Business law Lecture-5

How revocation of proposal is made – Section 6

- By the communication of **notice** of revocation by the proposer to the other party;
- By the lapse of the time prescribed in such proposal for its acceptance, or, if no time is so prescribed, by the lapse of a reasonable time, without communication of the acceptance
- By the failure of the acceptor to fulfil a condition precedent to acceptance; or
- By the **death or insanity of the proposer**, if the fact of his death or insanity comes to the knowledge of the acceptor before acceptance.
- offer **is not accepted in the prescribed mode** and if no mode is prescribed, in some usual and reasonable manner or
- The offeree makes a counter-offer

Consideration (quid pro quo)

A) Definition -2(d)

'When at the desire of the promisor, the promisee or any other person had done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing, something, such act or abstinence or promise is called a consideration for the promise.'

B) Meaning -

- a) Consideration means something in return
- b) It may be an act or abstinence or promise

Note -

As per Section 25 of the Indian Contract Act, 1872 "An agreement made without consideration is void"

C)

Types of consideration -

Past Consideration -

In case of past consideration, the promisor had received the consideration before the date of promise

Present consideration (Executed consideration) –

Present consideration is one in which one of the parties to the contract has performed his part of the promise, which Constitutes the consideration for the promise by the other side it is known as present consideration.

Future Consideration (Executory consideration)—

when consideration is to move at a future date then it is called as future consideration

Business law Lecture-5

D) Essentials of valid consideration -

1) Consideration must move at the desire of the promisor -

- a) Consideration must move at the desire of the promisor.
- whatever is done must have been done at the desire of the promisor and not voluntarily or not at the desire of a third party

Example:

If Munna rushes to Circuit's help whose house is on fire, there
is no consideration but a voluntary act. But if Munna goes to
Circuit's help at Circuit's request, there is good consideration
as Circuit's did not wish to do the act gratuitously (without
consideration)



Uday Bhai agrees to sell his horse to Majnu Bhai for `50,000. Here consideration for
Uday Bhai for selling horse to Majnu Bhai is consideration of `50,000 from Majnu Bhai
and consideration for Majnu Bhai paying `50,000 to Uday Bhai, is Uday Bhai selling his
horse. Here considerations had come at the desire of Promisor. Uday Bhai is a
promisor for Majnu Bhai and similarly Majnu Bhai is a promisor for Uday Bhai.

2) Consideration may move from the promisee or any other person:

- a) Consideration may be furnished even by a stranger under Indian Law.
- b) Consideration can be from any direction, even a stranger to contract can offer consideration. Case law: Chinnayya v/s Ramayya

Chinnaya v. Ramaya, (1882) 4 Mad. 137

A lady by a deed (agreement) of gift made over certain property to her daughter directing her to pay an annuity to the donors brother as had been done by the donor herself before she gifted the property. On the same day, her daughter executed in writing in favour of the donors brother agreeing to pay the annuity. Afterwards the donee (the daughter) declined to fulfil her promise to pay her uncle saying that no consideration had moved from him. The Court, however, held that the uncle could sue even though no part of the consideration received by his niece moved from him. The consideration from her mother was sufficient consideration.

3) Consideration must be something of value –

Consideration must have some value in the eyes of law, and it should be real.

4) It may be an act, abstinence or a return promise -

- a) Promise to not to smoke is a negative act (abstinence),
- b) Promise to not to refer the matter to court (abstinence).
- c) Promise to perform at the wedding anniversary or birthday party (promise to do).

5) It may be past, present or future which the promisor is already not bound to do -

- a) According to Indian Law Consideration may be past, present or future.
- b) But under English Law Consideration may be present or future. Past consideration is no consideration according to English Law

6) It must not be unlawful -

The consideration or object of an agreement is lawful, unless —

- It is forbidden (prohibited) by law;
- or is of such a nature that, if permitted, it would defeat the provisions of any law;
- or is fraudulent;