Law of Contract

July 17 — As per LU datesheet

B.B.A.LL.B. Sem I · BL-106 · Indian Contract Act, 1872 (Sec 1–75). Law answers score with a fixed pattern: **section → definition → essentials → leading case(s) with facts and decision → exceptions → conclusion.** Problem questions: Facts → Issue → Law (section) → Case → Decision.

UNIT I – Formation

- ★ Sec 2(h), Sec 10
- ★ Offer: kinds, revocation
- ★ Carlill case
- ★ Acceptance, postal rule
- · Invitation to treat, tenders, e-contracts

UNIT II – Consideration

- ★ Sec 2(d) essentials
- ★ Privity: Tweddle, Dutton, Chinnaya
- ★ Minor: Mohori Bibee
- · Restitution
- · Sec 25 exceptions

Law of Contract-I

mind map

UNIT III – Validity

- ★ Coercion, UI, fraud, misrep., mistake
- ★ Sec 23 unlawful
- ★ Sec 56 frustration
- · Void / voidable / illegal

UNIT IV – Performance

- · Sec 37–67
- ★ Sec 73 damages, Hadley v Baxendale
- ★ Quasi Sec 68–72
- · Quantum meruit, SP, injunction

Exam date: As per LU datesheet | **Time:** As per LU datesheet | **Duration:** 3 hours | **Paper:** BL-106

Exam-hall strategy: Read the whole paper first → start with the question you know best → draw neat, labelled diagrams → box every final answer and formula → keep the last 5 minutes for checking.

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Most Important Repeated Questions

From the LUUPDATE B.B.A.LL.B. (Integrated) 5-Year Sem I Important Topics 2026 list — based on the new 2026-27 syllabus (Schedule III) and previous LU papers. ★★★ = must study, ★★ = high chance, ★ = if time permits. ESE: 10 questions, attempt any 5, 15 marks each, MM 75 (+ 25 internal = 100), 3 hours.

#	Tag	Question / Topic	Asked in
1	★★★	Contract – definition, essentials; agreement vs contract; e-contract	Unit I Must study
2	★★★	Offer – general/specific, invitation to treat (Carlill, Pharmaceutical Society v Boots)	Unit I Must study
3	★★★	Communication and revocation of offer and acceptance (Sections 3–6)	Unit I Must study
4	★★	Acceptance – essentials; provisional acceptance; tenders and auctions	Unit I High chance
5	★★★	Consideration – definition and essentials; 'no consideration, no contract'	Unit II Must study
6	★★★	Privity of contract and its exceptions; exceptions under Section 25	Unit II Must study
7	★★★	Minor's agreement – Mohori Bibee v Dharmodas Ghose; restitution, necessaries	Unit II Must study
8	★★★	Free consent – coercion vs undue influence	Unit III Must study
9	★★★	Fraud vs misrepresentation; mistake of fact and law	Unit III Must study
10	★★	Unlawful consideration and object (Section 23); void agreements (Sections 26–30)	Unit III High chance
11	★★	Valid, void, voidable, illegal and uncertain agreements	Unit III High chance
12	★★★	Discharge of contract; frustration (Section 56 – Satyabrata Ghose)	Unit III Must study
13	★★	Time and place of performance; anticipatory breach	Unit III High chance
14	★★★	Damages – kinds; remoteness of damages (Hadley v Baxendale); Section 73–74	Unit IV Must study
15	★★	Injunction, specific performance and quantum meruit	Unit IV High chance
16	★★★	Quasi contracts (Sections 68–72)	Unit IV Must study

Also revise: Proposal vs invitation to treat, cross offers, counter offer, past consideration, agreements in restraint of marriage/trade/legal proceedings (Sec 26–28), wagering (Sec 30), contingent contracts (Sec 31–36), liquidated damages vs penalty (Sec 74).

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Flowcharts & Diagrams — See It at a Glance

→ FLOWCHART: Formation of a Contract

Proposal / offer — Sec 2(a) → Acceptance — Sec 2(b) → promise → Consideration — Sec 2(d) → Agreement — Sec 2(e) → Enforceable by law → Contract — Sec 2(h)

→ FLOWCHART: Communication by Post (Sec 4)

Offer complete when it reaches offeree → Acceptance complete vs proposer when posted → Complete vs acceptor when it reaches proposer → Revocation of offer: before acceptance is posted → Revocation of acceptance: before it reaches proposer

→ FLOWCHART: Essentials of Valid Contract — Sec 10

Offer + acceptance → Lawful consideration → Competent parties (Sec 11) → Free consent (Sec 13–22) → Lawful object (Sec 23) → Not expressly void (Sec 24–30)

→ FLOWCHART: Remedies for Breach

Rescission (Sec 65, 75) → Damages (Sec 73, 74) → Quantum meruit → Specific performance (SRA 1963) → Injunction

→ FLOWCHART: Kinds of Damages

Ordinary / general → Special (if known — Hadley) → Exemplary / punitive → Nominal → Liquidated vs penalty (Sec 74)

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UNIT I – Offer, Acceptance & Contract

Contract: Definition & Essentials ★★★

Sec 2(h): "An agreement enforceable by law is a contract." Contract = agreement + enforceability.
Sec 2(e): every promise and every set of promises forming consideration for each other is an agreement. Hence "all contracts are agreements but all agreements are not contracts" (social/domestic agreements are not — Balfour v Balfour 1919).
Essentials (Sec 10): (1) offer and acceptance, (2) intention to create legal relations, (3) lawful consideration, (4) competent parties (age of majority, sound mind, not disqualified — Sec 11), (5) free consent, (6) lawful object, (7) not expressly declared void, (8) certainty (Sec 29), (9) possibility of performance (Sec 56), (10) legal formalities where required.

Offer (Proposal) ★★★

Sec 2(a): when one person signifies to another his willingness to do or abstain from doing anything, with a view to obtaining the assent of that other.

- **Kinds:** express/implied, specific/**general**, cross offers (no contract), counter offer (rejects original — Hyde v Wrench), standing offer
- **General offer — Carlill v Carbolic Smoke Ball Co. (1893):** £100 promised to anyone catching flu after using the ball as directed; Mrs Carlill did so and caught flu — held entitled; performance of conditions = acceptance, no need to communicate acceptance. Indian: Lalman Shukla v Gauri Dutt (1913) — servant who traced boy without knowing of reward could not claim: offer must be known
- **Communication of offer** complete when it comes to the knowledge of offeree (Sec 4)
- **Revocation (Sec 5, 6):** any time before acceptance is complete as against proposer; modes — notice, lapse of time, failure of condition precedent, death/insanity of proposer known to acceptor. Routledge v Grant — offer open for 6 weeks can still be withdrawn

Acceptance; Invitation to Treat; Tenders; E-contracts ★★★

- **Acceptance — Sec 2(b):** assent to proposal makes it a promise. **Essentials (Sec 7):** absolute and unqualified; expressed in usual and reasonable manner or prescribed manner; communicated to offeror by acceptor or his agent (Powell v Lee); given while offer is alive; silence is not acceptance (Felthouse v Bindley)
- **Postal rule:** Adams v Lindsell (1818); India — Sec 4: acceptance complete against proposer when put in course of transmission. Instantaneous communication (phone, telex, e-mail chat) — complete where acceptance is received: Bhagwandas Goverdhandas Kedia v Girdharilal (SC 1966)
- **Invitation to treat:** invitation to make offers — display of goods (Pharmaceutical Society v Boots 1953), catalogues, advertisements, auctions (Harris v Nickerson), quotations (Harvey v Facey — lowest price quote is not offer), tenders
- **Tenders:** invitation for offers; specific tender (one acceptance binds) vs standing offer tender (each order = acceptance — Great Northern Rly v Witham). **Auction:** bid = offer; sale complete on fall of hammer; bid can be withdrawn before
- **E-contracts:** click-wrap, browse-wrap, shrink-wrap; valid under Sec 10A IT Act 2000; e-signatures recognised; issues of jurisdiction, consent, time and place of acceptance (IT Act Sec 13)

UNIT II – Consideration, Privity & Capacity

Consideration – Sec 2(d) ★★★

"When at the **desire of the promisor**, the promisee or any other person has done or abstained from doing, or does or abstains, or promises to do or abstain, something — such act, abstinence or promise is called consideration."

- **Essentials:** at desire of promisor (Durga Prasad v Baldeo 1880 — shops built at Collector's desire, not promisor's: no consideration); may move from promisee or any other person; past, present or future (past consideration valid in India); must be real, not illusory; need not be adequate (Explanation 2 Sec 25); must be lawful
- Pre-existing legal duty is not consideration (Collins v Godefroy; Stilk v Myrick)

Privity of Contract ★★★

Only parties to a contract can sue on it — "stranger to contract cannot sue" (Tweddle v Atkinson 1861; Dunlop v Selfridge 1915). But a stranger to **consideration** can sue in India — Chinnaya v Ramayya (1882): sister's gift to daughter with promise to pay annuity to her sister; held enforceable. **Exceptions:** trust or charge (Khwaja Muhammad Khan v Hussaini Begum 1910), marriage settlement/family arrangements, acknowledgement or estoppel, assignment, agency, covenants running with land, beneficiary of insurance.

Minor's Agreement & Sec 25 Exceptions ★★★

- **Minor** = under 18 years (Indian Majority Act 1875). Agreement with minor is **void ab initio** — Mohori Bibee v Dharmodas Ghose (1903, Privy Council): minor mortgaged house for ₹20,000; lender sought refund of ₹10,500 advanced — held void, no refund (Sec 64, 65 do not apply as never a contract)
- **Rules:** no ratification on majority; no estoppel against minor (Sadiq Ali Khan v Jai Kishore); minor can be promisee/beneficiary; liability for necessaries from minor's property (Sec 68); minor's partner only for benefits; parent not liable unless agent; no specific performance
- **Doctrine of restitution:** if minor obtains property/goods by misrepresenting age, court may order restoration if still traceable in his hands (equity) — Leslie v Sheill; Specific Relief Act Sec 33; but no recovery of money spent (Khan Gul v Lakha Singh 1928 — Lahore HC allowed refund; view differs)
- **Sec 25 — no consideration, no contract; exceptions:** (1) written, registered, made out of natural love and affection between near relations (Rajlukhy Dabee v Bhootnath — no love, so void); (2) compensation for past voluntary service; (3) written promise to pay a time-barred debt; also gifts actually made (Sec 25 expl. 1), agency (Sec 185), bailment (Sec 148), charity once acted upon (Kedarnath v Gorie Mohammad)

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UNIT III – Free Consent, Legality & Frustration

Free Consent (Sec 13–22) ★★★

Consent (Sec 13): agreeing upon the same thing in the same sense (consensus ad idem). **Free (Sec 14)** if not caused by:

Factor	Meaning	Effect & case
Coercion (Sec 15)	Committing/threatening an act forbidden by IPC/BNS, or unlawful detention of property	Voidable (Sec 19); Chikkam Ammiraju v Chikkam Seshamma — threat of suicide = coercion
Undue influence (Sec 16)	Party in position to dominate will uses it to obtain unfair advantage (real/apparent authority, fiduciary, mental distress)	Voidable (Sec 19A); Mannu Singh v Umadat Pande (guru–disciple)
Fraud (Sec 17)	Intentional false statement, active concealment, promise without intent	Voidable + damages; mere silence not fraud unless duty to speak
Misrepresentation (Sec 18)	Innocent false statement believed true	Voidable; no damages
Mistake (Sec 20–22)	Bilateral mistake of essential fact → void (Couturier v Hastie — goods perished); mistake of Indian law no excuse (Sec 21); unilateral mistake — valid (Sec 22) except identity/nature (Cundy v Lindsay)	Void / valid

Unlawful Object & Consideration – Sec 23 ★★★

Unlawful if: (1) forbidden by law, (2) would defeat provisions of law, (3) fraudulent, (4) involves injury to person or property of another, (5) immoral, (6) opposed to public policy. Such agreement is **void**. Examples: agreement to commit crime, stifling prosecution, sale of public offices, trafficking, marriage brokerage, Gherulal Parakh v Mahadeodas (1959 — wagering not unlawful under Sec 23, only void), Pearce v Brooks (carriage hired to prostitute).

Frustration – Sec 56 ★★★

Agreement to do an impossible act is void; contract becoming impossible or unlawful after it is made becomes void. **Grounds:** destruction of subject matter (Taylor v Caldwell 1863 — music hall burnt), death or incapacity, change of law, outbreak of war, non-occurrence of the event (Krell v Henry — coronation cases). **Not frustration:** difficulty, commercial hardship, strikes, self-induced impossibility. Satyabrata Ghose v Mugneeram Bangur (1954) — "impossible" means impracticable from point of view of object; requisition did not frustrate. Effect: Sec 65 restitution of benefit.

Void, Voidable, Illegal; Anticipatory Breach ★★

- **Void agreement** (Sec 2(g)) — not enforceable; **void contract** (2(j)) — ceases to be enforceable; **voidable** (2(i)) — enforceable at option of one party; **illegal** — forbidden by law, collateral transactions also void
- **Expressly void:** Sec 24 (part unlawful consideration), 25, 26 (restraint of marriage), 27 (restraint of trade — exceptions sale of goodwill, partners; Niranjan Shankar Golikari — restraint during employment valid), 28 (restraint of legal proceedings), 29 (uncertainty), 30 (wagering), 56
- **Anticipatory breach (Sec 39):** party refuses or disables himself before performance due — promisee may treat it as breach at once and sue (Hochster v De La Tour 1853), or wait (Avery v Bowden) at his risk

UNIT IV – Performance, Breach & Quasi-contracts

Performance (Sec 37–67) ★★

- Parties must perform or offer to perform (Sec 37); valid tender (Sec 38)
- **By whom (40–45):** promisor personally if personal skill; else agent or legal representatives; third party performance accepted (Sec 41); joint promisors jointly and severally liable (43)
- **Time & place (46–50):** reasonable time if none fixed; time essential → voidable on failure (Sec 55); reciprocal promises (51–54)
- **Discharge:** performance, agreement (novation, rescission, alteration, remission, waiver — Sec 62–63), impossibility, lapse of time, operation of law, breach

Damages – Sec 73 ★★★

Compensation for loss which naturally arose in usual course or which parties knew when contracting to be likely; not for remote or indirect loss. **Hadley v Baxendale (1854):** mill shaft delivery delayed; loss of profits not recoverable as carrier didn't know mill was idle — two limbs: natural loss + loss within contemplation. Victoria Laundry v Newman (1949) — ordinary profits yes, special dyeing contracts no. **Kinds:** ordinary, special, exemplary (breach of promise to marry, dishonour of cheque), nominal, liquidated. **Sec 74:** reasonable compensation not exceeding sum named whether penalty or liquidated (Kailash Nath v DDA 2015). Duty to mitigate.

Quasi-contracts (Sec 68–72) & Equitable Remedies ★★★

Obligations "resembling those created by contract" — imposed by law on **unjust enrichment** principle (Moses v Macferlan).

- **Sec 68:** necessaries supplied to incapable person — reimbursed from his property
- **Sec 69:** payment by interested person of money another is bound to pay (Govindram v State of Gondal)
- **Sec 70:** non-gratuitous act — benefit enjoyed must be paid for (State of WB v BK Mondal 1962 — Government liable for buildings it used)
- **Sec 71:** finder of goods — duties of bailee
- **Sec 72:** money paid or thing delivered by mistake or under coercion must be repaid (Sales Tax Officer v Kanhaiya Lal 1959 — tax paid under mistake of law recoverable)
- **Quantum meruit** ("as much as earned"): reasonable payment for work done when contract discharged/ void — Planche v Colburn
- **Specific performance** (Specific Relief Act 1963, amended 2018 — now general rule, not discretionary, Sec 10) and **injunction** — temporary, perpetual, mandatory; negative covenant — Lumley v Wagner

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Provisional Acceptance; Agreement vs Contract Deed ★★

- **Provisional acceptance:** acceptance subject to a condition, approval or formal contract ("subject to approval of the Board", "subject to contract") — no binding contract until the condition is fulfilled/approval communicated; offeror can revoke before final acceptance (Union of India v S. Narain Singh; auction bid "subject to confirmation" by higher authority — Rajanagaram Village Co-op v Veerasami)
- In tenders, highest bid is only an offer; acceptance is complete only on confirmation by the competent authority
- **Agreement** — every promise and set of promises (Sec 2(e)); **contract** — agreement enforceable by law (Sec 2(h)); **contract deed** — formal written instrument signed (and where required stamped/registered) recording the contract — evidence, certainty, needed for immovable property (Registration Act 1908 Sec 17), arbitration clauses, Govt contracts (Art 299)

Uncertain Agreements; Discharge Modes Chart ★★

- **Sec 29:** agreements whose meaning is not certain or capable of being made certain are void — "A agrees to sell B a hundred tons of oil" (kind not stated) void; but certain by trade custom (A deals only in coconut oil) valid
- **Discharge of contract:** (1) performance — actual or attempted (tender, Sec 38); (2) mutual agreement — novation, rescission, alteration, remission, waiver (Sec 62–63); (3) impossibility — Sec 56; (4) lapse of time (Limitation Act — 3 years); (5) operation of law — death in personal contracts, insolvency, merger, unauthorised material alteration; (6) breach — actual or anticipatory (Sec 39)

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Leading Cases & Problem Solutions

Must-know Cases (one line each)

Case	Principle
Carlill v Carbolic Smoke Ball (1893)	General offer; performance = acceptance
Lalman Shukla v Gauri Dutt (1913)	No acceptance without knowledge of offer
Balfour v Balfour (1919)	Domestic agreements — no intention
Bhagwandas v Girdharilal (1966)	Phone acceptance — place where received
Durga Prasad v Baldeo (1880)	Consideration at desire of promisor
Chinnaya v Ramayya (1882)	Stranger to consideration can sue
Mohori Bibee v Dharmodas Ghose (1903)	Minor's agreement void ab initio
Satyabrata Ghose v Mugneeram (1954)	Frustration; meaning of impossibility
Hadley v Baxendale (1854)	Remoteness of damages
State of WB v B. K. Mondal (1962)	Sec 70 non-gratuitous act

Problem 1 — Reward without knowledge

Facts: A finds B's lost dog and returns it; later learns of ₹5,000 reward. **Issue:** can A claim? **Law:** Sec 2(b), 4 — acceptance needs knowledge of offer. **Case:** Lalman Shukla. **Decision:** No.

Problem 2 — Minor's loan

Facts: 17-year-old borrows ₹50,000 by lying about age. **Law:** Sec 10, 11; no estoppel. **Case:** Mohori Bibee. **Decision:** loan unrecoverable; restitution only of traceable property.

Problem 3 — Revocation by post

A posts offer on 1st; B posts acceptance on 3rd (reaches 5th); A telegraphs revocation on 4th. **Decision:** revocation too late — contract complete against A on 3rd (Sec 4, 5).

Problem 4 — Hall burnt

A hires B's hall for a wedding; hall burns before date. **Decision:** contract void (Sec 56, Taylor v Caldwell); advance refundable (Sec 65).

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Practice Set with Answers

Cover the answer column, try each question yourself, then check.

#	Question	Answer
1	Contract defined in?	Sec 2(h).
2	Essentials of valid contract section?	Sec 10.
3	Communication when complete?	Sec 4.
4	Silence as acceptance — case?	Felthouse v Bindley.
5	Counter offer — case?	Hyde v Wrench.
6	Display of goods is?	Invitation to treat (Boots case).
7	Past consideration valid in India?	Yes — Sec 2(d).
8	Stranger to consideration can sue — case?	Chinnaya v Ramayya.
9	Coercion defined in?	Sec 15.
10	Mistake of law?	No excuse — Sec 21.
11	Restraint of trade?	Void — Sec 27.
12	Wagering agreements?	Void — Sec 30.
13	Anticipatory breach?	Sec 39; Hochster v De La Tour.
14	Penalty vs liquidated damages?	Sec 74.
15	Money paid by mistake?	Recoverable — Sec 72.
16	Specific Relief Act amended?	2018.

Common Mistakes to Avoid

- Quoting cases without facts and decision
- Saying a minor's contract is voidable (it is void)
- Treating price quotations as offers
- Confusing stranger to contract with stranger to consideration
- Calling commercial hardship frustration
- Problem answers without Issue → Law → Case → Decision

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Answer Plans — What to Write for Each Question

Q. Sec 2(h) & Sec 10
Definition → 'all contracts are agreements...' → essentials with one case each.

Q. Offer & Carlill
Sec 2(a) → kinds → general offer → Carlill facts/ decision → Lalman Shukla → revocation.

Q. Acceptance & postal rule
Sec 2(b), 7 → communication Sec 4 → revocation Sec 5 → Bhagwandas.

Q. Consideration & privity
Sec 2(d) → essentials → Durga Prasad → privity → Chinnaya → exceptions.

Q. Minor
Majority Act → Mohori Bibee → rules → restitution → necessaries.

Q. Free consent
Sec 13–14 → table of 5 factors → effects (Sec 19, 19A).

Q. Frustration
Sec 56 → grounds → Taylor, Krell → Satyabrata Ghose → effect Sec 65.

Q. Damages & quasi-contracts
Sec 73 → Hadley → kinds → Sec 74 → Sec 68–72 with cases → quantum meruit.

Last-Minute Section Sheet

Definitions	2(a) proposal · 2(b) acceptance · 2(d) consideration · 2(e) agreement · 2(g) void · 2(h) contract · 2(i) voidable
Formation	3–9 communication, revocation · 10 essentials · 11 competency · 12 sound mind
Consent	13 consent · 14 free · 15 coercion · 16 UI · 17 fraud · 18 misrep. · 19, 19A effects · 20–22 mistake
Void	23 unlawful · 24–30 void agreements · 56 frustration · 65 restitution
Breach	37–67 performance · 39 anticipatory · 68–72 quasi · 73 damages · 74 penalty · 75

Before you enter the exam hall: revise the mind map, the flowcharts and the formula sheet once more. Read the paper fully, draw labelled diagrams, box your answers, and keep 5 minutes for checking. **You have prepared well. All the best!** Team LUUPDATE

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