BLOGS

Offer, Communication and Revocation of Offer

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The concepts of offer, communication, and revocation of offer under Indian contract law are essential elements that govern the formation and withdrawal of agreements. Read more here!

Offer under the Indian Contract Act

In contract law, an offer is a clear and definite promise to be bound by specified terms, contingent on acceptance by the offeree. Under Indian Contract Law, Section 2(a) of the Indian Contract Act, 1872 defines an offer as a proposal made by one person to another to do or abstain from doing anything with the intention of obtaining the other person's assent.

Offers can be general, made to the public at large, or specific, made to a particular person or group. According to Section 4, the communication of an offer is complete when it comes to the knowledge of the person to whom it is made.

In English Contract Law, an offer similarly entails a promise to do or refrain from doing something in exchange for something else. Offers can be bilateral, involving two parties promising mutual performance, or unilateral, involving one party promising to do something if another party performs a specific act. The terms must be communicated clearly to the offeree.

Communication of Offer under Indian Contract Act

As per **Section 4 of the Indian Contract Act**, the communication of an offer is complete when it comes to the knowledge of the person to whom it is made.

This means that for an offer to be valid, it must be conveyed to the offeree in such a manner that the offeree is aware of the terms and conditions of the offer. The offeror must ensure that the offer is communicated effectively and clearly to the offeree, leaving no ambiguity regarding the intention to form a contract.

The significance of communication in the context of an offer is underscored by the requirement that the offeree must know of the offer before they can accept it. An offer cannot be accepted if the offeree is unaware of its existence.

For instance, if an offer is made in a public advertisement, it becomes effective once the public or the intended audience becomes aware of it **[*Lalman Shukla v. Gauri Dutt*]**. Similarly, if an offer is sent via a letter, the communication is deemed complete when the letter reaches the offeree, and they read it.

Revocation of Offer

Revocation refers to the withdrawal of an offer by the offeror. Under Indian Contract Law, the revocation of an offer can occur at any time before the acceptance is complete as against the proposer. This principle ensures that the offeror has the opportunity to reconsider the offer before it becomes a binding contract.

Section 5 of the Indian Contract Act, 1872 states that a proposal may be revoked at any time before the communication of its acceptance is complete as against the proposer, but not afterwards.

Section 4 of the Indian Contract Act provides details on when the communication of revocation is considered complete. It states, "The communication of a revocation is complete as against the person who makes it when it is put into a course of transmission to the person to whom it is made, so as to be out of the power of the person who makes it; as against the person to whom it is made, when it comes to his knowledge."

As against the offeror, revocation is complete when it is sent out of their control, for example, when a letter of revocation is posted.

As against the offeree, revocation is complete when they receive it, meaning when it comes to their knowledge.

If the offeror has agreed to keep the offer open for a certain period, known as an option contract, the offer cannot be revoked within that period. This is provided there is consideration for keeping the offer open.

In the context of unilateral contracts, where the offeror promises to perform an act upon the offeree's performance of a condition, revocation becomes complicated. Generally, if the offeree has begun performance, the offeror cannot revoke the offer.

For example, in ***Carlill v. Carbolic Smoke Ball Co.***, the court held that a general offer made to the public can be accepted by anyone who performs the conditions stated in the offer. The communication of the offer was considered complete when the advertisement was published, and the acceptance was deemed to occur when the offeree performed the required act.

Modes of Revocation of Offer

Revocation can occur through various means:

1. Express Revocation: This can be verbal or written. The offeror directly communicates the intention to withdraw the offer.
2. Implied Revocation: This occurs through conduct. If the offeror does something inconsistent with the continuance of the offer, and the offeree becomes aware of it, the offer is considered revoked. For example, selling the subject matter of the offer to someone else.

Conclusion

Revocation of an offer is a fundamental aspect of contract law, addressing the conditions under which an offer can be withdrawn before it becomes a binding agreement. Revocation allows the offeror to withdraw an offer before it is accepted. This protects the offeror from being bound by an offer that they no longer wish to keep open, due to changing circumstances or new information. The concept of revocation also ensures that offerees are clearly informed about the status of the offer. They are not left in uncertainty about whether the offer is still open for acceptance.