ESSENTIALS OF VALID CONTRACT

A valid contract is an agreement, which is binding and enforceable. In valid contract all the parties are legally bound to perform the contract.

According to Section 2 (h) of the Contract Act, “an agreement enforceable by law is a contract.”

It means an agreement is regarded as a control when it is enforceable by law. It is a contract, which can be enforced by either of the parties to the contract. If one of the parties refuses to perform the contract, the other party can take an action in a court of law against such party. To be enforceable by law, an agreement must possess some essentials of a valid contract, which are stated in section 10.

According to Section 10, “all agreements are contracts if they are made by the free consent of parties, competent to contract, for a lawful consideration and with a lawful object and are not hereby expressly declared to be void.”

When necessary the agreement must satisfy the requirements of law regarding writing attestation or registration.

**Essentials of Valid Contract:**

1. Offers and Acceptance

2. Legal Relationship

3. Lawful Consideration

4. Capacity of Parties

5. Free Consent

6. Lawful Objects

7. Writting and Registration

8. Certainity

9. Possibility of Performance

10. Not Expressly Declared Void

An agreement becomes enforceable by law when it fulfils essential conditions. These conditions may be called the essentials of a valid contract, which are as follows:

**1. Offers and Acceptance**

For an agreement there must be a lawful offer by one and lawful acceptance of that offer from the other party. The term lawful means that the offer and acceptance must satisfy the requirements of Contract Act. The offer must be made with the intention of creating legal relations otherwise, there will be no agreement.

Example:

A say to B that he will sell his cycle to him for Rs.2000. This is an offer. If B accepts this offer, there is an acceptance.

**2. Legal Relationship**

The parties to an agreement must create legal relationship. It arises when parties know that if one for the failure of a contract. Agreements of a social or domestic nature do not create legal relations and as such cannot give rise to a contract. It is presumed in commercial agreements that parties intend to create legal relations.

Example:

1. A father promises to pay his son Rs.500 every month as pocket money. Later, he refuses to pay. The son cannot recover as it is a social agreement and does not create legal relations.

2. A offers to sell his watch to B for Rs.200 and B agrees to buy it at the same price, there is a contract as it creates legal-relationship between them.

3. A husband promised to pay his wife a household allowance of 30 pounds every month. Later, the parties separated and the husband failed to pay. The wife used for allowance. Held that the wife was not entitled for the allowance as the agreement was social and did not create any legal obligations.

**3. Lawful Consideration**

The third essential of a valid contract is the presence of consideration. Consideration is “something in return.” It may be some benefit to the party. Consideration has been defined as the price paid by one party for the promise of the other. An agreement is enforceable only when both the parties get something and give something. The something given or obtained is the price of the promise and is called consideration.

Example:

1. A agrees to sell his house to B for Rs.10 Lac is the consideration for A’s promise to sell the house, and A’s promise to sell the house is the consideration for B’s promise to pay Rs.10 Lac. These are lawful considerations.

2. A promise to obtain for B employment in the public service, and B promise to pay 10,000 rupees to A. the agreement is void, as the consideration for it is unlawful.

**4. Capacity of Parties:**

An agreement is enforceable only if it is entered into by parties who possess contractual capacity. It means that the parities to an agreement must be competent to contract. According to Section 11, in order to be competent to contract the parties must be of the age of majority and of sound mind and must not be disqualified from contracting by any law to which they are subject. A contract by a person of unsound mind is void  ab-initio (from the beginning).

If one of the parties to the agreement suffers from minority, madness, drunkenness etc., the agreement is not enforceable at law, except in some cases.

Example:

1. M, a person of unsound mind, enters into an agreement with S to sell his house for Rs.2 lac. It is not a valid contract because M is not competent to contract.

2. A, aged 20 promises to sell his car to B for Rs.3 Lac. It is a valid contract because A is competent to contract.

**5. Free Consent:**

It is another essential of a valid contract. Consent means that the parties must have agreed upon the same thing in the same sense. For a valid contract it is necessary that the consent of parties to the contact must be free.

Example:

1. A compels B to enter into a contract on the point of pistol. It is not a valid contract as the consent of B is not free.

**6. Lawful Objects:**

It is also necessary that agreement should be made for a lawful object. The object for which the agreement has been entered into must not be fraudulent, illegal, immoral, or opposed to public policy or must not imply injury to the person or property of another. Every agreement of which the object or consideration is unlawful is illegal and the therefore void.

Example:

A promise to pay B Rs.5 thousand if B beats C. The agreement is illegal as its object is unlawful.

**7. Writing and Registration:**

According to Contract Act, a contract may be oral or in writing. Although in practice, it is always in the interest of the parties that the contract should be made in writing so that it may be convenient to prove in the court. However, a verbal contract if proved in the court will not be considered invalid merely on the ground that it not in writing. It is essential for the validity of a contact that it must be in writing signed and attested by witness and registered if so required by the law.

Example:

1. A Verbally promises to sell his book to y for Rs.200 it is a valid contract because the law does not require it to be in writing.

2. A verbally promises to sell his house to B it is not a valid contract because the law requires that the contract of immovable property must be in writing.

**8. Certainity:**

According to Section 29 of the Contract Act, “Agreements the meaning of which are not certain or capable of being made certain are void.” In order to give rise to a valid contract the terms of the agreement, must not be vague or uncertain. For a valid contract, the terms and conditions of an agreement must be clear and certain.

Example:

1. A promised to sell 20 books to B. It is not clear which books A has promised to sell. The agreement is void because the terms are not clear.

2. A agrees to sell B a hundred tons of oil. It is not clear what is the kind of oil. The agreement is void because of it uncertainty.

3. O agreed to purchase a van from S on hire-purchase terms. The price was to be paid over two years. Held there was no contract as the terms were not certain about rate of interest and mode of payment.

**9. Possibilty of Performance:**

The valid contract must be capable of performance section 56 lays down that. “An agreement to do an act impossible in itself is void.” If the act is legally or physically impossible to perform, the agreement cannot be enforced at law.

Example:

1. A agrees with B to discover treasure by magic, the agreement is not enforceable.

2. A agrees with B to put life into B’s dead brother. The agreement is void as it is impossible of performance.

**10. Not Expressly Declared Void:**

An agreement must not be one of those, which have been expressly declared to be void by the Act. Section 24-30 explains certain types of agreement, which have been expressly declared to be void. An agreement in restraint of trade and an agreement by way of wager have been expressly declared void.

Example:

A promise to close his business against the promise of B to pay him Rs.2 lac is a void agreement because it is restraint of trade.