CONTINGENT AND QUASI CONTRACTS

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CONTENDENT CONTRACT
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Illustrations

- Sam agrees to pay a sum of money upon the expiration of 5 years from the date, the contract was signed or upon the death of Ram.
- A contract to pay a sum of money to B on the destruction of a premises by a fire.

Contingent Contract

S.31 of Indian Contract Act

- A “contingent contract is a contract to do or not to do something, if some event, collateral to such contract, does or does not happen.

Illustration

- A contracts to pay B Rs. 10,000 if B’s house is burnt. This is a contingent contract.

Essentials

- **There should be a contract**
- **To do or not to do**
  - Positive contract (to do something)
  - Negative contract (to abstain from doing or for not doing something)
- A promise to sell goods to B if the ship arrives. It is a positive contract. A promise not to sell goods it arrives. It is a negative contract.
- **Enforceability of the contract depends upon an event (uncertain event)**
- Sam agrees to pay a sum of money upon the expiration of 5 years from the date the contract was signed or upon the death of Ram.
- A contract to pay a sum of money to B on the destruction of a premises by a fire.

Essentials

- **Contingency to be collateral to the contract**
- Ram offer to pay ₹ 50,000/- on the discovering of a missing dog.
- Tom contracts to pay ₹ 90,000/- on the loss of a ship.
- Sam promise to pay ₹ 20,000/- to Akash if it rains, and Akash to pay ₹ 20,000/- to Sam if it does not rain.
- Sam contracts to sell his XUV 800 car to Akash, if it rains.
- **Contingency to be condition precedent**
- X promises to pay Y ₹10,00,000/- if Y marries Z, who is widely regarded as the most beautiful girl in their neighborhood.

Enforceability of Contingent Contracts

- **Where the contingency is of happening of an event (Time is not Fixed)**
- S.32: **Enforcement of contracts contingent on an event happening.—**Contingent contracts to do or not to do anything if an uncertain future event happens cannot be enforced by law unless and until that event has happened. If the event becomes impossible, such contracts become void.

Illustrations

- **(a) A makes a contract with B to buy B's horse if A survives C. This contract cannot be enforced by law unless and until C dies in A's lifetime.**
- **(b) A makes a contract with B to sell a horse to B at a specified price, if C, to whom the horse has been offered, refuses to buy him. The contract cannot be enforced by law unless and until C refuses to buy the horse.**
- **(c) A contracts to pay B a sum of money when B marries C. C dies without being married to B. The contract becomes void.**

Enforceability of Contingent Contracts

- **Where the contingency is of happening of an event (Time is Fixed)**
- S.35: **When contracts become void which are contingent on happening of specified event within fixed time**.—Contingent contracts to do or not to do anything if a specified uncertain event happens within a fixed time become void if, at the expiration of the time fixed, such event has not happened, or if, before the time fixed, such event becomes impossible.

Illustrations

- (a) **A promises to pay B a sum of money if a certain ship returns within a year. The contract may be enforced if the ship returns within the year, and becomes void if the ship is burnt within the year.**

Enforceability of Contingent Contracts

- **Where the contingency is of non happening of an event (within fixed time)**
- S.35: (para 2) **When contracts may be enforced, which are contingent on specified event not happening within fixed time.**—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.

Illustrations

- **(b) A promises to pay B a sum of money if a certain ship does not return within a year. The contract may be enforced if the ship does not return within the year, or is burnt within the year.**

Enforceability of Contingent Contracts

- **Where the contingency is of non happening of an event (time is not fixed)**
- S.33: **Enforcement of contracts contingent on an event not happening.—** Contingent contracts to do or not to do anything if an uncertain future event does not happen can be enforced when the happening of that event becomes impossible, and not before.

Illustration

- A agrees to pay B a sum of money if a certain ship does not return. The ship is sunk. The contract can be enforced when the ship sinks.

Enforceability of Contingent Contracts

- **Contingency depends upon a conduct of a person**
- S.34: **When event on which contract is contingent to be deemed impossible, if it is the future conduct of a living person**.—If the future event on which a contract is contingent is the way in which a person will act at an unspecified time, the event shall be considered to become impossible when such person does anything which renders it impossible that he should so act within any definite time, or otherwise than under further contingencies.

Illustration

- A agrees to pay B a sum of money if B marries C. C marries D. The marriage of B to C must now be considered impossible, although it is possible that D may die and that C may afterwards marry B

Enforceability of Contingent Contracts

- **Impossibility of the happening of the contingent event**

- S.36: **Agreement contingent on impossible events void.—**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.

Illustrations

- (a) A agrees to pay B 1,000 rupees if two straight lines should enclose a space. The agreement is void.

- (b) A agrees to pay B 1,000 rupees if B will marry A's daughter C. C was dead at the time of the agreement. The agreement is void.

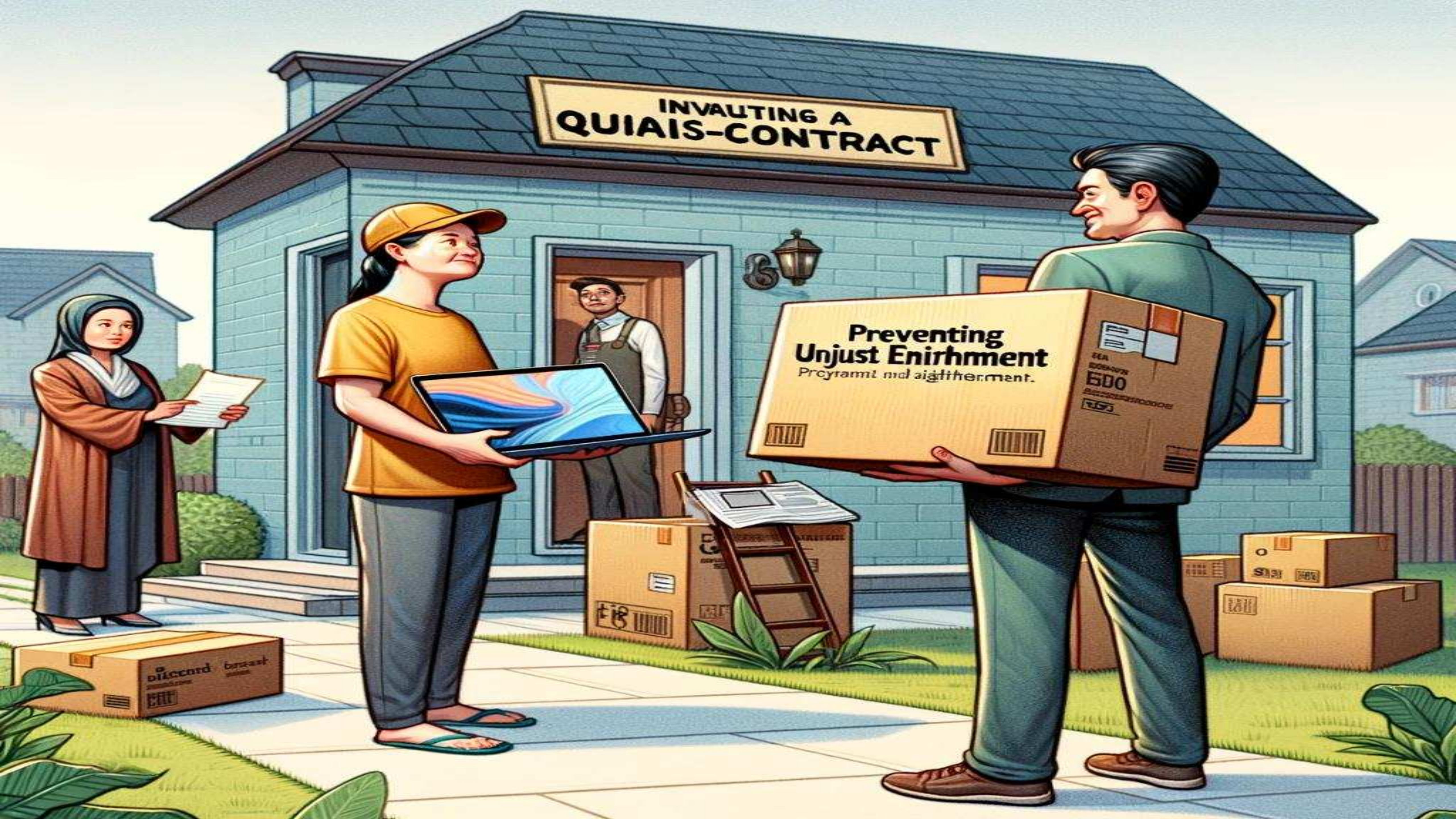
Recent Case Law

Urmila Devi Jain & Ors vs. Ashok Kumar & Ors; Patna High Court FA No.20 of 2011 dt.05-01-2024

- **Issues**
- (i) Whether agreement in question is contingent?
- (ii) Whether enforcement of contracts contingent on an event not happened?
- (iii) Whether the plaintiffs have valid cause of action for the suit?

Use of Contingent Contracts

- Insurance contracts (Life Insurance, Marine Insurance, Fire Insurance, and other Insurances)
- Indemnity contracts
- Guarantee contracts


INVAUTING A
QUIAIS-CONTRACT
Preventing
Unjust Enirhment

Illustration

- Aditi accidentally receives a high-end laptop that was meant for Bhavna, due to a shipping error by the electronics store. Aditi, realizing the mistake but deciding to keep the laptop without paying for it or attempting to return it, begins using it for her personal projects. Bhavna, upon discovering the mistake, contacts the store, which in turn realizes the error and asks Aditi to return the laptop.

Rational of Quasi Contractual Obligations

- **Unjust Enrichment Theory** (no one is allowed to enrich himself unjustly at the cost of another)
- **Implied Contract Theory** (law supposes that the parties have impliedly agreed to perform a promise)
- **State of West Bengal v M/S B.K Mondal & Sons** 1962 SCR Supl. (1) 876

Types of quasi-contractual obligations under the Indian Contract Act, 1872

- **Supply of necessaries**
- **S.68: Claim for necessaries supplied to person incapable of contracting, or on his account**.—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.

Illustrations

- (a) A supplies B, a lunatic, with necessaries suitable to his condition in life. A is entitled to be reimbursed from B's property.
- (b) A supplies the wife and children of B, a lunatic, with necessaries suitable to their condition in life. A is entitled to be reimbursed from B's property

Types of quasi-contractual obligations under the Indian Contract Act, 1872

- **Payments by interested persons**
- **S. 69.Reimbursement of person paying money due by another, in payment of which he is interested.—**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.

Illustration

- B holds land in Bengal, on a lease granted by A, the zamindar. The revenue payable by A to the Government being in arrear, his land is advertised for sale by the Government. Under the revenue law, the consequence of such sale will be the annulment of B's lease. B, to prevent the sale and the consequent annulment of his own lease, pays to the Government the sum due from A. A is bound to make good to B the amount so paid.

Types of quasi-contractual obligations under the Indian Contract Act, 1872

- **Liability to pay for non-gratuitous acts**
- **S.70.Obligation of person enjoying benefit of non-gratuitous 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 make compensation to the former in respect of, or to restore, the thing so done or delivered1 .

Illustrations

- (a) A, a tradesman, leaves goods at B's house by mistake. B treats the goods as his own. He is bound to pay A for them.
- (b) A saves B's property from fire. A is not entitled to compensation from B, if the circumstances show that he intended to act gratuitously.

Types of quasi-contractual obligations under the Indian Contract Act, 1872

- **Finder of Goods**
- **S.71.Responsibility of finder of goods.—**A person who finds goods belonging to another, and takes them into his custody, is subject to the same responsibility as a bailee

Types of quasi-contractual obligations under the Indian Contract Act, 1872

- **Mistake or coercion**
- **S. 72. Liability of person to whom money is paid, or thing delivered, by mistake or under coercion.—**A person to whom money has been paid, or anything delivered, by mistake or under coercion, must repay or return it.

Illustrations

- (a)A and B jointly owe 100 rupees to C, A alone pays the amount to C, and B, not knowing this fact, pays 100 rupees over again to C. C is bound to repay the amount to B.
- (b)A railway company refuses to deliver up certain goods to the consignee, except upon the payment of an illegal charge for carriage. The consignee pays the sum charged in order to obtain the goods. He is entitled to recover so much of the charge as was illegally excessive.