

Consideration meaning:

According to Section 2(d), Consideration is defined as: "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 act or abstinence or promise is called consideration for the promise". Agreements without consideration are void.

For Example: X promises to deliver 10 kgs of basmati rice to Y and Y promises to pay Rs. 500 upon delivery. In this contract, Y's promise to Rs. 500 upon delivery is the consideration for X's promise. Similarly, X's promise to deliver 10 kgs of basmati rice is the consideration for the promise Y made.

Rules regarding consideration in a Contract

The following are the Rules governing consideration in a contract.

1. Consideration must Move at the Desire of the Promisor:

Consideration must move at the Desire of the Promisor either from the promisee or some other third party. But consideration cannot move at the Desire of a third party.

2. Consideration may move from the Promisee or any other Person

In Indian Law, consideration may move either from the promisee or "Any other person" i.e., stranger. Thus, it would be sufficient if a third party moves the consideration provided the promisor has no objection. The contract in such a case will be enforceable.

3. Consideration may be Past, Present or Future

Consideration may be classified as past, present and future. Past consideration is something wholly done, or borne, or suffered before the making of the agreement.

When the consideration for a present promise was given before the date of the promise, it is said to be past consideration. A past consideration if given at the request of the promisor will support a subsequent promise. A past consideration is as good as present or future consideration.

4. Consideration need not be Adequate

Consideration need not be adequate or equivalent to the promise. All that is necessary is that an agreement should be supported by consideration, and the parties are left free to determine the appropriate consideration for a promise at the time of making the bargain.

Example: If A promises to sell a house worth INR. 500,000 for INR. 50,000 only, the inadequacy of the price in itself shall not render the transaction void. But where a party pleads coercion, undue influence or fraud, inadequacy of consideration will also be a piece of evidence to be looked into.

Example: A agrees to sell a horse worth Rs.1,000 for Rs.10. A denies that his consent to the agreement was freely given. The inadequacy of consideration is a fact which the Court should take into account in considering whether or not A's consent was freely given.

5. Consideration must not be Illusory but should be Real

Consideration should be real, certain, competent, definite and not vague, uncertain, illusory or impossible. If it is illusory e.g. if a man promises to discover treasure by magic, the transaction is void.

Example: A promises to shift a mountain from one place to another if B paid Rs.10,000. A's promise is physically impossible of performance.