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Study Materials for SNC Students

Introduction

The Indian Contract Act 1872 is the act that governs contracts and agreements in India. The act was passed to provide a legal framework for contract law and has been amended several times over the years to keep up with changing economic conditions. 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 of the land.

The act lays down the rules and regulations that need to be followed while entering into a contract and also provides remedies for breach of contract. It is one of the oldest acts in India and has been amended several times over the years to keep up with changing economic conditions.

The primary objective of the Contract Act is to govern contracts throughout India. It extends over all territories within Indian jurisdiction except for the state of Jammu & Kashmir (which is an autonomous region).

A contract is an accepted proposal (agreement) that is fully understood by the law and is legally defined or enforceable by the law. So a contract is a legal document that bestows upon the party’s special rights (defined by the contract itself) and also obligations that are introduced, defined, and agreed upon by all the parties of the contract.

Contracts play an intrinsic role in our daily lives, especially those who are involved in business sector. The basic intend to enter into a formal, legal contract with another party is to bind them legally and obligate them to perform the work which was agreed upon. This performance of contract gives rise to a contractual liability which is imposed upon the party which defaults in performance of such contract.

The key provisions of the Indian Contract Act 1872 include:

- The offer and acceptance rule: This rule states that an agreement can only be formed when there is an offer from one party and acceptance from the other party.
- Intention to create legal connections: According to this rule, the people signing the contract must follow the law.
- Free consent: The act lays down the rules for determining whether or not there is free consent between two parties.
- The capacity of parties: This provision states that every party who enters into a contract must be competent enough to understand its implications and consequences, and must agree to abide by them.

Contracts validity:-

a) A contract can be cancelled if it was entered into under undue influence (e.g., force).

b) A contract can be cancelled if it was entered into under coercion (e.g., threatening to kill someone).

c) A contract can be cancelled if one party is mistaken about the other party's identity or vice versa.

d) A contract can only be made voidable at the option of one party if both parties are not aware of its contents before signing it. For example, you might buy a house without knowing that there is asbestos in its walls and floors. In such cases, you may cancel your purchase agreement because you were unaware that this could cause serious health issues for your family members later on time.

e) Contracts voidable due to fraud:- A contract can be cancelled if it is found that one of the parties has deceived the other party into agreeing.

Remedies Available In Case Of Breach Of Contract.

The remedies available in case of a breach of contract include:

- a) Rescission: This remedy allows to cancel the contract and get back any money or goods that have already given to the other party.
- b) Damages: This remedy allows to claim damages from the other party for any losses suffered as a result of the breach.
- c) Specific performance: If damages are not an adequate remedy, the court can order the breaching party to perform its obligations under the contract.
- d) Injunction: This remedy allows the court to order the other party not to do something that it is prohibited from doing under the contract.
- e) Arbitration: If the parties are unable to resolve a dispute through negotiations, they can take the matter to arbitration, where an arbitrator will listen to both sides and make a decision accordingly.

Conclusion

The Indian Contract Act 1872 is a law enacted by the British in India that governs contracts and agreements. It was drafted to protect both parties from unfair terms they may not have known about when agreeing, as well as to provide guidelines for when one party breaches the contract. This act still stands today and provides legal protections for those who enter into agreements with others in India or abroad.

To address this issue, the Law of Contract, or to be precise, the Indian Contract Act, 1872 lays down the fundamental essence of a contract and also clarifies the rights and liabilities which bind a party once they enter into a contract between themselves.