

CHAPTER	
1	The Indian Contract Act, 1872
Unit : 2	Consideration

[1] (d) There are some exceptions to the general rule No consideration, No contract:

They are as following:

- (a) **Agreements made on Account of natural love and affection [Section 25 (1)]**: Such an agreement made without consideration is valid if:
- (i) It is expressed in writing
 - (ii) It is registered under the law.
 - (iii) It is made on account of love and affection.
 - (iv) It is between due parties standing in a near relation each other.
- (b) **Promise to pay time barred debt [Section 25(3)]** : Such promise without consideration is valid if :
- (i) It is authorised in writing.
 - (ii) It is signed by the debtor or his authorised agent and
 - (iii) It relates to a debt which could not be enforced by a creditor because of limitation.
- (c) **Promise to compensate [Section 25(2)]**: Such promise made without consideration is valid if:
- (i) There is a promise to compensate (wholly or in part); and
 - (ii) The person who is to be compensated has already done some thing voluntarily or has done something which the promisor was legally bound to do.

[2] (a) Consideration must move at the desire of the promisor.

[3] (b) Compensation for involuntary services is not an example to the rule, "No consideration, No contract".

According to [Section 25(2)] of the Indian Contract Act, 1872, the person who is to be compensated has already done something voluntarily or has done something which the promisor was legally bound to do.

[4] (b) Past consideration is one of the legal requirements regarding consideration in The Indian Contract Act, 1872. Hence, it is valid in India, but in England past consideration is void.

- [5] (b) **General Rule 'A stranger to a contract cannot sue'**
Though a stranger to consideration can sue because the consideration can be furnished or supplied by any person whether he is the promisee or not, but a stranger to a contract cannot sue because of the absence of privity of contract (i.e. relationship subsisting between the parties to a contract)
Hence, in this case A is indebted to B. He sells a trolley to C. C promises to pay all debts of A to B. If C fails to pay, B has no right to sue C because C is stranger to contract.
- [6] (d) Consideration is defined in the Indian Contract Act, 1872 in Section 2 (d).
- [7] (c) According to Explanation 2 of Section 25, an agreement to which the consent of the promisor is freely given is not void merely because the consideration is inadequate; but the inadequacy of the consideration may be taken into account by the Court in determining the question whether the consent of the promisor was freely given.
- [8] (b) The trustees can recover to the extent of liabilities from Rohan and not the entire ₹ 10,000. If trustees wouldn't have incurred any liability on account of Rohan then Rohan was not at all responsible to compensate the trustees.
- [9] (b) The offer of A to sell the piano at ₹ 2,500 was duly accepted by B which resulted into a contract. Now if A will refuse to sell the piano to B he will be liable for damage as he committed a breach of contract.
- [10] (a) 'Privity of contract' i.e. (relationship subsisting between the parties to a contract) is subject to the exception where a trust or charge is created.
- [11] (c) The act constituting consideration must be something which the promisor is not already bound to do because a promise to do what a promisor is already bound to do adds nothing to the existing obligation.
- [12] (c) Section 2 (d) of the Indian Contract Act, 1872 defines consideration as under:
"When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or promises to do or abstains from doing something, such an Act or abstinence or promise is called a consideration for the promise."
- [13] (b) Agreements with unlawful consideration or opposed to public policy results in a void contract.
- [14] (a) As per **Section - 2 (d)** of the Indian Contract Act, 1872,
"When at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing or promises to do or abstain from doing something, such an act or abstinence or promise is called consideration for the promise."

The above definition has made it obvious that the consideration may be past, present or future. However, in England, past consideration is no consideration.

[15] (a) Where a promise to pay a time barred debt has been made in writing, it is considered valid by the law even without consideration.

[16] (d) There can be stranger to consideration but no stranger to a contract although there are few exceptions. Consideration may move at the desire of the promisor, promisee or any other person.

[17] (a) **Same as Ans. 14**

[18] (a) According to **Section - 25** of the Indian Contract Act, 1872, an agreement made without consideration is void. However, the Indian Contract Act contains certain exceptions to this rule. In the following cases, the agreement though made without consideration, will be valid and enforceable.

- (i) Natural love and affection
- (ii) Compensation for past voluntary services.
- (iii) Promise to pay time-barred debt.
- (iv) Agency
- (v) Completed gift.

Therefore, contracts of love and affection are valid under which head-contract without consideration.

[19] (a) **Section-25** of the Indian Contract Act, 1872, gives a rule which says "No consideration, no contract". But in case of completed gifts, the rule no consideration, no contract does not apply. Explanation (1) to Section-25 states "nothing in this section shall affect the validity as between the donor and donee, of any gift actually made." Thus, gift do not require any consideration.

[20] (a) In a contract consideration need not be any particular value. It need not be approximately equal value with the promise for which it is exchanged but it must be something which the law would regard as having, some value. In other words it need not be adequate but must be real.

According to Explanation 2 of Section 25, the inadequacy of the consideration may be taken into account by the court in determining the question, whether the consent of the promisor was freely given.

[21] (b) **Same as Ans. 4**

[22] (b) A stranger to a consideration can sue. E.g. in case of trust, a beneficiary; in case of certain marriage contracts, a female member, etc.

[23] (a) Exceptions to Section 25 of Indian Contract Act states that a written and registered agreement based on natural love and affection between the parties standing in near relation to each other is enforceable even without consideration.

- [24] (a) Where a promise in writing signed by the person making it or by his authorised agent, is made to pay a debt barred by limitation it is valid without consideration.
- [25] (a) An agreement in restraint of legal proceeding is the one by which any party thereto is restricted absolutely from enforcing his rights under a contract through a court or which abridges the usual period for starting legal proceedings. A contract of this nature is void.
- [26] (a) A contract of agency even without consideration is valid. Hence in the given, the agreement is valid.
- [27] (a) Legal requirements regarding consideration are :
- (i) It must move at the desire of the promisor
 - (ii) It may proceed from promisee or any other person
 - (iii) It can be executed or executory
 - (iv) Consideration may be past, present/future
 - (v) It need not be adequate
 - (vi) It must be real and competent
 - (vii) It must be legal.
- [28] (c) A promisee may remit or dispense with wholly or in part of performance of contract or he may accept instead of it any satisfaction which he thinks fit. This is known as remission. In the given case, Johnson was ready to accept only ₹10,000 in full settlement of the account. Johnson performed remission and hence the agreement is valid.
- [29] (a) There can be a stranger to consideration but no stranger to a contract although there are few exceptions. Consideration may move at the desire of the promisor, promisee or any other person.
- [30] (a) Under Indian Contract Act 1872, though the consideration for an agreement may proceed from the third party, the third party cannot sue on agreement. Only a person who is a party to a contract can sue it. Thus it can be said that **a stranger to the contract cannot sue but a stranger to the consideration can sue.**
- [31] (d) Essential features of consideration are:-
- (i) It is the doing or not doing of something which the promisor desires to be done or not done.
 - (ii) It must be at the desire of the promisor.
 - (iii) It may move from promisee or any other person.
 - (iv) It may be past, present or future.
 - (v) It need not be adequate, but should be real.
- Hence, **consideration must be adequate** is not an essential of valid consideration.

- [32] (c) A consideration which consist of a performance of an act **in response to a positive promise is** said to executed consideration. When it is consisted in a promise, it is said to be executory.
- [33] (d) As per the general rule, an agreement without any consideration is void. However, there are certain exceptions to this rule which are as follows:
- (i) Agreement based on Natural Love and Affection
 - (ii) Compensation for past voluntary services
 - (iii) Promise to pay time barred debt
 - (iv) Agency
 - (v) Completed gift.
- In the given statement all are the exceptions of this rule, hence **none of the above** is not an exception to the rule “no consideration, no contract”.
- [34] (c) According to Section 25 (3)., where a promise in **writing is signed** by the person **making it i.e. debtor or his authorized agent**, is made to pay a debt barred by limitation it is valid without consideration.
- [35] (b) According to the relevant provisions of Indian Contract Act, 1872, when at the desire of the promisor, the promisee or any other person does something such an act is consideration. **There can be a stranger to a consideration** but not stranger to a contract. Hence, **Option b** is the correct answer.
- [36] (b) According to Section 10 “All agreements are contracts if they are made by the free consent of the parties competent to contract, for a lawful consideration and with a lawful object and are not hereby expressly declared to be void”.
- Hence, the following essential elements must co-exist to make a valid contract:
1. Proper offer and proper acceptance with intention to create legal relationship
 2. Lawful consideration and lawful object
 3. Capacity to contract
 4. Free consent
 5. Agreements not declared void or illegal
 6. Certainty of meaning
 7. Possibility of performance of an agreement
 8. Necessary legal formalities
- Hence, adequacy of consideration is not an essential element.
- [37] (b) The general rule of no consideration no contract is subject to certain exceptions like:
- (a) Natural love and affection
 - (b) Compensation for past voluntary services
 - (c) Promise to pay time barred debt

- (d) Agency
- (e) Completed gift
- (f) Bailment and charity.

Where a promise in writing signed by the person making it or by his authorised agent, is made to pay a debt barred by limitation it is valid even without consideration.

- [38] (a) According to the definition of consideration the following may be observed:
- (a) It is the doing or not doing of something which the promisor desires to be done or not to be done
 - (b) It must be at the desire of the promisor
 - (c) It may move from promisee or any other person
 - (d) It may be past, present or future
 - (e) Consideration need not be adequate, but should be real.

Thus, **in India Consideration may proceed from the promisee or any other person who is not a party to the contract.**

Thus, there can be a stranger to a consideration but not a stranger to a contract.

- [39] (d) A condition can be treated as a warranty where the **fulfilment of condition is excused by law** by reason of impossibility or otherwise.
- [40] (a) Consideration is the doing or not doing of something which the promisor desires to be done or not done. Consideration must be at the desire of the promisor but it may **move from promisee or any other person.**
- [41] (d) In India consideration may proceed from the promisee or any other person who is not a party to the contract. In other words, there can be a stranger to a contract.

The case given is of *Chinnayya vs. Ramayya* and the sister is entitled to maintain the suit.

- [42] (a) Though under the Indian Contract Act, 1872 the consideration for an agreement may proceed from a third party, the third party cannot sue an agreement. Only a person who is party to a contract can sue on it. The aforesaid rule, that stranger to a contract cannot sue is known as “doctrine of privity of contract” with certain exceptions.
- [43] (c) Consideration need not to be of any particular value. It need not be approximately of equal value with the promise for which it is exchanged but it must be something which the law would regard as having some value.
- [44] (b) If a creditor does not file a suit against the buyer for recovery of the price within 3 years the debt becomes **time barred but recoverable.** Where a promise in writing signed by the person making it or by his authorised agent, is made to pay a debt barred by limitation it is valid without consideration.

[45] (d) In the following cases, the agreement though made without consideration, will be valid and enforceable.

1. **Natural Love and Affection:**

Example: A husband, by a registered agreement promised to pay his earnings to his wife. Held the agreement though without consideration, was valid.

2. **Compensation for past voluntary services:**

Example: P finds R's purse and gives it to him. R promises to give P ₹ 1,000. This is a valid contract.

3. **Promise to pay time barred debt:**

Example: A is indebted to C ₹ 6,000 but the debt is barred by the Limitation Act. A signs a written promise now to pay ₹ 5,000 in final settlement of the debt. This is a contract without consideration, but enforceable.

4. **Agency:** According to **Section 185 of the Indian Contract Act**, no consideration is necessary to create an agency.

5. **Completed gift:** In case of completed gifts, the rule no consideration no contract does not apply.

6. **Bailment:** No consideration is required to effect the bailment (Section 148).

7. **Charity:** If a promisee undertakes the liability on the promise of the person to contribute to charity, there the contract shall be valid. (*Kadarnath v. Gorie Mohammad*)

[46] (d) Contract made on account of love and affection should be written and registered under law only then it results in a binding contract.