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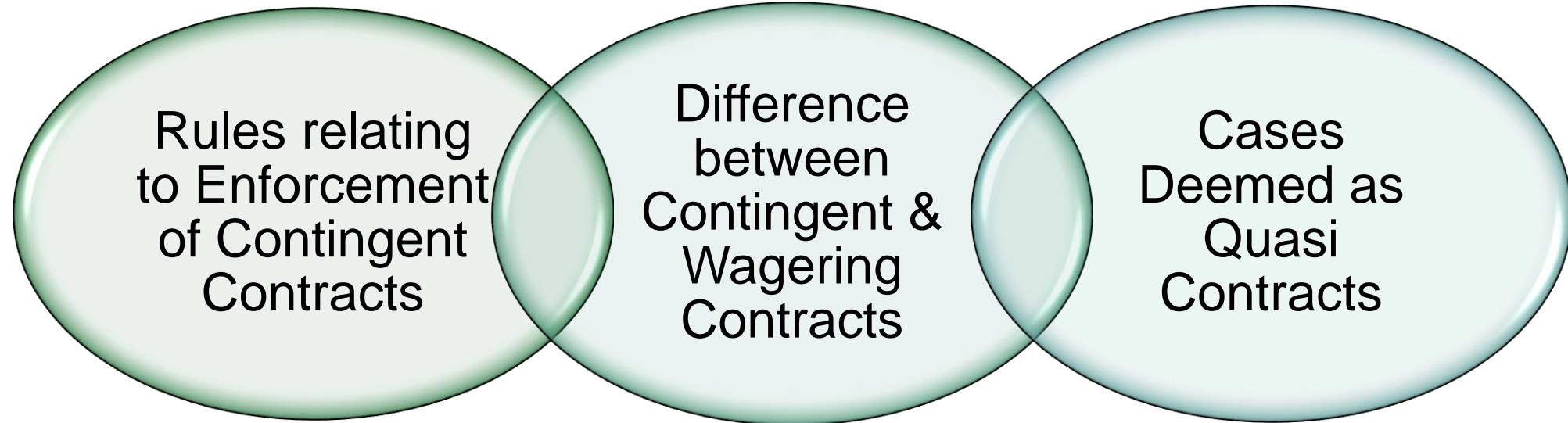
VIRTUAL COACHING CLASSES ORGANISED BY BOS, ICAI

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CONTINGENT AND QUASI CONTRACTS





CONTINGENT CONTRACTS

“A contract to do or not to do something, if some event, collateral to such a event, does or does not happen”.
(Section 31)

All Indemnity Contracts, Guarantee Contracts and Insurance Contracts are Contingent Contract



Example

A contracts to pay B Rs.10,000 if B's house is burnt. This is a contingent contract. Here burning of B's house is neither a performance promised as part of the contract nor it is the consideration obtained from B. The liability of A arises only on the happening of the collateral event.



Essentials of a Contingent Contract

1. **There should be existence of a contingency;** happening or non-happening of some event in future.

Example: A promises to pay Rs. 5000 to B if it rains on first of the next month.





Essentials of a Contingent Contract

- 2. Contingency must be uncertain** – Where the contract is certain or bound to happen, the contract is due to be performed means it is not a contingent contract.
- 3. The event must be collateral** to the contract – The event should be neither performance promised nor a consideration for a promise.
- 4. The Contingent event should not be a mere will of the promisor** - It should not just depend upon the willingness of the promisor, it can be in addition to it.



Rules Regarding Contingent Contract

Rule 1: Contracts Contingent on the Happening of an Event

- Section 32 provides that contingent contracts to do or not to do anything if any uncertain future event happens. It cannot be enforced by law unless and until that event has happened. If the Event becomes impossible, such contracts become void
- Thus, Promisor will not be liable to perform the promise until that event has happened



Examples

1. Ravi contracts to pay Nitin a sum of money when Nitin marries Anita. Anita dies without being married to Nitin. The contract becomes void.
2. Mohit makes a contract with Shiv to sell a horse to Shiv at a specified price, if Ajay, to whom the horse has been offered, refuses to buy him. The Contract cannot be enforced by law unless and until Ajay refuses to buy the horse.



Rules Regarding Contingent Contract

Rule 2 : Contract Dependent on the non-happening of an Event

- **Section 33** provides contingent contracts to do or not to do anything if any uncertain future event does not happen. It can be enforced when the happening of the event **becomes impossible and not before.**
- Contract can be enforced only when happening of the event becomes impossible
- **Example** - Rohit agrees to pay Nikhil a sum of money if a certain ship does not return. The ship is sunk. The contract can only be enforced when the ship sinks and not before. If ship returns back, contract becomes void.



Rules Regarding Contingent Contract

Rule 3: Contract Contingent upon the future conduct of a living person

- **According to section 34**, if the future contingent event consists of how a person will act at **an unspecified time**, that event shall be considered to have become impossible if such person does anything which renders it impossible that he should so act within any definite time or otherwise than under further contingencies
- The Contract Becomes Void when such person does anything to make the event impossible



Example

A agrees to pay B a sum of money if B marries C. C marries D. The marriage of B to C must now be considered impossible although it is possible that D may die and C may afterwards marry B.



Rules Regarding Contingent Contract

Rule-4 : Contingent on the basis of time.

Section 35- Contingent contract to do or not to do anything, if a specified uncertain event does not happen within a fixed time , may be enforced if the event does not happen or its happening become impossible before the expiry of that time.

Section 35-Contingent contract to do or not to do anything, if a specified uncertain event happens within a fixed time , become void if the event does not happen or its happening become impossible before the expiry of that time.



Example

Manish will pay Aman Rs 4000 if a certain ship does not return within a year. The contract may be enforced if the ship does not return within a year or if the ship is burnt.





Rules Regarding Contingent Contract

Rule-5 - (Section 36) Contingent agreements to do or not to do anything if an impossible event happens are void, whether or not the fact is known to parties.

Example

1. A agrees to pay B Rs, 1 lakh if sun rises in the west next morning. This is an impossible event and hence void.
2. A agree to pay 1000 to B if B will marry C's daughter D. D was dead at the time of agreement. The agreement is void.



WAGERING AGREEMENTS

- Literally, the word wager means ‘a bet, something to be lost or won as a result of a doubtful issue’.
- It is a promise to give money or money’s worth upon the determination or ascertainment of an uncertain event.
- The section does not define ‘wager.’ Section 30 states that, “Agreements by way of wager are void; and no suit shall be brought for recovering anything alleged to be won on any wager, or entrusted to any person to abide the result of any game or other uncertain event on which any wager is made.”



A Contract is Wager If ?

- Firstly, the event **is uncertain**, not only because it is a future event but because it is not yet known to the parties.
- Secondly, the parties must **have no interest** in the event's happening or non-happening except winning or losing of the bet laid between them.
- Say If A and B mutually agrees that if it rains today, A will pay B Rs.100 and if it does not rain, B will pay A Rs. 100.



Differences Between a Wagering Agreement and a Contingent Agreement

<u>Wager Agreement</u>	<u>Contingent Agreement</u>
A promise to give money or money's worth for uncertain event happening or not happening	A contract to do or not to do something for collateral event happening or not happening.
It is a void contract.	It is a valid contract.
It consists of reciprocal promises.	It may not have reciprocal promises.
It is contingent in nature.	It may not be wagering in nature.
Here, the parties have no interest in the subject matter.	Here, the parties may have interest in the subject matter.
It is a game, losing and gaining alone matters	It is not a game, only losing and gaining doesn't matters.

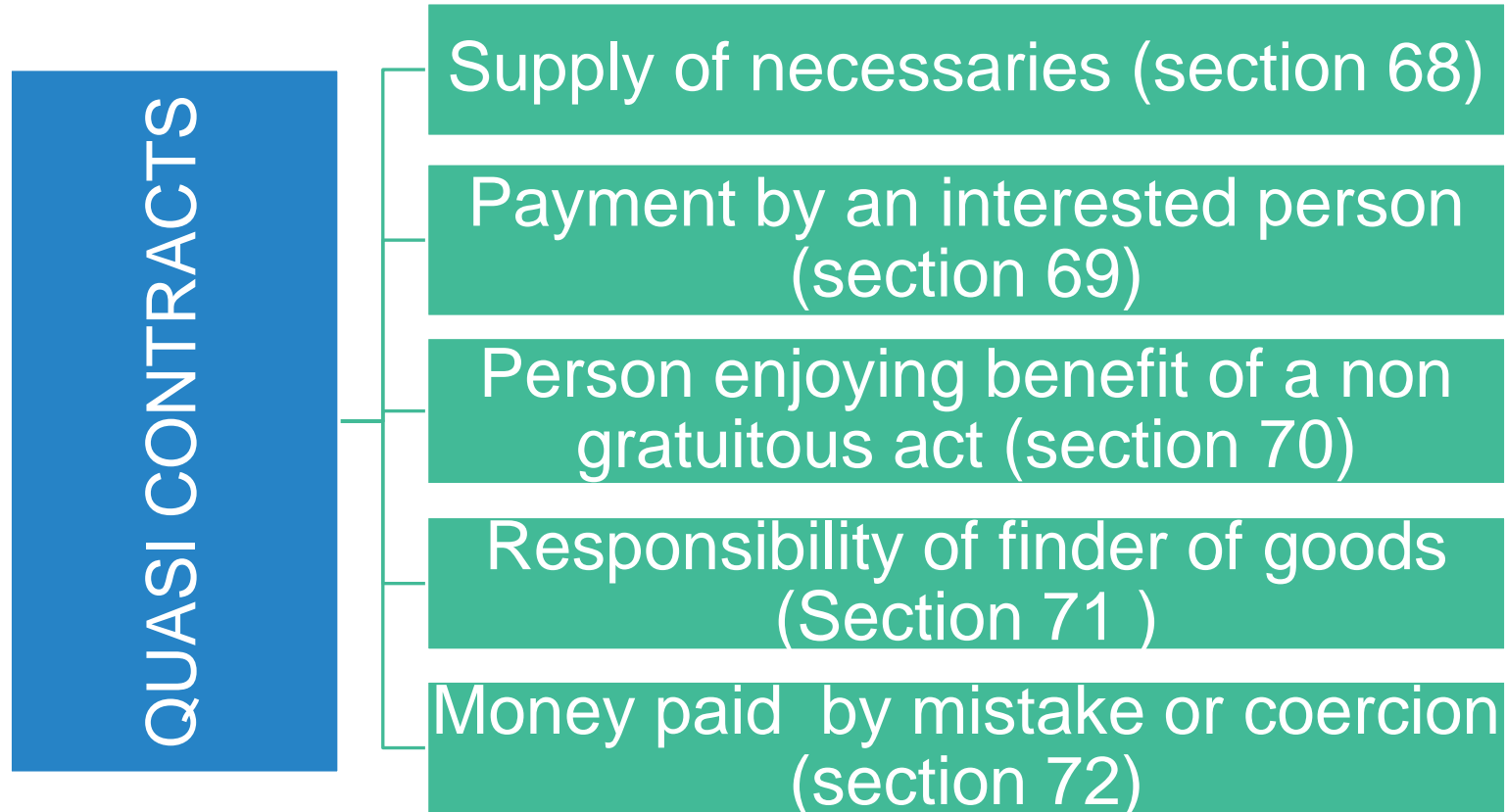


QUASI CONTRACTS

- ❑ 'Quasi' means 'almost' or 'apparently but not really'
- ❑ A quasi contract is a contract that exists by order of a court, not by agreement of the parties
- ❑ Courts create quasi contracts to avoid the unjust enrichment of a party in a dispute over payment for a good or service
- ❑ It is based on the maxims 'No man can grow rich out of another persons loss'
- ❑ Sections 68 to 72 deals with "certain relations resembling those created by contract" under Indian contract act, 1872



Cases Deemed as Quasi Contracts





Section 68: Supply of necessaries

“Claim for supply of necessaries to person incapable of contracting”

Necessaries:

- Things suited to the conditions of incompetent parties
- Includes articles required to maintain a particular person in the state and degree in the life in which he is
- Articles without which an individual cannot reasonable exist



Section 69: Payment of lawful dues by interested persons

“Reimbursement of money paid, in which he is interested”

Essentials:

- There must be a person who is bound to make a payment by law. The person paying must himself not be bound to pay.
- There must be another person interested, not bound by law, in such payment being made and interest should exist at the time of payment.
- The payment must be made bonafide for the protection of one's own interest



Section 70: Person enjoying benefit of a Gratuitous Act

“Obligation of a person enjoying benefits of non gratuitous act”

- Person lawfully does anything for another person
- Delivers anything to him non-gratuitously
- Latter is bound to make compensation or restore the thing so done or delivered
- The thing must be done lawfully
- The person for whom the act is done must enjoy the benefit of it.



Section 71 - Responsibility of Finder of Goods

“A person who finds goods belonging to another and takes them into his custody, is subject to the same responsibility as a bailee”.

Duties of Finder of Lost Goods:

- He must try to find out “the real owner” of the goods
- He must take care of the goods as much as he would take of his own goods
- No right to appropriate the goods and
- To restore the good if the owner is found



Section 72 - Delivered by mistake or coercion

“Liability of person to whom money is paid, or thing delivered by mistake or under coercion”

It means it is the liability of the person, to whom money is paid or things are delivered by mistake or under coercion, **to repay back** the money or return back the goods to the true owner.



THANK YOU



TIME FOR THE QUERIES!!!

