

Doctrine of Caveat Emptor

The term 'Caveat Emptor' means 'let the buyer beware'. According to this principle, it is the duty of the buyer to be careful while purchasing goods of his requirement. The buyer must examine the goods thoroughly. He should ensure that the goods are suitable for his purpose. If the goods prove to be defective or do not suit his purpose, the buyer cannot hold the seller liable. If the buyer at the time of purchase depends upon his own skill and makes a bad choice, he must blame himself for this mistake.

According to Section 16(a), the seller is under an obligation to inform the buyer of any defect in the goods sold at the time of contract except in a case where the defect is obviously known to the buyer. It means that if the defects are in the knowledge of seller, he must inform to the buyer about those defects provided those defects are not obvious. But if the defects are obvious, the seller is not bound to inform to the buyer.

EXAMPLE

A purchases a horse from B. A needs the horse for riding but he does not mention it to B. The horse is not suitable for riding. A cannot reject the horse.

Exceptions

The doctrine of Caveat Emptor is subject to the following exceptions:

1. Purchase by Description

When the goods are purchased by description, the doctrine of caveat

empror does not apply if goods do not correspond with the description. It means when the buyer has specified his purpose and relied on the skill of the seller, this principle is not applicable. [Sec 15]

EXAMPLE

V sold a reaping machine to W, describing that it is 1 year old. W found it to be 2 years old. W could return it as it does not correspond with description.

2. Purchase by Samples and Description

When the goods are bought by sample as well as by description and the bulk of the goods do not correspond both with the sample or with the description, the buyer is entitled to reject the goods. [Sec. 15]

EXAMPLE

C sells an air filter to B saying that it is genuine and fit for a Corolla car. B finds that it is fit for Corolla car but not genuine. B can reject it.

3. Fitness for Purpose

The doctrine of Caveat Emptor does not apply when the buyer informs the seller about particular purpose for which he needs the goods and relies upon the seller's skill and judgment. The seller must supply the goods which shall be fit for the buyer's purpose. [Sec. 16(1)]

EXAMPLE

C tells B, a car dealer, that he needs a car for touring purpose. B sells a car which is not made for touring purpose. It is a breach of condition.

4. Merchantable Quality

When the goods are bought by description from a seller who deals in goods of that description, there is an implied condition that the goods shall be of merchantable quality. This condition applies in case of eatable items. It means if goods are not fit for human consumption, the buyer is not liable but seller will be liable. [Sec. 16(2)]

EXAMPLE

A bought milk from B, a dairyman. It was contaminated by germs. A's wife got infected and died after drinking the milk. B was held liable for damages.

5. Usage of Trade

When the trade usage attaches an implied condition or warranty as to the quality or fitness and the seller deviates from that condition or warranty, the principle of Caveat Emptor does not apply. [Sec. 16(3)]

EXAMPLE

A purchased a hot water bottle from B, a retail chemist. When A's wife opened the bottle, it burst and injured her. The proper use of bottle was known to B. B was liable for damages. (Priest vs. Last)

6. Purchase by Sample

When the goods are bought by sample, the principle of Caveat Emptor does not apply if the bulk does not correspond with the sample or if the buyer is not provided an opportunity to compare the goods with the sample. [Sec. 17]

EXAMPLE

X buys oil filter from Y by showing a sample. The oil filter does not correspond with a sample. X can return it.

7. Consent by Fraud

When the seller intentionally makes a wrong statement to the buyer and the buyer relies on it or when the seller actively conceals the defects in the goods which could not be discovered on reasonable examination, the principle of Caveat Emptor does not apply. [Sec. 17 of Contract Act]

EXAMPLE

A knows that his watch is made in Pakistan. In order to sell his watch, A tells B that it is made in Switzerland. B buys the watch. B can reject the contract.

8. Consent by Misrepresentation

When the seller makes a misrepresentation and the buyer relies on it, the doctrine of Caveat Emptor does not apply. Such contract is voidable at the option of the buyer. [Sec. 18 of Contract Act]

EXAMPLE

A, while selling his horse to B, declares that the horse is sound. B buys it and finds the horse to be unsound. B can reject the contract.