BLOGS

Learn in a Minute- Essential Elements of a Contract

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What Agreements are Contracts?

Section 10 states that “All agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration, and with a lawful object, and are not hereby expressly declared to be void.” This section is crucial because it sets the parameters for determining when an agreement becomes a contract under Indian law.

Edit Parameters of a Valid Contract under Section 10 Made with free consent Made between two or more competent parties Made with a lawful consideration Made with a lawful object Not expressly declared to be void

Essential Elements of a Contract

There are seven essential elements of a contract.

An agreement is defined under **Section 2(e) of the Indian Contract Act** as “every promise and every set of promises, forming the consideration for each other.”

Any valid agreement enforceable by law is a contract.

To constitute a valid agreement, there must be:

- Offer (Proposal): According to Section 2(a) of the Indian Contract Act, an offer is when one person signifies to another his willingness to do or abstain from doing something with a view to obtaining the assent of that other person. The terms of the offer must be specific and definite. Vague or ambiguous terms may not qualify as a valid offer.
- Acceptance: Under Section 2(b), acceptance is when the person to whom the offer is made signifies his assent to the proposal. Acceptance must be clear, unconditional, and align with the terms of the original offer. Conditional or modified acceptance is treated as a counter-offer.

- Consideration: Section 2(d) defines consideration as something given or abstained from, or a promise made, by one party to another in exchange for a promise or performance. Consideration is essential for a contract to be legally enforceable. It can be past, present, or future, but it must be lawful and have some value in the eyes of the law.
- Capacity to Contract: Section 11 of Indian Contract Act specifies who is competent to contract. Parties must have the legal capacity to contract. This means they must be of sound mind, not minors (under 18 years), and not disqualified by law.

The following persons are deemed to lack capacity to contract:

– Minors: Individuals below 18 years of age.
– Persons of Unsound Mind: Those who are not able to understand the nature of the contract.
– Disqualified by Law: Individuals who are prohibited from contracting, like those declared insolvent.

- Consent must be given freely, without coercion, undue influence, fraud, misrepresentation, or mistake.Consent is free when it is not caused by any of the following:

– Coercion: **Section 15 of Indian Contract Act** defines coercion as committing or threatening to commit any act forbidden by the Indian Penal Code or unlawful detainment to compel someone into a contract.

– Undue Influence: **Section 16 of Indian Contract Act** indicates undue influence arises when one party uses their position to dominate the will of another.

– Fraud: Defined in **Section 17 of Indian Contract Act**, fraud involves deliberate misrepresentation or concealment of material facts.

– Misrepresentation: According to **Section 18 of Indian Contract Act**, it involves innocent or negligent misrepresentation of facts.

– Mistake: **Section 20** to **22** of Indian Contract Act covers mistakes of fact or law. Mistake of fact, if bilateral, renders a contract void.

- Lawful Object: The object of a contract must be lawful. According to Section 23, an agreement is void if its object or consideration is unlawful, immoral, or opposed to public policy.
- Legality of Contract: For a contract to be valid, it must not involve any illegal activity. Agreements to commit crimes or other unlawful acts are void.

- The terms of the contract must be clear and certain, as per Section 29. A contract with vague or ambiguous terms is unenforceable. Furthermore, the contract must be capable of being performed; contracts that are impossible to perform are considered void (Section 56).
- Certain types of contracts are expressly declared void under the Indian Contract Act. These include:

– Agreements in restraint of marriage, trade, or legal proceedings (Sections 26-28).

– Wagering agreements (Section 30).

– Agreements contingent on an event that becomes impossible (Section 32)

Conclusion

To form a valid contract under the Indian Contract Act, an agreement must encompass all the above essential elements: an agreement comprising offer and acceptance, lawful consideration, capacity to contract, free consent and a lawful object. A breach of any of these elements may render the contract void or voidable, impacting its enforceability.