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Quasi-contracts- Meaning, Legality, Examples

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Meaning of Quasi-contract

Quasi-contract, also known as an implied contract, is a concept in the law of contracts that allows the court to enforce an agreement between parties even though they have not entered into an express contract. Sections (68-72) under Chapter 5 of the Indian Contract Act 1872 talk about quasi-contracts.

Basis of Quasi-contracts

Quasi-contracts are created to do justice and prevent one party from unjust enrichment. They are based on the principle of ***nemo debet locupletari ex aliena jactura*** which translates to “no man should grow rich out of another person’s loss”. This type of contract is not created by mutual agreement between the parties but rather is imposed by law to prevent one party from being unjustly enriched at the expense of another.

The Indian Supreme Court has explained the principle of unjust enrichment as having three elements:

1. The defendant has been enriched by the receipt of a benefit
2. The defendant has been so enriched at the plaintiff’s expense

3. It would be unjust to allow the defendant to retain the benefit

For example, if a person finds a lost item and returns it to the rightful owner, the owner may feel obligated to compensate the finder for their trouble, but there is no formal agreement between the two parties. In such a situation, the court may impose a quasi-contract between the two parties to prevent the unjust enrichment of the owner.

Forms of Quasi-contracts

The Indian Contract Act recognizes several types of quasi-contracts, including:

1. In cases where the person being supplied with necessaries is incapable of contracting. This is enshrined under Section 68. For example- Rohit supplies Sumit, a lunatic, with necessaries suitable to his condition in life. Rohit is entitled to be reimbursed from Sumit’s property.

2. In cases of reimbursement of the person paying money due by another, in payment of which he is interested- This is enshrined under Section 69.

3. In cases of an obligation of a person enjoying the benefit of a non-gratuitous act- This is enshrined under Section 70. For example- Amit, a tradesman, leaves goods at Bala’s house by mistake. Bala treats the goods as his own. He is bound to pay Amit for them.

4. In cases where a person finds a good belonging to another and takes it in custody- This is enshrined under Section 71. In such cases, the person who took the good is subject to the same responsibility as a bailee.

5. In cases where money or good has been delivered by mistake or coercion- This is enshrined under Section 72. In such cases, the person to whom the money was paid or the good delivered has to repay or return.

For example- Aman and Binish jointly owe 100 rupees to Chris, Aman alone pays the amount to Chris, and Binish, not knowing this fact, pays 100 rupees over again to Chris.
Chris is bound to repay the amount to Binish.

Prominent Cases in Quasi-Contracts

The leading case law on quasi-contracts in *Fibrosa v Fairbairn* . In this case, Judge Wright clarified the legal position regarding quasi-contracts. He noted that every legal system should provide remedies in cases of unjust enrichment. In this context, unjust enrichment was understood to mean preventing another person from keeping money or benefit which is conscience that he should. Hence, the test in Fibrosa imposes an element of mens rea regarding conscious profiting off money that belongs to someone else.

In *Mafatlal Industries v Union of India* , the Supreme Court of India highlighted the issue of quasi-contracts being erroneously referred to as contracts. The Court noted that the remedies given in cases of quasi-contract are generically different from remedies in contract or tort, and are now recognized to fall within a third category of the common law which has been called quasi-contract.

Remedies

Quasi-contracts do not have quasi-remedies. Quasi-contracts are equivalent to contracts and hence, have the same remedies as the standard contracts. The remedy for both is enshrined under Section 73 of the Indian Contract Act which addresses compensation for loss or damage caused by breach of contract.