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Consideration Under Contract Law For SLAT

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Introduction

This is a brief article on Consideration under contract law for SLAT. As per Section 10 of the Indian Contract Act 1872, certain essential conditions are given that must be fulfilled to make an agreement into a valid contract. Such essential conditions include:

1. Lawful Consideration
2. Lawful Object
3. Competent to contract
4. Free Consent
5. Not expressly declared void.

Hence the aforementioned provision makes it clear that consideration is an essential condition for an agreement to be a valid contract. Section 2(d) of the Indian Contract Act defines Consideration as when at the desire of the promisor, the promise

- Has done or abstained from doing something or
- Does or abstains from doing something or
- Promises to do or abstain from doing something

This act, promise or abstinence is called as consideration.

The concept of consideration is based on the legal maxim ‘Quid Pro Quo” which means something in return. Consideration for one is the promise for another and vice versa.

Illustration: A promises to sell his house to B. B promises to give him Rs. 10 lakh in return. Here Rs. 10 lakh is the consideration that B is paying to A in return of the house.

Section 25 of the Indian Contract Act 1872 lays down the exception where the contract can be valid even without the consideration. Such exceptions are as follows:

1. The contract made based on Natural Love and Affection.

2. A promise to pay a time-barred debt.
3. When a promise is made to compensate a person who has done something for the promisor voluntarily.
4. When a promise is made to compensate a person who has done something which the promisor was legally bound to do.

For (3) and (4), such service must be done without promisor's knowledge and for promisor only.

Types of Consideration

Consideration is of following three types and has been categorised as per when the consideration was paid

1. Present Consideration: When the promise is performed and consideration is paid simultaneously, it refers to the present consideration.

Illustration: A avails the cab service and pays immediately. This is a present consideration.

1. Past Consideration: When the consideration is given before the promise is made, it refers to as past consideration.

Illustration: A saved B from drowning and the next day B promised to pay Rs. 2000 to A in gratitude. Here consideration by A is past consideration.

1. Future Consideration: When the promise is performed but the consideration is paid in future, it is called as a future consideration.

Illustration: A gave Rs. 10000 to B to get books from another city. B delivered the books on next Sunday. This is an example of future consideration.

How a Contract Should Be?

1. As per section Section 23 of the Indian Contract Act, the consideration must be lawful. If the consideration is unlawful, then the contract would become void

Illustration: A promised to sell his watch to B. In return B promise to give him Rs. 2000. This is an example of lawful consideration.

1. A contract without a lawful consideration is void but a contract without adequate consideration is not void. The adequacy of consideration is not a prerequisite. It is up to the parties to decide

the terms of the contract.

Illustration: A promised to sell his house to B for Rs. 10000. Irrespective of the actual value of the house, this contract is valid.

1. Consideration should be accepted by the promisor as well. The consideration unwanted by the promisor can be a matter of dispute.

Illustration: A promised to sell his house to B. In return, B promised to give him his old watch. A refused to take watch as a consideration. This is not acceptable.

1. Under Indian Law, the consideration can be either paid by the promise or any other person. The English law has a different stance on this. Only the promisee can pay consideration under English law.