BLOGS

9 Landmark Cases on Contract Law: CLAT 2025

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Indian Contract Law is based on principles that have developed over time through landmark cases. These cases illustrate fundamental concepts such as offer and acceptance, consideration, capacity to contract, and breach of contract. Check out 9 Landmark Cases on Contract Law for CLAT 2025 in this post!

1. Powell v. Lee

Powell had applied to a school for the position of headmaster. A school manager informed him about his selection unofficially. However, later the school managers decided to appoint someone else and Powell brought a suit alleging breach of contract that resulted in damages. The King's Bench Division upheld the decision that for an acceptance to be valid, the same should be communicated by the person in an authorized capacity.

2. Balfour v. Balfour

Intention to create legal relations is a doctrine commonly used in common law. However, family agreements are presumed not to give rise to legal relations unless there is clear evidence to the contrary.

In this case, Mr. Balfour promised his wife to pay maintenance while he worked in Ceylon. Even though the wife was relying upon the payments and sued him for it, the court held that that there was no "intention to be legally bound".

In this case, Lord Atkin stated that normally agreements between spouses are not to be held legally enforceable. These agreements fall under the ambit of family agreements where it is presumed that there is no contract.

3. Merrit v. Merrit

This case is also related to intention to create legal relationship. However, it is different from Balfour v. Balfour in the sense that here the couple had already separated while the agreement

was made. Thus, their agreement was presumed to be a contract.

In this case, the Merrits owned a joint property and Mr. Merrit left the property to stay with another woman. He promised to pay Mrs. Merritt a £40 monthly sum, and eventually transfer the house to her, if she kept up the monthly mortgage payments. However, he refused to transfer the house when the mortgage was paid.

4. Jones v. Padavatton

This decision demonstrates the fact that domestic agreements are not legally enforceable unless there is a clear intention to enter into a legally binding agreement. In this case, the daughter was employed at Washington and her mother offered to pay her tuition fees if she moved to London and took the bar exam.

The Mother also offered the daughter a place to stay while she studied for the Bar. After a dispute between them, the possession of the house was brought to question. The Court held that there wasn’t sufficient evidence to rebut the presumption that it was just a domestic arrangement.

5. Lalman Shukla v. Gauri Dutt

The nephew of the descendant had absconded and servants were sent to find him. While the servants had gone to look for him, the defendant announced a reward for whosoever could bring him back his nephew. The plaintiff, unaware of this reward, brought the nephew back home.

Although he was rewarded with some amount, he later brought suit alleging that he deserved to be paid the reward money. The Court held that there was no contract between the plaintiff and the defendant as the fundamental necessity of a valid contract is the knowledge and assent of a proposal in order to convert the proposal into an enforceable agreement.

6. Harvey v. Facey

This case laid down the difference between “offer” and “invitation to offer”. In this case, there was no concluded contract. It was held that acceptance of the proposal must be notified to the individual who is proposing because a legally enforceable agreement requires meeting of minds of both the parties to the contract.

In this case, one party had made an invitation to offer with regards to a property and the defendant had responded with the lowest price at which they'd be willing to sell it. The Privy Council held that indication of lowest acceptable price does not constitute an offer to sell.

7. Felthouse v. Bindley

Felthouse wanted to buy a horse from his nephew and sent letters to him regarding that. After one such correspondence, he said, "If I hear no more about him, I consider the horse mine at £30.15s". This nephew instructed the person selling the horses (Bindley) to not sell the said horse. Felthouse then sued Bindely for committing the tort of conversion. However, for his suit to be successful, he had to prove ownership of the horse.

It was held that Felthouse didn't own the horse as there was no acceptance of the contract. The Court held that there should be absolute clarity in the communication of the acceptance of an offer so as to proceed towards the formation of a valid contract. Acceptance cannot be shown via conduct or silence.

8. Brogden v. Metropolitan Railway Company

This case differed from Felthouse v. Bindley and held that acceptance can also bec communicated via conduct. In this case, Brogden supplied coal to the Metropolitan Railway Company for many years without any formal agreement. Years later they wanted to formalise their arrangement and thus drafted a contract.

Brogden read the draft contract and amended it. The amended contract did not receive an assent from the Railway Company, however, their arrangement continued. Later when dispute arose, the plaintiff alleged that there was no contract between them.

The House of Lords held that performing the clauses mentioned (conduct of parties) under the contract without any objections was enough to reflect the acceptance of the contract by both the parties.

9. Mohori Bibee v. Dharmodas Ghose

This case held that the agreement entered into by a minor is completely void. Dharmodas Ghose, a minor, mortgaged his property. The attorney, acting on behalf of the mortgagee, was aware of

Ghose’s minority. Ghose sued Dutt through his Mother and guardian that the mortgage was void due to his minority.

The Privy Council had expressly barred any person below the age of eighteen years to enter into a contract, and take major decisions in relation to the same. Thus, the contract was held to be void.

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