance they are obligated to do and claim compensation from the promiser.

Negotiable Instrument Act :-

Negotiable Instrument means a promissory note, bill of exchange or cheque payable by or to order or to the bearer.

It is made by RBI Sec. 31. Money can very easily and safely be transferred from one place to another with the help of negotiable instruments that is cheque etc.

Negotiable Instrument Act given in the Sec 31 1881. There are many types of negotiable instrument Act :-

Promissory Note - A promissory note is a written document where the maker promises to pay a certain sum of sumoney to a specific person or the bearer of the instrument. The promise to pay must be unconditional. It cannot be subject to a conditions that needs to be met for payment to become due.

Writing required - Signed by maker,
Certain sum of money.

Certain person - The instrument must clearly state who is to receive the payment or it must be payable to the bearer of the instrument.

Money only -

Physical good not a promissory note.

Time Bill, Demand Bill, Inland Bill, Trade Bill, Documentary Bill, Foreign Bill, Foreign Bill, Accommodation Bill, Clean Bill

Bill of exchange - A bill of exchange is a written unconditional order from one person (the drawer) to another (the drawee) to pay a specified sum of money to a third person (the payee) or to the bearer on demand or at a future date.

Negotiable Instruments Act 1881 (India) provide the legal framework for these instruments.

Bills of exchange are widely used in international trade, especially in international transactions, and to mitigate payment risks by providing a safeguard between parties.

Dishonour of cheque - It is also known as a "bounced cheque." occurs when a bank refuses to pay a cheque due to issues like insufficient funds, a signature mismatch, or an account closure. This is a criminal offense under section 138 of the N.I.

Contract

→ A contract is a legally binding agreement that is enforceable by law, meaning it is a promise between two or more persons or parties that the law will uphold. Generally, it is an agreement that creates specific rights and obligations for all parties involved. If one party fails to keep their promise, the other is entitled to legal action to seek a remedy.

Bailment - A bailment is the delivery of goods by one person to another for some purpose, upon a contract that they shall when the purpose is over, be returned or otherwise disposed of according to the directions of the person delivering them.

The person delivering the goods is called the 'bailor'. The person to whom the goods are delivered is called the bailee and the transaction is called 'bailment'.

Pledge - It is a special kind of bailment.

The bailment of goods as security for payment of a debt or performance of a promise is called pledge. The bailor is called pawnor or pledger and the bailee is called the pawnee.

Who is an agent?

An agent is a person employed to do any act for another, or to represent another in dealings with third persons. The person for whom such act is done or who is so represented is called the 'principal'. Sec (182).

Who can employ an agent?

In simple words a person capable of entering into contract can employ an agent. Thus a minor or a person of unsound mind cannot appoint an agent. Sec. 183.