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Impossibility of Performance under Indian Contract Act

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Introduction

Impossibility of performance is a fundamental concept in contract law, addressing situations where it becomes objectively impossible for a party to fulfill their contractual obligations due to unforeseen and uncontrollable events. The Indian Contract Act, of 1872, provides provisions to deal with such scenarios, ensuring fairness and clarity in contractual relationships.

Doctrine of Frustration

Impossibility of performance refers to a situation where a contractual obligation cannot be fulfilled due to circumstances beyond the control of the parties involved. This concept is governed by Section 56 of the Indian Contract Act, commonly known as the doctrine of frustration.

According to Section 56 of the Indian Contract Act, a contract becomes void if it becomes impossible to perform or illegal after its formation due to an event that the parties could not have anticipated or controlled.

The doctrine of frustration operates on the principle that a fundamental change in circumstances, rendering performance impossible, should discharge parties from their contractual obligations. It distinguishes between subjective difficulties or hardships and objective impossibility, emphasizing that mere inconvenience or financial burden does not constitute frustration.

Consider a contract where A agrees to supply B with specific machinery necessary for B’s manufacturing process. Before delivery, a fire destroys the machinery, making it impossible for A to fulfill the contract. Here, the doctrine of frustration would likely apply, as the destruction of the machinery by fire is an unforeseen event beyond A’s control that renders performance objectively impossible.

The party asserting frustration bears the burden of proving that the supervening event was beyond their control and rendered performance impossible. Upon frustration, the contract is terminated, relieving both parties of their obligations going forward. However, any obligations already performed before the frustrating event occurred remain enforceable.

Provisions in the Indian Contract Act, 1872

Section 56: Doctrine of Frustration

- Supervening Impossibility: Impossibility must arise after the formation of the contract, making it impracticable to fulfill the contract's terms.
- Objective Impossibility: The impossibility must be objective and absolute, not merely difficult or economically burdensome.
- Effect on Contract: When a contract is frustrated, it is automatically terminated, and both parties are discharged from their future obligations.

Cases on Impossibility of Performance

Satyabrata Ghose v. Mugneeram Bangur & Co

Satyabrata Ghose entered into an agreement with Mugneeram Bangur & Co. to lease a cinema hall for ten years. However, during the lease term, the premises were requisitioned by the government under wartime powers. As a result, Ghose was unable to continue using the premises for the intended purpose.

The main legal issue was whether the lease agreement became frustrated due to the government's requisitioning of the premises, thereby releasing both parties from their obligations under the contract.

The Supreme Court of India ruled that the lease agreement was frustrated by the government's requisitioning of the premises. The doctrine of frustration applies when an unforeseen event fundamentally alters the nature of the contract, making it impossible to perform or radically changing the contractual obligations. In this case, the requisitioning of the premises by the government was such an unforeseen event that rendered the lease agreement impossible to perform.

The court clarified the scope and application of the doctrine of frustration, emphasizing that it applies when an event occurs that is beyond the control of the parties and renders the contract impossible to perform.

Frustration of a contract discharges both parties from their obligations going forward, provided that the event causing frustration was unforeseen and not due to the fault of either party.

Taylor v. Caldwell

In the case of Taylor v. Caldwell, the main issue revolved around a contract for the hire of a music hall between John Taylor (the plaintiff) and Messrs. Caldwell (the defendants). The contract stipulated that Taylor would be allowed to use the hall on specific dates for concerts. However, before the first concert could take place, the music hall was destroyed by fire.

The Court held that the destruction of the music hall by fire constituted an event of frustration. This means that the contract became impossible to perform due to an unforeseen event that was beyond the control of both parties. As a result, the defendants were discharged from their obligation to provide the music hall for the concerts, and they were not liable for breach of contract.

Ganga Saran & Sons Pvt. Ltd. v. Union of India

Ganga Saran & Sons Pvt. Ltd. had entered into a contract with the Union of India for the supply of coal. However, due to governmental coal control orders issued after the contract was formed, the petitioner was unable to obtain the necessary quantity of coal to fulfill its contractual obligations.

The main legal issue was whether the contract was frustrated due to the governmental coal control orders, which restricted the supply of coal and made it impossible for the petitioner to perform its obligations under the contract.

The Supreme Court of India ruled that the contract was frustrated by the government’s coal control orders. The Court applied the doctrine of frustration, stating that an external event (in this case, government action) had made it impossible for the petitioner to obtain the essential raw material (coal) needed to perform the contract. As a result, the petitioner was discharged from its obligations under the contract, and neither party was liable for breach.

Conclusion

Impossibility of performance, governed by Section 56 of the Indian Contract Act, plays a crucial role in contract law by addressing situations where unforeseen events render contractual obligations impossible to fulfill. It provides a legal framework to determine the rights and liabilities of parties when performance becomes impracticable due to circumstances beyond their control.