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Privity of Contracts: Why Strangers Can't Cash In On Your Deal

Hanspal Bakul · 17 Aug 2026

Ever signed a contract and assumed the whole world could enforce it against you? Turns out, the law disagrees. Only the people who actually signed on the dotted line get to sue or be sued under it. This is the *Doctrine of Privity of Contract, and it's one of those foundational ideas that trips up almost every law student.*

The logic isn't complicated once you sit with it. Two parties negotiate, they exchange promises, they give each other something of value. That exchange creates a bond between them – a legal relationship that a random outsider simply hasn't earned. No consideration passed from your end? Then no seat at the table.

Where It All Began: Tweddle v. Atkinson (1861) 1 B&S 393

This one's a classic, and honestly, a little heartbreaking. Two dads, whose children were about to marry each other, shook hands on an agreement – each would hand over a sum of money to the young couple. Sounds sweet, right?

Except the bride's father never paid up. ***So the groom, the actual intended beneficiary of this whole arrangement, dragged him to court demanding the money. And lost.***

Why? Because he wasn't a party to the agreement between the two fathers. He hadn't given anything in return for the promise. The court didn't care that the deal was made entirely for his benefit – being the intended beneficiary just wasn't enough. If you didn't bargain for it, you can't enforce it.

Dunlop v. Selfridge (1915) AC 847: The Tyre That Broke the Chain

Fast forward a bit, and we get a case involving tyres, of all things. Dunlop, a manufacturer, told its dealers not to sell tyres below a certain price. Fair enough – protecting your brand value is nobody's crime.

But Dunlop went a step further. It made dealers sign the same no-discount promise with their own retailers, one of whom was Selfridge. The idea was simple: undercut the price, pay damages straight to Dunlop.

Selfridge broke that promise and sold below the agreed price. Dunlop sued. And once again, the court shut it down – *Dunlop hadn't given Selfridge anything in exchange for that promise, so no contract existed between them directly. Being mentioned in someone else's contract doesn't make you a party to it.*

What About India?

If you were hoping Indian courts took a different route, sorry to disappoint. India borrowed this doctrine almost wholesale from English law, and the case that cemented it here is ***Jamna Das v. Ram Autar Pande (1916) ILR 38 All 209*** – a Privy Council decision.

The ruling was blunt: ***someone outside an agreement has no business trying to recover money owed under it. Same logic as Tweddle, just with an Indian address.***

But the Law Isn't That Rigid, Actually

Here's the twist though – privity has cracks in it, deliberate ones, carved out over the years because rigid rules occasionally produce unfair results. Courts realised a blanket "strangers can't sue" rule doesn't always sit well with real life.

So exceptions crept in. ***A trust or a charge*** created for someone's benefit lets that person step in and enforce it, even without being an original party. ***Family arrangements*** work the same way – ***marriage settlements, partitions, or broader family understandings*** often let members outside the original deal claim their share.

Then there's ***acknowledgment or estoppel***, where a party effectively admits, through conduct or words, that a third person has a right – and can't wriggle out of it later. ***Covenants running with land are another one***; certain obligations attached to property bind future owners, not just the original contracting parties.

And ***insurance*** throws in its own exception too – an ***assignee*** under a policy can step into the shoes of the original policyholder and enforce the claim.

Privity of contract sounds like dry, technical doctrine until you realise how often it shows up – in family settlements, in supply chains, in insurance disputes. The core idea stays simple: contracts create obligations between the people who made them, not a free pass for outsiders to cash in.

But the exceptions matter just as much as the rule. They're the law's way of admitting that "only the signatories count" doesn't always deliver justice – and sometimes, the person left outside the paperwork deserves a way in anyway.