BLOGS

Contingent Contracts in India

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Introduction

Contingent contracts in India can be defined as a contract where the performance of one or both parties depends on the occurrence of an uncertain future event. In other words, the rights and obligations of the parties are not certain at the time of contract formation.

Definition of Contingent Contracts

A contingent contract is defined under ***Section 31 of the Indian Contract Act, 1872***. It is a contract to do or not to do something if an event, collateral to such contract, does or does not happen. This means that the performance of the contract is dependent on the occurrence of a future event that is not within the control of the parties.

Contingent contracts must meet certain conditions to be valid. Firstly, the event or condition must be uncertain at the time of making the contract. Secondly, the event or condition must not be something that the parties to the contract can control. Finally, the event or condition must not be illegal.

Important Terms under Contingent Contracts

- Contingent event: The event upon which the performance of a contingent contract is dependent must be uncertain. This means that it must not be certain to happen or not to happen. For example, a contract to pay a sum of money if it rains tomorrow is a contingent contract, as the occurrence of rain is uncertain.
- Contingent condition: The performance of a contingent contract may also be dependent on the fulfillment of a condition. This means that the contract will be performed only if a certain

condition is fulfilled. For example, a contract to sell a house if the buyer obtains a loan from a bank is a contingent contract, as the fulfillment of the condition is uncertain.

- Rights and obligations: In a contingent contract, the rights and obligations of the parties are not certain at the time of contract formation. They become certain only when the contingent event or condition happens or fails to happen. For example, in a contract to pay a sum of money if it rains tomorrow, the obligation to pay arises only if it actually rains.
- Performance: The performance of a contingent contract is dependent on the occurrence or non-occurrence of the contingent event or condition. If the event or condition does not happen, the contract becomes void. If it does happen, the rights and obligations of the parties become certain, and the contract becomes enforceable.
- Impossibility of performance: If the contingent event or condition becomes impossible to perform, the contract becomes void. For example, a contract to sell a house if the buyer obtains a loan from a bank becomes void if the bank refuses to give the loan.
- Communication of contingent event: In order for a contingent contract to be enforceable, the contingent event or condition must be communicated to the parties at the time of contract formation. If it is not communicated, the contract will be void.
- Wagering contracts: A contingent contract may become a wagering contract if it is entered into with the object of winning or losing money based on the occurrence or non-occurrence of a contingent event. Wagering contracts are not enforceable in India.

Conclusion

In conclusion, contingent contracts are a type of contract in India where the performance of one or both parties is dependent on the occurrence of an uncertain future event or condition. They are enforceable only if the contingent event or condition is communicated to the parties at the time of contract formation and become void if they become impossible to perform. It is important to distinguish contingent contracts from wagering contracts, which are not enforceable in India.

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