

## Chapter 3: The Sale of Goods Act, 1930

### Unit 1: Formation of the Contract of Sale

#### Contract of Sale of Goods | Sale and agreement to sell - Section 4 ★★ ★

**Question 1:**

Whether agreement to buy a **new TV for Rs. 30,000**, payable **Rs. 20,000 in cash and balance by exchange of old TV**, amounts to a **valid contract of sale** under the **Sale of Goods Act, 1930**. [Module]

**Answer:**

Yes, since **price partly in cash and partly in goods** is valid under **Sec. 2(10) – definition of price**, it is a **valid contract of sale** and not mere barter.

**Question 2:**

Whether **Archika**, who bought **designer gold bangles with condition of white polish** (payment already made, delivery after 2 days), can **recover price** when **design got disturbed after polishing**, and also whether **shopkeeper can charge extra for repair**, under the **Sale of Goods Act, 1930**. [RTP Nov 21] [May 22 - 6 Marks]

**Answer:**

As per **Sec. 4(3) & 4(4)**, it was an **agreement to sell**, not a sale; since goods were not in the agreed condition, **Archika can avoid the contract and recover the amount**; further, if shopkeeper repairs the bangles, **he cannot charge extra cost** from Archika.

#### Sale vs Hire Purchase ★★ ★

#### Goods perishing after agreement to sell but before sale (Sec. 8) [RTP Sep 25] ★★ ★

**Question 3:**

Whether **Mr. A**, who received a **motorcar from Hanuman Automobiles on trial for 3 days** with condition of **return if not satisfied**, is **liable for loss** when the **car was destroyed in a fire accident at A's place before expiry of trial period**, under the **Sale of Goods Act, 1930**.

**Answer:**

Since **property had not yet passed** (trial basis = agreement to sell), **risk did not pass to buyer**; hence **Mr. A is not liable**, and **Hanuman Automobiles must bear the loss**.

**Question 4:**

Whether **Akansh**, who purchased a **Television set from Jethalal (Gada Electronics)** on condition of **3-day approval/check period**, is **liable to pay price** when the **TV was spoiled on 2nd day due to earthquake**, under the **Sale of Goods Act, 1930**. [RTP Sep 24]

**Answer:**

As per **Sec. 24**, property in goods delivered **“on approval or sale or return” passes only when buyer approves/adopts transaction or retains beyond reasonable time**; here none of these conditions were met. Further, under **Sec. 8**, since goods perished before risk passed, the **agreement stood avoided**. Hence, **Akansh is not liable** and the **loss must be borne by Jethalal (seller)**.

Point	Sec 7	Sec 8
<b>When</b>	Goods perish <b>before contract</b>	Goods perish <b>after agreement but before sale</b>
<b>Effect</b>	Contract is <b>void from beginning</b>	Agreement becomes <b>void later</b>
<b>Cause</b>	Goods already destroyed, unknown to seller	Goods destroyed later, without fault of parties

**ASCERTAINMENT OF PRICE (SECTION 9 & 10) ★ ★ ★**

**Question 5:**

Whether **Mr. A**, who contracted to sell his **Swift car** to **Mr. B** but **price was not discussed**, can treat the agreement as **void for uncertainty**, or whether **Mr. B** has a **right to enforce the contract**, under the **Sale of Goods Act, 1930**. (4 Marks June 23)

**Answer:**

As per **Sec. 2(10) (Price = consideration)** read with **Sec. 9 (Ascertainment of price)**, even if price is not fixed, the **buyer must pay reasonable price**, hence the **contract is valid**, **Mr. B** can demand **delivery**, and **Mr. A** can recover **reasonable price of the car**.

**Question 6:**

Whether **Priya**, who agreed to sell her **two-wheeler** to **Sony** with **price to be fixed by her father (third-party valuer)**, can **take back the vehicle** when her **father refused to fix the price**, in two situations: (i) **keys already handed over** to Sony, (ii) **keys not handed over**, under the **Sale of Goods Act, 1930**. (June 24 - 7 Marks)

**Answer:**

As per **Sec. 9 (Ascertainment of Price)** and **Sec. 10 (Agreement to sell at valuation by third party)**,

- (i) **Keys handed over** → **Priya cannot take back the vehicle**, Sony must **pay reasonable price**.
- (ii) **Keys not handed over** → **Contract is avoided** since **third party refused valuation**.

**Question 7:**

Whether **Kartik**, who agreed to sell his **laptop** to **Vasant** at a **price to be fixed by Kusum (third-party hardware engineer)**, is **bound to deliver** when **Kartik withheld particulars preventing valuation**, and what **remedy Vasant has**, under the **Sale of Goods Act, 1930**. [Sep 2024, 3 Marks]

**Answer:**

As per **Sec. 10 (Agreement to sell at valuation by third party)**, since **Kusum could not fix the price due to Kartik's default**, the **agreement is void**; however, **Vasant can claim damages** from **Kartik** as the **party at fault**.

**Delivery [May 18, 4 Marks] [MTP Nov 22, 6 Marks] ★ ★ ★**

**Question 8:**

Whether **Avyukt**, who purchased **100 kgs of wheat @ Rs.30/kg** from **Bhaskar**, where wheat was in **warehouse custody of Kishore (warehouse keeper)**, and **Kishore acknowledged holding wheat on Avyukt's behalf**, can **recover price** when **whole wheat was destroyed in flood before buyer picked delivery**, under the **Sale of Goods Act, 1930**. [MTP II Sep 24 - 4 Marks]

**Answer:**

As per rules of **delivery (Actual, Constructive & Symbolic)**, **Kishore's acknowledgement amounts to constructive delivery**, hence **property and risk had passed to buyer**, and **Avyukt cannot claim back the price**. It is clear that possession of the wheat has been transferred through constructive delivery. Hence, **Avyukt is not right**. He cannot claim the price back.

## Chapter 3: The Sale of Goods Act, 1930

### Unit 2: Conditions & Warranties - Complete Unit is Important

Hot Topics are marked as ★ ★ ★

#### WHEN CONDITION IS TO BE TREATED AS WARRANTY (SECTION 13) ★ ★ ★

##### Sale by description [Section 15] ★ ★ ★

**Question 1:**

Mr. M asked for an **exhaust fan for kitchen**, Mr. T showed him different brands, and Mr. M approved one brand, but Mr. T delivered a **table fan** and refused to exchange, claiming the contract was complete after delivery and payment. [Jan 21 – 6 Marks]

**Answer:**

Delivery of **table fan** instead of **exhaust fan** is a **breach of condition** under **Sec. 15**; hence **Mr. T is wrong – Mr. M can reject the goods** and either **claim refund** or **demand the correct fan**.

**Sec. 15:** Applies as goods must match description; Mr. M asked for an **exhaust fan**, approved a **brand**, but a **table fan** was delivered → breach of condition.

**Sec. 16:** Applies only if buyer relies on seller's skill/fitness. Here, since Mr. M himself selected the **brand**, there was no reliance → **Sec. 16 not applicable**.

**Question 2:**

Whether the **buyer (M/s RK Traders)** can **reject the entire quantity** of **2000 kg basmati rice** (contract required rice grown in **Chhattisgarh**, packed in **pink 25 kg bags**), when seller instead supplied **1800 kg from Maharashtra in white 30 kg bags** and only **200 kg from Chhattisgarh in correct pink 25 kg bags**; and further, what is the **remedy if buyer accepts the entire quantity** to fulfil his contracts with others. [Sep 2024 - 4 marks]

**Answer:**

Since the supply did not correspond with the agreed **description**, buyer can **reject the whole consignment** (Sec. 15). However, if buyer elects to **accept the goods** to meet his other contracts, under **Sec. 13** the breach may be treated as a **warranty**, and he may **claim damages** from the seller while retaining the goods.

##### Sale by sample as well as by description [Section 15] ★ ★ ★

**Question 3:**

Prashant visits a sweet shop and asks for 1 kg of '**Burfi**' if the sweets are **fresh**. The seller assures him all sweets are **fresh and of good quality**. Prashant tastes one piece, finds it good, and buys the bulk. Later, he discovers the **bulk is stale**. Can Prashant **avoid the contract** under the **Sale of Goods Act, 1930**? Would the answer differ if he **did not taste the sweet**? [RTP Nov 21]

**Answer:**

The sale is **by sample**; since the **bulk does not correspond to the sample**, Prashant can **reject the goods and avoid the contract** under **Section 17**. If he **did not taste the sweet**, the sale is **by description**, and as the **goods do not correspond to the description**, Prashant can similarly **avoid the contract** under **Section 15**.

##### Sale by sample [Section 17] ★ ★ ★

**Question 4:**

Certain goods were sold **by sample** by A to B, B sold the same goods **by sample** to C, and C sold **by sample** to D. The goods did not correspond to the sample. D rejected the goods and gave notice to C. Advise B and C under the **Sale of Goods Act, 1930**. [4 Marks – June 23]

**Answer:**

D can **reject the goods** due to **deviation from the sample**, treating it as a **breach of implied condition** under **Section 17(2)** as the bulk must **correspond to the sample** and the buyer must have **reasonable opportunity to compare**. C can **claim damages from B**, and B can **claim damages from A**, but for C and B it is **not treated as a breach** under **Section 13(2)** since they **accepted and sold the goods**.

**Condition as to quality or fitness [Section 16(1)] ★★**

**Question 5:**

Whether **Anant**, who purchased a **split AC of 1 tonne capacity** from **M/s Frontline Electronics** on the **advice of their technician**, can **avoid the contract** after installation when the **AC proved insufficient to cool his room**, under the **Sale of Goods Act, 1930**. [Mock Test Paper - Series II - 7 Marks]

**Answer:**

As per **Sec. 16(1) (Implied condition as to fitness for purpose)**, since **Anant made known the purpose, relied on seller's skill**, and the **goods were of a description sold by the seller**, but the **AC is not reasonably fit**, **Anant can avoid the contract** despite installation.

**Question 6:**

**Mr. Yadav** bought **dark blue cloth** from **Vivek** to make **employee uniforms** without disclosing this purpose; uniforms were prepared but found **unfit**, though the cloth was **fit for caps, boots and carriage lining**. The question is whether he has any **remedy under the Sale of Goods Act, 1930**. [RTP May 19]

**Answer:**

Since the cloth could be used for **various purposes** and **Mr. Yadav did not disclose the specific purpose**, the implied condition of **fitness (Sec. 16(1)) does not apply**; hence he has **no remedy** against the seller.

**Question 7:**

**Mr. K** purchased marble and tiles from **M/s Makrana Marbles** after the seller **Mr. J** inspected the site (ignoring second floor), supplied **146 blocks of marble** and **16 boxes of tiles** with caution about weight, but marbles did not fit the **second floor** and tiles in the **parking** got damaged; question is whether **Mr. J** can refuse replacement and whether replacement of damaged tiles can be imposed. [Nov 22 – 6 Marks]

**Answer:**

As per **Section 16(1), Sale of Goods Act, 1930**, **Mr. J** is **liable to replace marbles** unfit for the second floor since buyer disclosed the purpose and relied on his skill, but **not liable to replace tiles** as he had warned they could bear only reasonable weight, hence damage in parking is the buyer's responsibility under **Caveat Emptor**.

**Condition as to Merchantability [Section 16(2)] ★★**

**Question 8:**

**Mr. X**, a **retailer**, bought toy cars from a **wholesaler** in a **sale by sample** and sold one to a boy, which due to a **latent manufacturing defect** broke and injured the boy; the retailer paid **compensation** and sued the wholesaler for **indemnity**—can he recover under the **Sale of Goods Act, 1930**? [MTP Nov 22- 6 Marks]

**Answer:**

Since the defect was **latent** and could not be revealed by reasonable examination, under **Section 16(2) & Section 17**, the **wholesaler is liable** and the retailer can **claim indemnity** for the loss.

**Question 9:**

**Mr. Rahul**, a wholesale trader in Delhi, placed an order with **Mr. Kapil**, a textile merchant, for 50 rolls of "premium silk cloth" at an agreed price. It was clearly mentioned that the cloth should be of premium-quality silk and suitable for manufacturing wedding garments. **Mr. Kapil** delivered the goods on the scheduled date. On a casual examination at the time of delivery, the rolls appeared to be fine, so **Rahul** accepted them.

However, later, while cutting and using the cloth for tailoring, it was discovered that the rolls contained a mixture of synthetic fibers and had hidden defects such as small holes and stains. These defects made the cloth unfit for making wedding garments, causing heavy losses to **Rahul**. When **Rahul** demanded a refund, **Kapil** refused, contending that **Rahul** had already inspected the goods and accepted delivery. State, with reasons, whether **Rahul** can reject the goods and recover the price under the Sale of Goods Act, 1930. [RTP Jan 26]

**Answer:**

As per Section 15 of the Sale of Goods Act, 1930, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description. Further, as per Section 16(2), when goods are bought by description from a seller who deals in such goods, there is an implied condition that they shall be of merchantable quality. However, if the buyer has examined the goods, the seller is not liable for

defects which such examination ought to have revealed. But where the defects are latent and cannot be discovered on ordinary inspection, the seller remains liable.

On the basis of the above provisions and facts, it is clear that the cloth did not correspond with its description of "premium silk" and was also not of merchantable quality. The defects were latent and could not have been noticed on ordinary inspection. Hence, Rahul is entitled to reject the goods and recover the price. Kapil cannot avoid liability merely on the ground that casual inspection was done by Rahul.

### Condition as to wholesomeness

**Question 10:**

A person purchased **bread** from a baker's shop, but the piece contained a **stone** which broke the buyer's **tooth while eating**; question is what rights the buyer has under the **Sale of Goods Act, 1930**. [Module]

**Answer:**

As per the implied condition of **wholesomeness**, the bread was **unfit for human consumption**, hence the buyer can treat it as a **breach of condition** and **claim damages** from the seller.

## Chapter 3: The Sale of Goods Act, 1930

### Unit 3: Transfer of Ownership and Delivery of Goods

#### Transfer of Property in Unascertained goods (Section 18 & 23) ★ ★ ★

**Question 1:**

X agreed to purchase 300 tons of wheat from Y out of a larger stock; X's men filled 150 tons into sacks, but before the rest could be packed, a fire gutted the entire stock. The issue is **who will bear the loss** under the **Sale of Goods Act, 1930**. [Module]

**Answer:**

Under **Section 21**, property in goods does not pass until they are in a **deliverable state** and the **buyer has knowledge** of it. Since **150 tons were sacked by buyer's men (buyer is presumed to have knowledge)**, property in that portion had passed to X, making him bear the loss. The remaining **150 tons not yet appropriated** remained at the risk of Y. [Module Answer]

**Question 2:**

S purchased a dress from a **reputed showroom**, paid in **cash**, and it required **alteration**; the shopkeeper assured it would be ready in **1 day** and would **inform S by phone**. The dress was altered next day but the shopkeeper **forgot to inform**, and later a **fire at the delivery counter destroyed it**. After **10 days**, S came to collect, but was denied refund, raising the issue whether the **shopkeeper is liable to refund under the Sale of Goods Act, 1930**. [May 25 – 7 Marks]

**Answer:**

Under **Section 21**, property in **specific goods** to be put into a **deliverable state** passes only when the act is done **and the buyer has notice**; here, since **notice was not given**, property (and thus risk under **Section 26**) had not passed to S. Further, the **delay was due to the shopkeeper's fault**, so the **loss falls on the shopkeeper**, and S is **entitled to a refund**.

**Question 3:**

The Institute of Science, Pune (buyer) placed an **order for chemicals worth Rs 1,50,000** from a **Delhi supplier** (seller), made **full advance payment**, and the seller **dispatched the consignment via courier** without reserving any **right of disposal**. The **consignment was lost in transit**, raising the question whether the **buyer can claim a refund under the Sale of Goods Act, 1930**. [Jan 25 – 4 Marks]

**Answer:**

Under **Section 23(2)**, delivery of goods to a **carrier without reserving right of disposal** constitutes **unconditional appropriation**, passing **property and risk** to the buyer. Here, the buyer had become the **owner of the goods**, so the **loss in transit falls on the buyer**, making the **refund claim invalid**.

#### Goods sent on approval or "on sale or return" (Section 24) ★ ★ ★

##### Sale for cash only or Return ★ ★ ★

**Question 4:**

Ms. R handed over her **Two-Wheeler** to Ms. K on **sale or return basis**. After a week, Ms. K neither returned the **vehicle nor paid** and instead **pledged it to Mr. A**. The issue is whether **Ms. R can claim the Two-Wheeler from Mr. A**, and whether the answer changes if the **vehicle remained the property of Ms. R until payment**. [Dec-20, 6 Marks]

**Answer:**

Under **Section 24**, on a **sale or return**, property passes to the buyer if he **approves, retains without rejection, or adopts the transaction** (e.g., pledges the goods). Here, **Ms. K pledged the Two-Wheeler**, so **property passed to her**, and **Ms. R cannot claim it from Mr. A** but can claim the **price from Ms. K**. If it was **expressly agreed that property remains with Ms. R until payment**, **property does not pass**, the **pledge is invalid**, and **Ms. R can recover the Two-Wheeler from Mr. A**.

**Question 5:**

The **buyer** took delivery of **20 tables** from the **seller** on **sale or return basis** without examining them. After selling **5 tables** to customers, one customer **lodged a complaint of defect** in the tables. The issue is whether the **buyer is entitled to return the tables** to the seller under the **Sale of Goods Act, 1930**. [Module Back Question]

**Answer:**

Under **Section 24**, on a **sale or return**, property passes if the buyer **approves, retains without rejection, or adopts the transaction**. Since the buyer **sold 5 tables**, he has **accepted them**, so he **cannot return those 5 tables**; he is only **entitled to return the remaining 15 tables**. The **5 sold tables**, despite the complaint, are at the **buyer's risk under the doctrine of Caveat Emptor**.

**Question 6:**

Ashok, a **trader**, delivered a **camera** to Mangesh on **sale or return** basis. Mangesh delivered it to Rahul on **sale for cash only or return**, who then delivered it to Vishal on a **sale or return** basis without paying cash. The **camera was lost by theft** while in Vishal's possession. The issue is **who is liable to pay the price of the camera** to Ashok under the **Sale of Goods Act, 1930**. [Sep 24 - 4 marks]

**Answer:**

Under **Section 24**, on **sale or return/delivery on approval**, property passes when the buyer **does an act adopting the transaction**, e.g., **sells or pledges the goods**. Here, by **delivering the camera to Rahul on sale for cash or return**, Mangesh **adopted the transaction**, so **ownership passed to him**, making him **solely liable to pay Ashok**. **Rahul did not pay or accept**, and **Vishal did not accept** before the theft, so **neither Rahul nor Vishal are liable**.

**TRANSFER OF TITLE BY NON-OWNERS (SECTIONS 27 - 30)**

**Question 7:**

A purchased a **motorcycle** from B and used it, but later discovered it was **stolen** and had to be returned to the **rightful owner**. The issue is whether A can **recover the price** paid from B under the **Sale of Goods Act, 1930**. [Jan 25 - 3 Marks]

**Answer:**

Under **Section 27**, **no one can transfer a better title than they have**, and **Section 14(a)** imposes an **implied condition that the seller has the right to sell**. Since B had **no title** to the stolen motorcycle, **A must return the motorcycle to the true owner** and can **recover the price from B**, who **breached the implied condition of title**.

**Sale by Mercantile Agent (Proviso to Sec. 27) ★ ★ ★**

**Question 8:**

J, the owner of a **Fiat car**, handed it to P, a **mercantile agent**, for sale at not less than Rs. 50,000. P sold the car for Rs. 40,000 to A, who bought in **good faith** and without notice of any fraud. P **misappropriated the money**. The issue is whether J can **recover the car** from A under the **Sale of Goods Act, 1930**. [RTP Nov 20]

**Answer:**

Under the **proviso to Section 27**, a **sale by a mercantile agent** transfers **good title** if (i) the agent is in **possession of the goods with owner's consent**, (ii) sells in the **ordinary course of business**, (iii) the buyer buys in **good faith for value**, and (iv) has **no notice of lack of authority**. Here, P had **consent** to sell, and A bought in **good faith** without notice. Therefore, **A obtains good title**, and **J cannot recover the car**.

**Sale by Person in Possession under Voidable Contract (Sec. 29) ★ ★ ★**

**Question 9:**

Saurabh purchased an electric scooter from Vivek for Rs. 5,000 at **gunpoint (coercion)**, but before Vivek could avoid the contract, Saurabh **sold the scooter to Vinay**, an **innocent purchaser without knowledge**; the issue is whether Vivek can **recover the scooter from Saurabh and Vinay** under the **Sale of Goods Act, 1930**. (RTP May 25)

**Answer:**

Under **Section 29**, if goods are obtained under a **voidable contract (coercion, fraud, misrepresentation, undue influence)** and sold **before rescission**, the buyer in **good faith** obtains a **good title**. Hence, **Vinay got valid ownership**, and **Vivek cannot recover the scooter from Vinay**, though he may **claim damages from Saurabh**.

**Buyer in Possession before Ownership Passes (Sec. 30(2)) ★★**

**Question 10:**

**X, a furniture dealer, delivered furniture to Y** under an agreement of sale where **ownership would pass only on payment of the last of three instalments**; before paying the last instalment, **Y sold the furniture to Z**, who purchased it in **good faith**, and X sued Z for recovery of the furniture claiming **Z had no title** under the **Sale of Goods Act, 1930. (Dec 23 - 4 Marks)**

**Answer:**

Under **Section 30(2)**, where a **buyer in possession with seller's consent** disposes of goods before property passes, the **third-party buyer in good faith without notice** obtains a **good title**; therefore, **Z acquired valid ownership**, and **X cannot recover the furniture** from Z.

**Question 11:**

Mr. Varun, a laptop distributor, delivered 20 laptops to his friend Mr. Rohit on the condition of "sale on approval or return within 10 days." Rohit neither returned the laptops within the stipulated period nor informed Varun of any rejection. Instead, he kept the laptops in his office showroom and sold 5 of them to Mr. Anuj, claiming to be the absolute owner. Anuj purchased the laptops in good faith, paid full consideration, and even issued a receipt.

After 15 days, Varun demanded the return of all the laptops, including those sold to Anuj. Rohit refused, arguing that he had acted as the owner. Anuj also defended himself, claiming that he was a bona fide purchaser for value. Varun, however, relied on the principle that "no one can transfer a better title than he himself has."

Decide, under the Sale of Goods Act, 1930, whether Anuj has acquired a valid title and whether Varun can recover the goods. **[RTP Jan 26]**

**Answer:**

Section 24 of the Sale of Goods Act, 1930 states that when goods are delivered on approval or "sale or return" basis, the property passes to the buyer if he accepts them, does any act adopting the transaction such as reselling, or retains the goods beyond the fixed or reasonable time.

Section 27 provides the general rule that no one can transfer a better title than he himself has. But the Act recognizes exceptions to protect bona fide purchasers.

Under Section 30(1), if a seller in possession of goods resells them to a buyer in good faith, such buyer gets a valid title. Similarly, under Section 30(2), if a buyer with the seller's consent obtains possession and resells before ownership has passed the sub-buyer in good faith also acquires good title.

Thus, once goods on approval are retained beyond time or resold, ownership passes, and a purchaser in good faith is protected.

In the present case, Varun delivered 20 laptops to Rohit on approval for 10 days. Rohit neither rejected nor returned the goods but displayed them in his showroom and sold 5 laptops to Anuj. This constituted an act of adopting the transaction under Section 24; therefore, ownership of all the laptops passed to Rohit. Since Anuj purchased them in good faith, for value, and without notice of Varun's rights, he falls within the exceptions under Sections 27 and 30.

Therefore, it is clear that by retaining the laptops beyond approval period and selling part of them, Rohit became the owner of the goods. His sale to Anuj was valid, and Anuj, being a bona fide purchaser, acquired a good title. Varun cannot recover the laptops from Anuj but may claim the price of the remaining from Rohit. Hence, Varun's contention is not legally sustainable.

**Delivery of wrong quantity [Section 37] ★★ ★**

**Question 12:**

A contracted with B to buy 50 chairs of a certain quality, but B delivered 25 chairs of the agreed type and 25 chairs of a different type; the issue is what rights A has against B under the Sale of Goods Act, 1930. [RTP Nov 22]

**Answer:**

Under Section 37(3), when goods contracted for are **mixed with goods of a different description**, the buyer may **accept the goods of correct description and reject the rest**, or may **reject the whole consignment**; thus, A may accept 25 agreed chairs and reject 25 different ones, or reject all 50 chairs.

**Question 13:**

R agreed to sell 1,000 kg tomatoes @ ₹100/kg to B, deliverable on 15th July 2023, but delivered only 700 kg on the due date, promising to deliver the **balance 300 kg next month**; later he failed to deliver the balance, and B **refused to pay for 700 kg**, claiming breach of contract—whether B can legally refuse payment under the Sale of Goods Act, 1930. (Dec 23 – 4 Marks)

**Answer:**

Under Section 37(1), if the seller delivers **less than the contracted quantity**, the buyer may **reject the goods**, but if he **accepts them, he must pay at the contract rate**; since B **accepted 700 kg**, he **cannot refuse payment**, even though R failed to deliver the balance 300 kg.

**Liability of buyer for neglecting or refusing delivery of goods (Section 44) ★★ ★**

**Question 14:**

Mr. G sold goods to Mr. H by invoice but payment was not made immediately. The goods lay in G's **godown**, inspected by H's agent and found in order. Later, dues were settled in **cash** and G asked H to take delivery so he could store other goods. H delayed, so G kept them in an **open space**, where **rain damaged** some goods. The question is: **who is responsible for the damage, and will the answer differ if payment was still pending?** [Nov 18, 6 Marks]

**Answer:**

As per Section 44, Sale of Goods Act, 1930, once G intimated H and was ready and willing to deliver, H is **liable** for the damage due to neglect in taking delivery. However, if the dues were not settled, G would be an **unpaid seller** and could enforce rights under Section 55(1) & 55(2) against H personally or the goods.

## Chapter 3: The Sale of Goods Act, 1930

### Unit 4: Unpaid Seller

#### UNPAID SELLER (SECTION 45) [MTP Oct 19, 6 Marks]

#### RIGHT OF UNPAID SELLER AGAINST THE GOODS [Nov 19, 6 Marks]

#### SELLER'S LIEN (SECTION 47 TO 49) [Module Back Question] (Dec 23 - 6 Marks) ★ ★ ★

##### Question 1:

Mr. Shankar sold 1000 Kg wheat to Mr. Ganesh on 3 months' credit, delivery after 10 days. After 5 days, Shankar heard from a friend that Ganesh may default and thus exercised lien by withholding delivery. The questions are: (i) Was Shankar right? (ii) What if Ganesh became insolvent within 5 days? (MTP I May 25, 7 Marks)

##### Answer:

As per Sections 45(1) & 47, Sale of Goods Act, 1930, lien can be exercised only when (a) sale is without credit, (b) credit term expires, or (c) buyer becomes insolvent. Hence, (i) Shankar was not justified in withholding wheat merely on suspicion during the credit period, (ii) but if Ganesh became insolvent within 5 days, Shankar could rightly withhold delivery under lien.

##### Question 2:

P sold antique items to Q for ₹3,00,000 on 13.12.2024, with 75% payable within a week and 25% by 31.12.2024. Q paid ₹2,80,000 on 18.12.2024 but failed to pay the balance ₹20,000 by 31.12.2024. Since delivery was not taken earlier, when Q's agent came on 10.01.2025, P refused delivery and exercised lien. The question is whether P was justified. [May 25 – 4 Marks]

##### Answer:

As per Section 47(1)(b), Sale of Goods Act, 1930, when goods are sold on credit but the credit term expires without full payment, the seller in possession can exercise lien. Since ₹20,000 remained unpaid after 31.12.2024 and goods were still with P, he was justified in refusing delivery and exercising lien.

#### RIGHT OF STOPPAGE IN TRANSIT (SECTION 50 TO 52) [MTP Oct 19, 6 Marks] ★ ★ ★

##### Question 3:

Ram sold 200 bales of cloth to Shyam, sending 100 bales by lorry and 100 bales by railway. Shyam received the lorry consignment but became bankrupt before receiving the railway consignment. Ram, being unpaid, stopped the goods in transit, but the official receiver claimed them. The issue is: who has the right over the 100 bales sent by railway? [MTP II Jan 25 - 4 Marks] [Dec 21 – 3 Marks]

##### Answer:

As per Section 50, Sale of Goods Act, 1930, since Ram is an unpaid seller, the goods were still in transit, and the buyer had become insolvent, Ram validly exercised the right of stoppage in transit. Hence, the 100 bales by railway belong to Ram, not the official receiver.

##### Question 4:

Ansari (seller) of Jaipur sold 100 smart TV sets @ ₹50,000 each to Baburam (buyer) of Delhi and delivered them to Chetan (carrier). Baburam resold them to Shayamlal @ ₹60,000 each. At destination, Chetan wrongfully refused delivery to Baburam, causing Baburam loss. Later, Ansari instructed Chetan to stop delivery and re-deliver goods to him. The questions are whether Ansari can stop goods in transit and whether Baburam can claim damages. [Sep 24, 3 Marks]

##### Answer:

As per Section 51, Sale of Goods Act, 1930, when a carrier wrongfully refuses delivery, transit ends and thus Ansari loses the right of stoppage in transit. Further, under Section 57, since Baburam suffered loss due to non-delivery, he can sue Ansari for damages.

### EFFECTS OF SUB-SALE OR PLEDGE BY BUYER (SECTION 53) ★ ★ ★

#### Question 5:

J sold a **machine** to K, who paid by **cheque** which was **dishonoured**. Meanwhile, J handed over a **delivery order** (document of title) to K. **K sold the goods to R** on this basis. The issue is whether **J can exercise lien** on the machine.

#### Answer:

As per **Section 53(1), Sale of Goods Act, 1930**, though J became an **unpaid seller** and normally has the **right of lien**, such right is **defeated when the buyer transfers goods using a document of title** (like a delivery order). Since **K sold to R in good faith on the basis of delivery order**, J's lien is lost, and **R gets valid rights over the machine**. So R who has purchased the machine from K can demand the delivery of the machine.

### RIGHT OF RE-SALE [SECTION 54] [Nov 22 - 6 Marks] ★ ★ ★

1. **Perishable goods** → resale without notice.
2. **Notice given to buyer** → if buyer still defaults → resale allowed.
  - Seller can:
    - (a) Recover **difference** between contract price & resale price (if loss).
    - (b) **Retain profit** if resale price > contract price.
  - **Condition:** This benefit applies **only if notice was given**. Without notice →
    - Seller **cannot recover loss**.
    - Seller must **return surplus** to original buyer.
3. **After lien or stoppage in transit** → resale valid; new buyer gets **good title**, even without notice.
4. **Express reservation in contract** → if resale right reserved, seller may resell without notice & still recover damages.
5. **Where property has not passed** → unpaid seller can withhold delivery (**quasi-lien**).

### REMEDIES OF BUYER AGAINST THE SELLER [6 Marks – June 23] [RTP Jan 26] ★ ★ ★

#### DAMAGES FOR NON-DELIVERY (BUYER'S RIGHT) - SECTION 57

1. Seller wrongfully neglects or refuses to deliver goods.
2. Buyer may **sue for damages**.
3. **Measure of damages:** Loss suffered due to **non-delivery**, e.g., difference between contract price and resale price.

**Example:** Seller fails to deliver shoes to buyer, who had a resale contract; buyer can recover the difference between resale price and contract price.

#### SUIT FOR SPECIFIC PERFORMANCE (BUYER'S RIGHT) - SECTION 58

1. Seller commits breach of contract.
2. Buyer can appeal to **court** for **specific performance**.
3. **Conditions for remedy:**
  - Contract is for **specific and ascertained goods**.
  - Court's power is subject to **Specific Relief Act, 1963**.
  - Remedy granted where **damages are inadequate**.
  - Goods are of **special or unique nature**.

**Example:** Seller refuses to deliver a rare Mughal painting; buyer may sue for court order to compel delivery.

#### SUIT FOR BREACH OF WARRANTY (BUYER'S RIGHT) - (SECTION 59)

1. Breach of **warranty** by seller, or breach of condition treated as warranty.
2. **Buyer** Cannot **reject goods** solely due to breach of warranty.
3. **Buyer's remedies:**
  - **Reduce** the price or claim **diminution/extinction** of price.
  - **Sue for damages** for breach of warranty.

#### REPUDIATION OF CONTRACT BEFORE DUE DATE - (SECTION 60)

1. Either party **repudiates** the contract **before delivery date**.
2. **Options for the other party:**
  - **Treat contract as subsisting** → wait until delivery date.
  - **Treat contract as rescinded** → sue for **damages** for breach.

**SUIT FOR INTEREST - (SECTION 61)**

1. Buyer can recover **price paid** if consideration fails (e.g. breach of title).
2. If seller neglects to deliver after receiving price → Buyer may claim **interest**.
3. Interest claim allowed **only if buyer can recover price**.
4. Interest counted **from date of payment**.
5. **Rate of interest** → Court's discretion.

**AUCTION SALE (SECTION 64) [Jan 21- 4 Marks] [Sep 24- 4 Marks] [Jan 21- 4 Marks]**



**Question 6:**

**Rachit** arranged an **auction** to sell an **antique wall clock** where **Megha gave the highest bid**. While the auctioneer was announcing completion of sale by the **fall of the hammer**, the **hammer broke and damaged the clock**. The issue is whether **Megha can avoid the contract**. [RTP Sep 25]

**Answer:**

As per **Section 64, Sale of Goods Act, 1930**, an **auction sale is complete only when the hammer properly falls** (or by customary announcement). Since the hammer **broke before completion**, the **sale was not complete**. Thus, **Megha is not liable for the loss and can avoid the contract**.

**Question 7:**

An **auction in Delhi** for **antique items** was notified to bidders that sale would be complete only when **hammer falls** and the **auctioneer announces "you are the highest bidder"**. **L bid Rs. 8 lakhs** for a sculpture; the **hammer fell**, but before the **announcement** could be made, the auction stopped due to **rise in market price**. **L claimed** the auctioneer was bound to sell as sale was complete. [May 25 - 3 Marks]

**Answer:**

Under **Section 64(2), Sale of Goods Act, 1930**, an **auction sale is complete only after fall of hammer and announcement**. Since **announcement was not made**, no contract was formed. The **auctioneer can withdraw goods before completion**, hence **L's claim is invalid**.

**Question 8:**

An **auction sale** of certain goods was held on **7th March 2023**, where the goods were knocked down to **X by fall of hammer**. The **payment** was made on **8th March 2023** and **delivery** on **10th March 2023**. The question is—**when is the auction sale complete** under the **Sale of Goods Act, 1930?** (2 Marks June 23)

**Answer:**

As per **Section 64, Sale of Goods Act, 1930**, an **auction sale is complete at the fall of hammer or other customary manner**. Hence, the **auction sale was complete on 7th March 2023**, not on the date of payment or delivery.

**Question 9:**

**PTC Hotels, Bombay** appointed **RN & Associates** as auctioneer to sell furniture on **25th Feb 2024**. Top **10 architects** were invited, but **right to bid was not notified**. Goods were sold in **lots with reserve price**. For one lot, bids were: **Mr. Neel – Rs. 5.70 lakh, Mr. Raj – Rs. 4.85 lakh, Mr. Dev – Rs. 6.10 lakh**. Yet, the sale was completed in favour of **Mr. Neel**, rejecting **Mr. Dev's highest bid** on the ground that **Right to bid was reserved** and his company was not invited. For another lot of Italian furniture, bids were: **Mr. Dheer – Rs. 15 lakh, Mr. Madhu (on behalf of RN & Associates) – Rs. 15.20 lakh**. Sale was completed in favour of **Mr. Dheer**, ignoring **Madhu's higher bid**. **Question: Were these auction sales lawful under the Sale of Goods Act, 1930?** (June 24 - 7 Marks)

**Answer:**

As per **Section 64, Sale of Goods Act, 1930:**

- Since **right to bid was not notified**, **Mr. Dev's highest bid could not be rejected**—thus, the **first auction sale was unlawful**.
- Also, where **right to bid is not reserved**, neither the **seller nor his agent can bid**. Hence, **Madhu's bid on behalf of RN & Associates was invalid**, and the **sale in favour of Mr. Dheer was lawful**.