

CA Foundation
Paper 2 - Business Law

Chapter 2 - ICA
The Indian Contract Act, 1872

Notes by - CA Chaitanya Jain

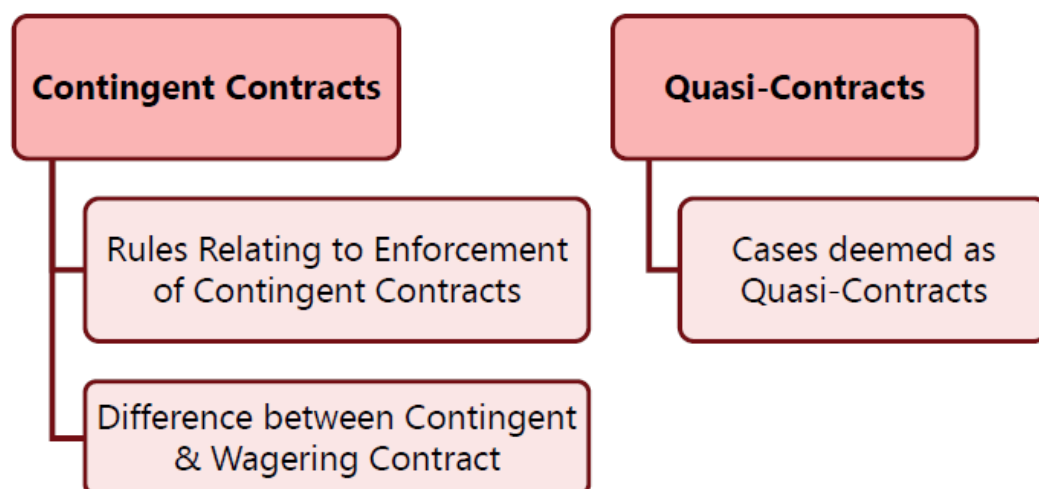
The Indian Contract Act, 1872

Unit 6 - Contingent & Quasi Contract

Table of Content for the Unit

CONTINGENT CONTRACTS.....	3
ESSENTIALS OF A CONTINGENT CONTRACT.....	4
RULES RELATING TO ENFORCEMENT.....	6
DIFFERENCE BETWEEN A CONTINGENT CONTRACT AND A WAGERING CONTRACT.....	7
QUASI CONTRACTS.....	8
“ PROBLEM KYA HAI ? - Unit 6 ”.....	13

Unit 6 - Contingent & Quasi Contract



CONTINGENT CONTRACTS

The Contract Act recognises certain cases in which an obligation is
Created without a contract.

Such obligations arise out of certain relations which cannot be called
contracts in the strict sense.

- There is no offer,
- no acceptance,
- no *consensus ad idem* and
- in fact neither agreement nor promise and
- yet the law imposes an obligation on one party and confers a right in favour of the other. We shall have a look at these cases of 'Quasi-contracts'.
- A contract may be absolute or a contingent.

An Absolute contract is one where the promisor undertakes to perform the
contract in any event without any condition.

Definition of 'Contingent Contract' (Section 31)

2.6 ► Contingent & Quasi Contract

- A contract to do or not to do something,
- if some event,
- collateral to such contract,
- does or does not happen”.

Contracts of Insurance, indemnity and guarantee fall under this category.

Example 1: A contracts to pay B Rs 10,00,000 if B's house is burnt. This is a contingent contract.

Example 2: A makes a contract with B to buy his house for Rs 50,00,000 if he is able to secure a bank loan for that amount. The contract is a contingent contract.

Meaning of collateral Event:

Pollock and Mulla defined collateral event as -

- An event which is neither a performance directly promised as part of the contract, nor
- the whole of the consideration for a promise”.

Example 3: A contracts to pay B 10,00,000 if B's house is burnt. This is a contingent contract. Here the burning of the B's house is neither a performance promised as part of the contract nor it is the consideration obtained from B. The liability of A arises only on the happening of the collateral event.

Example 4: A agrees to transfer his property to B if her wife C dies. This is a contingent contract because the property can be transferred only when C dies.

ESSENTIALS OF A CONTINGENT CONTRACT

- a. The performance of a contingent contract would depend upon the **happening or non-happening of some event or condition**.
The condition may be **precedent or subsequent**.

Example 5: 'A' promises to pay ` 50,000 to 'B' if it rains on the first of the next month.

b. The event is referred to **as collateral to the contract.**

- The event is not part of the contract.
- The event should be neither performance promised nor
- a consideration for a promise.

Example -

(i) where A agrees to deliver 100 bags of wheat and B agrees to pay the price only afterwards, the contract is a conditional contract and not contingent; because the event on which B's obligation is made to depend is part of the promise itself and not a collateral event.

(ii) Similarly, where A promises to pay B ` 1,00,000 if he marries C, it is not a contingent contract.

(iii) 'A' agreed to construct a swimming pool for 'B' for ` 20,00,000. And 'B' agreed to make the payment only on the completion of the swimming pool. It is not a contingent contract as the event (i.e. construction of the swimming pool) is directly connected with the contract.

c. The contingent event **should not be a mere 'will' of the promisor.**

The event should be contingent in addition to being the will of the promisor.

Example 6: If A promises to pay B ` 100,000, if he so chooses, it is not a contingent contract. (In fact, it is not a contract at all). However, where the event is within the promisor's will but not merely his will, it may be contingent contract.

Example 7: If A promises to pay B ` 100,000 if it rains on 1st April and A leave Delhi for Mumbai on a particular day, it is a contingent contract, because going to Mumbai is an event no doubt within A's will, but

2.6 ► Contingent & Quasi Contract

raining is not merely his will.

d. **The event must be uncertain.**

Where the event is certain or bound to happen, the contract is due to be performed, then it is a not contingent contract.

Example 8: 'A' agreed to sell his agricultural land to 'B' after obtaining the necessary permission from the collector. As a matter of course, the permission was generally granted on the fulfilment of certain formalities. It was held that the contract was not a contingent contract as the grant of permission by the collector was almost a certainty.

RULES RELATING TO ENFORCEMENT

Sections 32 - 36 of the Act.

Contingent & Quasi Contract ◀ 2.6

RULES RELATING TO ENFORCEMENT			
Section	Title	Description	Examples
32	Enforcement of contracts contingent on an event happening	A contract contingent on an uncertain future event cannot be enforced unless the event happens. If the event becomes impossible, the contract becomes void.	A agrees to pay B if B marries C. C dies without marrying B, so the contract becomes void.
33	Enforcement of contracts contingent on an event not happening	A contract contingent on an event not happening can only be enforced when it becomes impossible for the event to occur.	P agrees to pay Q if a ship does not return. The contract is enforceable if the ship sinks and cannot return. If the ship returns, the contract becomes void.
34	Contingent on a person's conduct	A contract contingent on a person's actions becomes impossible if the person does something that makes the event impossible.	A agrees to pay B if B marries C. C marries D, making it impossible for B to marry C (unless there's a divorce).
35	Contingent on an event happening within a fixed time	A contract contingent on an event happening within a fixed time becomes void if the event doesn't happen or becomes impossible within that time.	A agrees to pay B if a ship returns within a year. The contract is enforceable if the ship returns within the year, but void if the ship is burnt within the year.
35	Contingent on an event NOT happening within a fixed time	A contract contingent on an event not happening within a fixed time is enforceable if the event doesn't happen or becomes impossible within that time.	A agrees to pay B if a ship does not return within a year. The contract is enforceable if the ship doesn't return or is destroyed during that time.
36	Contingent on an impossible event	A contract contingent on an impossible event, whether known or not at the time of agreement, is void.	A agrees to pay B if the sun rises in the west. The contract is void.

DIFFERENCE BETWEEN A CONTINGENT CONTRACT AND A WAGERING CONTRACT

2.6 ► Contingent & Quasi Contract

Basis of difference	Contingent contract	Wagering contract
Meaning	A contingent contract is a contract to do or not to do something with reference to a collateral event happening or not happening.	A wagering agreement is a promise to give money or money's worth with reference to an uncertain event happening or not happening.
Reciprocal promises	Contingent contract may not contain reciprocal promises.	A wagering agreement consists of reciprocal promises.
Uncertain event	In a contingent contract, the event is collateral.	In a wagering contract, the uncertain event is the core factor.
Nature of contract	Contingent contract may not be wagering in nature.	A wagering agreement is essentially contingent in nature.
Interest of contracting parties	Contracting parties have interest in the subject matter in contingent contract.	The contracting parties have no interest in the subject matter.
Doctrine of mutuality of lose and gain	Contingent contract is not based on doctrine of mutuality of lose and gain.	A wagering contract is a game, losing and gaining alone matters.
Effect of contract	Contingent contract is valid.	A wagering agreement is void.

QUASI CONTRACTS

Based on a maxim -“No man must grow rich out of another person's loss”.

- A valid contract must contain -
 - Certain essential elements, such as
 - offer and acceptance, capacity to contract, consideration and free consent.
- But sometimes the law implies a promise imposing obligations on one party and conferring right in favour of the other
 - even when there is
 - no offer, no acceptance,

- no genuine consent,
- lawful consideration, etc.
- and in fact neither agreement nor promise.

Such cases **are not contract in the strict sense,**

- but the Court recognises them as **relations resembling those of contracts** and enforces them as if they were contracts.

Hence the term Quasi –contracts (i.e. resembling a contract).

- Even in the absence of a contract, certain **social relationships** give rise to certain specific obligations to be performed by certain persons.
- **These are known as quasi contracts** as they create the same obligations as in the case of regular contracts.

Quasi contracts are based on principles of equity, justice and good conscience.

Example 16: T, a tradesman, leaves goods at C's house by mistake. C treats the goods as his own. C is bound to pay for the goods.

Example 17: A pays some money to B by mistake. It is really due to C. B must refund the money to A.

Example 18: A fruit parcel is delivered under a mistake to R who consumes the fruits thinking them as a birthday present. R must return the parcel or pay for the fruits. Although there is no agreement between R and the true owner, he is bound to pay as the law regards it a Quasi-contract.

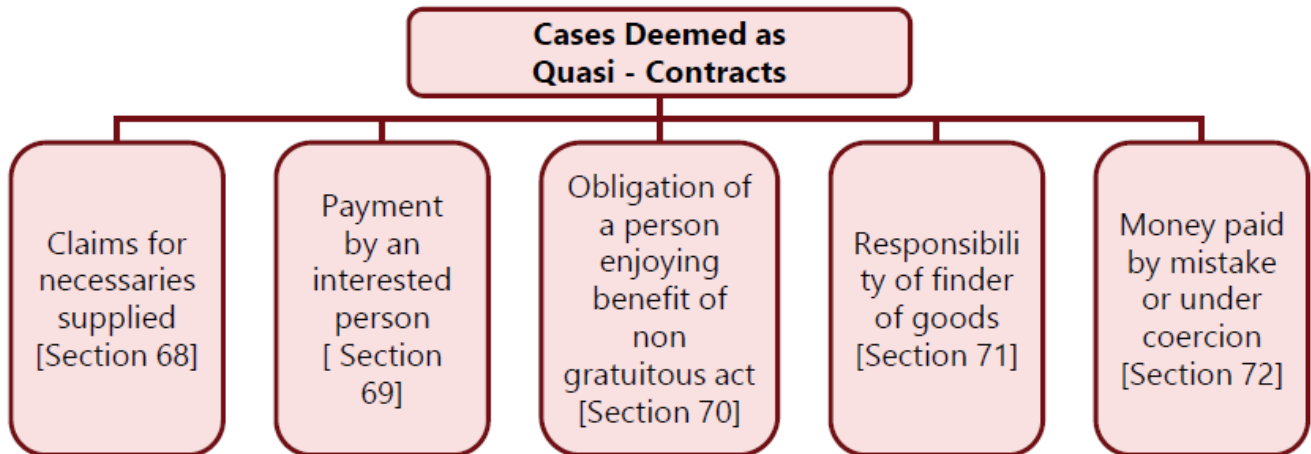
- These relations are called **quasi-contractual obligations.**
- In India it is also called **a 'certain relation resembling those created by contracts.**

Salient features of quasi contracts:

- (a) In the first place, such **a right is always a right to money** and generally, though not always, to a liquidated sum of money.

2.6 ► Contingent & Quasi Contract

- (b) Secondly, it does not arise from any agreement of the parties concerned, but is imposed by the law; and
- (c) Thirdly, it is a right which is available not against all the world, but against a particular person or persons only, so that in this respect it resembles a contractual right.



5 different circumstances where contract is deemed to have come to exist in which we shall presently dilate upon.

Contingent & Quasi Contract ◀ 2.6

CASES DEEMED AS QUASI CONTRACT			
Section	Section	Description	Examples
68	Claim for necessities supplied to persons incapable of contracting	If someone incapable of contracting (like a minor or lunatic) is provided with necessities suited to their life, the supplier can claim reimbursement from the incapable person's property.	A supplies necessities to B, a lunatic or minor. A is entitled to be reimbursed from B's property.
69	Payment by an interested person	A person who is interested in paying off a debt that another person is legally bound to pay is entitled to be reimbursed by that person.	No specific example provided.
70	Obligation of a person enjoying benefits of a non-gratuitous act	When a person lawfully does something for another without intending it to be a free service, and the other person benefits, the beneficiary must pay compensation or return the thing.	A leaves goods at B's house by mistake. B uses the goods as his own. B must pay A for them.
71	Responsibility of finder of goods	A person who finds someone else's goods and takes them into custody must take care of them like a prudent person and return them if the owner is found.	H finds a diamond and gives it to F for safekeeping. When the owner isn't found, F must return the diamond to H.
72	Money paid by mistake or under coercion	Any money paid or goods delivered by mistake or under coercion must be repaid or returned.	T was fined for not having a tram ticket. He later sued for recovery, claiming the fine was extorted. The suit was decided in his favor.

All the related case laws are also listed below in a table for the ease of learning -

2.6 ► Contingent & Quasi Contract

Section	Case Law	Key Points	Facts	Judgment
70	Shyam Lal vs. State of U.P.	1. Non-gratuitous act 2. Enjoyment of benefit 3. Compensation for benefit enjoyed	K, a government servant, was reinstated after being compulsorily retired. He was paid a salary without any work while the government appealed.	The appeal favored the government, and K was directed to return the salary received during the reinstatement period.
71	Hollins vs. Howler	1. Finder of goods 2. Responsibility of finder 3. Return of goods to finder when owner is not found	H found a diamond in F's shop and gave it to F for safekeeping until the owner was found. The true owner could not be traced.	F was required to return the diamond to H, as H had the right to retain it against everyone except the true owner.
72	Shivprasad vs. Sirish Chandra	1. Money paid by mistake 2. Recoverability of money paid under mistaken belief	Payment was made under a mistaken belief concerning a municipal tax.	The payment was deemed recoverable.
	Sales Tax Officer vs. Kanhaiyalal		Payment of sales tax made under a mistaken understanding of the lease terms.	The Supreme Court affirmed that the payment was recoverable.
	Trikamdas vs. Bombay Municipal Corporation		T was fined for traveling without a ticket on a tram. He claimed the fine was extorted and filed a suit for recovery.	The suit was decreed in favor of T, and the court ruled the fine as extortion.

Difference between quasi contracts and contract

Basis of distinction	Quasi- Contract	Contract
Essential for the valid contract	The essentials for the formation of a valid contract are absent	The essentials for the formation of a valid contract are present
Obligation	Imposed by law	Created by the consent of the parties

-----XX-----XX-----XX-----

“ PROBLEM KYA HAI ? - Unit 6 ”

Question Bank

ICA

*This section is complied with questions and suggested answers
for the chapter - ICA*

- ❖ *ICAI Study material*
- ❖ *Previous year Question Papers (PYQPs)*
- ❖ *Mock Test Papers (MTPs)*
- ❖ *Revision Test Papers (RTPs)*

Compiled by - CA Chaitanya Jain

Question 1

Explain the-term 'Quasi Contracts' and state their characteristics.

(Module)

Answer 1

Quasi Contracts: Under certain special circumstances, obligation resembling those created by a contract are imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as 'Quasi-contracts'. Such a contract resembles with a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation. These contracts are based on the doctrine that a person shall not be allowed to enrich himself unjustly at the expense of another. The salient features of a quasi-contract are:

1. It does not arise from any agreement of the parties concerned but is imposed by law.
2. Duty and not promise is the basis of such contract.
3. The right under it is always a right to money and generally though not always to a liquidated sum of money.
4. Such a right is available against specific person(s) and not against the whole world.
5. A suit for its breach may be filed in the same way as in case of a complete contract.

Question 2

X, a minor was studying in M.Com. in a college. On 1st July, 2021 he took a loan of * 1,00,000 from B for payment of his college fees and to purchase books and agreed to repay by 31st December,

2021. X possesses assets worth 7 9 lakhs. On due date, fails to pay back the loan to B. B now wants to recover the loan from X out of his (X's) assets. Referring to the provisions of Indian Contract Act, 1872 decide whether B would succeed.

(Module)

Answer 2

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

Yes, B can proceed against the assets of X. According to section 68 of Indian Contract Act, 1872, if a person, incapable of entering into a contract, or any one whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

Since the loan given to X is for the necessaries suited to the conditions in life of the minor, his assets can be sued to reimburse B.

Yes, P can recover the amount from D. Section

Question 3

P left his carriage on D's premises. Landlord of D seized the carriage against the rent due from D. P paid the rent and got his carriage released. Can P recover the amount from D?

(Module)

Answer 3

Yes, P can recover the amount from D. Section 69 states a person who is interested in the payment of money which another person is bound by law to pay, and who therefore pays it, is entitled to get it reimbursed by the other.

In the present case, D was lawfully bound to pay rent. P was interested in making the payment to D's landlord as his carriage was seized by him. Hence being an interested party P made the payment and can recover the same from D.

MTPs, RTPs and PYQPs

Question 1

Mr. Y is a devotee and wants to donate an elephant to the temple as a core part of ritual worship. He contacted Mr. X who wanted to sell his elephant. Mr. X contracted with Mr. Y to sell his elephant for Rs. 20 Lakhs. Both were unaware that the elephant was dead a day before the agreement. Referring to the provisions of the Indian Contract Act, 1872, explain whether it is a void, voidable or a valid contract.

(RTP Nov'22)

Answer 1

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

As per Section 2(i) of the Indian Contract Act, 1872 a contract which ceases to be enforceable by law becomes void when it ceases to be enforceable. The fact of impossibility may be known or unknown to the promisor or promisee.

It may be added by clarification here that the term "contract" shall be understood as an "agreement".

Thus, when the parties agree on doing something which is obviously impossible in itself the agreement would be void.

In this case, Mr. X and Mr. Y were ignorant of the fact that the elephant was dead and therefore the performance of the contract was impossible from the very start (impossibility ab initio).

Hence, this contract is void being not enforceable by law.

Question 2

P left his carriage on D's premises. Landlord of D seized the carriage against the rent due from D. P paid the rent and got his carriage released. Can P recover the amount from D?

(RTP May 23)

Answer 2

Section 69 of the Indian Contract Act, 1872 states that a person who is interested in the payment of money which another person is bound by law to pay, and who therefore pays it, is entitled to get it reimbursed by the other.

In the present case, D was lawfully bound to pay rent. P was interested in making the payment to D's landlord as his carriage was seized by him. Hence being an interested party, P made the payment and can recover the same from D.

Question 3

Rohan found a wallet in a restaurant. He enquired all the customers present there but the true owner could not be found. He handed over the same to the manager of the restaurant to keep the wallet till the true owner is found. After a week, Rohan went back to the restaurant to enquire about the wallet.

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

The manager refused to return it to Rohan, saying that it did not belong to him. In the light of the Indian Contract Act, 1872, can Rohan recover the wallet from the Manager?

(RTP Nov'23)

Answer 3

Responsibility of finder of goods (Section 71 of the Indian Contract Act, 1872): A person who find goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee.

Thus, a finder of lost goods has:

1. to take proper care of the property as man of ordinary prudence would take
2. no right to appropriate the goods and
3. to restore the goods if the owner is found

In the light of the above provisions, the manager must return the wallet to Rohan, since Rohan is entitled to retain the wallet found against everybody except the true owner.

Question 4

Explain the term 'Quasi Contracts' and state their characteristics.

(RTP Jun'24)

Answer 4

Quasi Contracts: Under certain special circumstances, obligations resembling those created by a contract are imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as 'Quasi-contracts'. Such a contract resembles a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation. These contracts are based on the doctrine that a person shall not be allowed to enrich himself unjustly at the expense of another. The salient features of a quasi-contract are:

1. It does not arise from any agreement of the parties concerned but is imposed by law.

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

2. Duty and not promise is the basis of such contract.
3. The right under it is always a right to money and generally though not always to a liquidated sum of money.
4. Such a right is available against specific person(s) and not against the whole world.
5. A suit for its breach may be filed in the same way as in case of a complete contract.

Question 5

Explain the term Contingent Contract with reference to the Indian Contract Act, 1872 with the help of an example. Also discuss the rules relating to enforcement of a contingent contract.

(MTP Mar'22 7 Marks)

Answer 5

Definition of 'Contingent Contract' (Section 31 of the Indian Contract Act, 1872): A contract to do or not to do something, if some event, collateral to such contract, does or does not happen.

Example: A contracts to pay B Rs. 1,00,000 if B's house is burnt. This is a contingent contract.

Rules Relating to Enforcement: The rules relating to enforcement of a contingent contract are laid down in sections 32, 33, 34, 35 and 36 of the Act.

1. Enforcement of contracts contingent on an event happening: Where a contract identifies happening of a future contingent event, the contract cannot be enforced until and unless the event 'happens'. If the happening of the event becomes impossible, then the contingent contract is void.
2. Enforcement of contracts contingent on an event not happening: Where a contingent contract is made contingent on non-happening of an event, it can be enforced only when its happening becomes impossible.
3. A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening
4. Contingent on happening of specified event within the fixed time: Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed,

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

such event has not happened, or if, before the time fixed, such event becomes impossible.

5. Contingent on specified event not happening within fixed time: Section 35 also says that "Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time fixed has expired, and such event has not happened or before the time fixed has expired, if it becomes certain that such event will not happen".
6. Contingent on an impossible event (Section 36): Contingent agreements to do or not to do anything, if an impossible event happens are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.

Question 6

Explain the-term 'Quasi Contracts' and state their characteristics.

(MTP Jun'22 5 Marks)

Answer 6

Quasi Contracts: Under certain special circumstances, obligation resembling those created by a contract are imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as 'Quasi-contracts'. Such a contract resembles with a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation. These contracts are based on the doctrine that a person shall not be allowed to enrich himself unjustly at the expense of another. The salient features of a quasi - contract are:

1. It does not arise from any agreement of the parties concerned but is imposed by law.
2. Duty and not promise is the basis of such contract.
3. The right under it is always a right to money and generally though not always to a liquidated sum of money.
4. Such a right is available against specific person(s) and not against the whole world.
5. A suit for its breach may be filed in the same way as in case of a complete contract.

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

Question 7

What is Quasi Contract? Elaborate the cases which are deemed as Quasi Contract.

(MTP Nov'22 5 Marks)

Answer 7

Quasi Contracts: Under certain special circumstances, obligation resembling those created by a contract are imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as 'Quasi-contracts'. Such a contract resembles with a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation. These contracts are based on the doctrine that a person shall not be allowed to enrich himself unjustly at the expense of another.

The following are the cases which are deemed as Quasi Contract:

- A. Claim for necessities supplied to persons incapable of contracting (Section 68 of the Indian Contract Act, 1872): If a person, incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another person with necessities suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

To establish his claim, the supplier must prove not only that the goods were supplied to the person who was minor or a lunatic but also that they were suitable to his actual requirements at the time of the sale and delivery.

- B. Payment by an interested person (Section 69): A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.
- C. Obligation of person enjoying benefits of non-gratuitous act (Section 70): In term of section 70 of the Act where a person lawfully does anything for another person or delivers anything to him not intending to do so gratuitously and such other person enjoys the benefit thereof, the latter is bound to pay compensation to the former in respect of, or to restore, the thing so done or delivered".
- D. Responsibility of finder of goods (Section 71): 'A person who finds goods belonging to another and takes them into his custody is subject to same responsibility as if he were a bailee' Thus, a finder of lost goods has:

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

1. to take proper care of the property as man of ordinary prudence would take
 2. no right to appropriate the goods and
 3. to restore the goods if the owner is found.
- E. Money paid by mistake or under coercion (Section 72): "A person to whom money has been paid or anything delivered by mistake or under coercion, must repay or return it".

Question 8

Explain the term Contingent Contract with reference to the Indian Contract Act, 1872 with the help of an example. Also discuss the rules relating to enforcement of a contingent contract.

(MTP May'23 7 Marks)

Answer 8

Definition of 'Contingent Contract' (Section 31 of the Indian Contract Act, 1872): A contract to do or not to do something, if some event, collateral to such contract, does or does not happen.

Example: A contracts to pay B Rs. 1,00,000 if B's house is burnt. This is a contingent contract.

Rules Relating to Enforcement: The rules relating to enforcement of a contingent contract are laid down in sections 32, 33, 34, 35 and 36 of the Act.

1. Enforcement of contracts contingent on an event happening: Where a contract identifies happening of a future contingent event, the contract cannot be enforced until and unless the event 'happens'. If the happening of the event becomes impossible, then the contingent contract is void.
2. Enforcement of contracts contingent on an event not happening: Where a contingent contract is made contingent on non-happening of an event, it can be enforced only when it's happening becomes impossible.
3. A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening.
4. Contingent on happening of specified event within the fixed time: Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed,

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

such event has not happened, or if, before the time fixed, such event becomes impossible.

5. Contingent on specified event not happening within fixed time: Section 35 also says that "Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time fixed has expired, and such event has not happened or before the time fixed has expired, if it becomes certain that such event will not happen"
6. Contingent on an impossible event (Section 36): Contingent agreements to do or not to do anything, if an impossible event happens are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.

Question 9

What is meant by 'Quasi-Contract'? State any three salient features of a quasi-contract as per the Indian Contract Act, 1872.

(PYP Dec'21 5 Marks)

Answer 9

Meaning of 'Quasi Contract': Under certain special circumstances obligation resembling those created by a contract is imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as 'Quasi Contracts'. Such a contract resembles with a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation.

These contracts are based on the doctrine that a person shall not be allowed to enrich himself unjustly at the expense of another.

The salient features of Quasi-contract:

1. It does not arise from any agreement of the parties concerned but it is imposed by law.
2. The right under it is always a right to money and generally though not always to a liquidated sum of money.
3. It is a right which is available not against all the world, but against a particular person or persons only, so that in this respect it resembles a contractual right.

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

Question 10

Mr. Y aged 21 years, lost his mental balance after the death of his parents in an accident. He was left with his grandmother aged 85 years, incapable of walking and dependent upon him. Mr. M their neighbour, out of pity, started supplying food and other necessities to both of them. Mr. Y and his grandmother used to live in the house built by his parents. Mr. M also provided grandmother some financial assistance for her emergency medical treatment. After supplying necessities to Mr. Y for four years, Mr. M approached the former asking him to payback Rs. 15 Lakhs inclusive of Rs. 7 Lakhs incurred for the medical treatment of the lady (grandmother). Mr. Y pleaded that he has got his parent's jewellery to sell to a maximum value of Rs. 4 Lakhs, which may be adjusted against the dues. Mr. M refused and threatened Mr. Y of legal suit to be brought against for recovering the money.

Now, you are to decide upon based on the provisions of the Indian Contract Act, 1872:

1. Will Mr. M succeed in filing the suit to recover money? Elaborate the related provisions?
2. What is the maximum amount of money that can be recovered by Mr. M?
3. Shall the provisions of the above act also apply to the medical treatment given to the grandmother?

(PYP Nov' 22 6 Marks)

Answer 10

1. Claim for necessities supplied to persons incapable of contracting (Section 68 of the Indian Contract Act, 1872):

If a person, incapable of entering into a contract, or anyone whom he is legally bound to support, is supplied by another person with necessities suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person. In the instant case, Mr. M supplied the food and other necessities to Mr. Y (who lost his mental balance) and Mr. Y's grandmother (incapable of walking and dependent upon Mr. Y), hence, Mr. M will succeed in filing the suit to recover money.

2. Supplier is entitled to be reimbursed from the property of such incapable person. Hence, the maximum amount of money that can be recovered by

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

Mr. M is & 15 Lakhs and this amount can be recovered from Mr. Y's parent's jewellery amounting to & 4 Lakhs and rest from the house of Y's Parents. (Assumption: Y has inherited the house property on the death of his parents)

3. Necessaries will include the emergency medical treatment. Hence, the above provisions will also apply to the medical treatment given to the grandmother as Y is legally bound to support his grandmother.

Question 11

PQR, a hospital in Delhi, recruits Dr. A, on contract basis for a period of 3 months. The hospital management promises to pay Dr. A, a lumpsum amount of Rs. 1,00,000 if Dr. A test positive for novel corona virus (Covid 19) during the contract period of 3 months. Identify the type of contract and highlight the rule of enforcement. Also, what will happen if Dr. A does not contract Covid 19.

(RTP Nov'21)

Answer 11

Section 31 of the Indian Contract Act, 1872 provides that "A contract to do or not to do something, if some event, collateral to such contract, does or does not happen" is a Contingent Contract.

Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible. In the instant case, the contract between PQR hospital & Dr. A is a Contingent Contract because the promisor, PQR hospital need to perform his obligation of paying Dr. A, the lumpsum amount of 1,00,000, only if he contracts with Covid 19 within a span of 3 months. In Case, if Dr. A does not contract Covid 19, then the contract stands void automatically.

Question 12

Explain the term Contingent Contract with reference to the Indian Contract Act, 1872 with the help of an example. Also discuss the rules relating to enforcement of a contingent contract.

(PYP 7 Marks, Jul'21)

Question Bank —> Chap 2 (Unit 6) - ICA, 1872

Answer 12

Definition of Contingent Contract' (Section 31 of the Indian Contract Act, 1872): A contract to do or not to do something, if some event, collateral to such contract, does or does not happen.

Example: A contracts to pay B Rs. 1,00,000 if B's house is burnt. This is a contingent contract.

Rules Relating to Enforcement: The rules relating to enforcement of a contingent contract are laid down in sections 32, 33, 34, 35 and 36 of the Act.

1. Enforcement of contracts contingent on an event happening: Where a contract identifies happening of a future contingent event, the contract cannot be enforced until and unless the event 'happens. If the happening of the event becomes impossible, then the contingent contract is void.
2. Enforcement of contracts contingent on an event not happening: Where a contingent contract is made contingent on non-happening of an event, it can be enforced only when its happening becomes impossible.
3. A contract would cease to be enforceable if it is contingent upon the conduct of a living person when that living person does something to make the 'event' or 'conduct' as impossible of happening
4. Contingent on happening of specified event within the fixed time: Section 35 says that Contingent contracts to do or not to do anything, if a specified uncertain event happens within a fixed time, becomes void if, at the expiration of time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.
5. Contingent on specified event not happening within fixed time: Section 35 also says that "Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time fixed has expired, and such event has not happened or before the time fixed has expired, if it becomes certain that such event will not happen".
6. Contingent on an impossible event (Section 36): Contingent agreements to do or not to do anything, if an impossible event happens are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.

Question 13

Explain the-term 'Quasi Contracts' and state their characteristics.

Answer 13

Quasi Contracts: Under certain special circumstances, obligation resembling those created by a contract are imposed by law although the parties have never entered into a contract. Such obligations imposed by law are referred to as 'Quasi-contracts'. Such a contract resembles with a contract so far as result or effect is concerned but it has little or no affinity with a contract in respect of mode of creation. These contracts are based on the doctrine that a person shall

not be allowed to enrich himself unjustly at the expense of another. The salient features of a quasi- contract are:

1. It does not arise from any agreement of the parties concerned but is imposed by law.
2. Duty and not promise is the basis of such contract.
3. The right under it is always a right to money and generally though not always to a liquidated sum of money.
4. Such a right is available against specific person(s) and not against the whole world.
5. A suit for its breach may be filed in the same way as in case of a complete contract.

-----XX-----XX-----XX-----