**INDIAN CONTRACT ACT 1872**

The **Indian Contract Act, 1872** prescribes the law relating to contracts in India and is the key Act regulating **Indian contract law**. The Act is based on the principles of English Common Law. It is applicable to all the states of India.

**CONTRACT**

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displaystyle agreement=promise+consideration.}**2(h)** of the [Indian Contract Act](https://www.geektonight.com/indian-contract-act-1872/#indian-contract-act-1872), 1872 “An agreement enforceable by law is a contract.”

A contract is a combination of the two elements:

1. There must be **an agreement**
2. Agreement must be **enforceable by law** (obligation)

**Thus, Contract** = **Agreement + Enforcement by law**

### **AGREEMENT**

**Section 2(e)** “Every promise and every set of promises, forming the consideration for each other, is an agreement.” Thus it is clear from this definition that a ‘promise’ is an agreement.

**Thus, Agreement = Offer + Acceptance**

## **ESSENTIAL ELEMENTS OF A VALID CONTRACT**

The following are the essential elements of a valid contract:

### **1) Offer and Acceptance**

Basically, a contract unfolds when an offer by one party is accepted by the other party. The accepted offer should be without any qualification and be definite. An offer needs to be clear, definite, complete and final. It should be communicated to the offeree. A proposal when accepted becomes a promise or agreement. The offer and acceptance must be ‘consensus ad idem’ which means that both the parties must agree on the same thing in the same sense i.e. identity of wills or uniformity of minds.

**2) Intention to create legal relationship**

There must be an intention on the part of the parties to create a legal relationship between them. In the absence of such intention, there is no contract between them. An agreement of purely social or domestic nature does not contemplate legal relationship and as such they are not contracts.

**3) Lawful Consideration**

A contract must be supported by consideration on both sides. Consideration means an advantage or benefit moving from one party to another. Each party to the contract must give or promise something, and receive something or a promise in return. Consideration must not be unlawful, immoral or opposed to the public policy.

4**) Competency of the Parties**

According to Section 11 of the Indian Contract Act, 1872 - Every person is competent to contract who is (1) of the age of majority according to the law to which he is subject, and who is (2) of sound mind and is (3) not disqualified from contracting by any law to which he is subject.”

### **5) Free and genuine Consent**

Consent is crucial for an agreement and thus for a valid contract. If two people reach a similar agreement in the same sense, they are said to consent to the promise. However, for a valid contract, we must have free consent which means that the two parties must have reached consent without either of them being influenced, coerced, misrepresented or tricked into it. In other words, we say that if the consent of either of the parties is vitiated knowingly or by mistake, the contract between the parties is no longer valid.

### **6)** **Lawful Object**

Objectives of an agreement should be lawful. It must not be illegal or immoral or opposed to public policy. It is lawful unless it is forbidden by law. When the object of a contract is not lawful, the contract is void.

**7) Possibility of performance**

The terms of the agreement should be capable of performance. An agreement to do act, impossible in itself cannot be enforced. For example- A agrees to B to discover treasure by magic. The agreement is void because the act in itself is impossible to be performed from the very beginning.

**8) The term of the agreement are certain or are capable of being made certain**

The agreement must be certain and not vague or indefinite. For example, A agreed to pay Rs. 10 lakhs to B for ultra-modern decoration of his drawing room. The agreement is void because the meaning of the term “ultra-modern” is not certain.

**9) Not declared void**

The agreement should be such that it should be capable or being enforced by law. Certain agreements have been expressly declared illegal or void by the law

### **10)** **Legal Formalities**

Legal formalities if any required for particular agreement such as registration, writing, they must be followed. Writing is essential in order to affect a sale, lease, mortgage, gift of immovable property etc. Registration is required in such cases and legal formalities in the relevant legislation should be strictly followed.