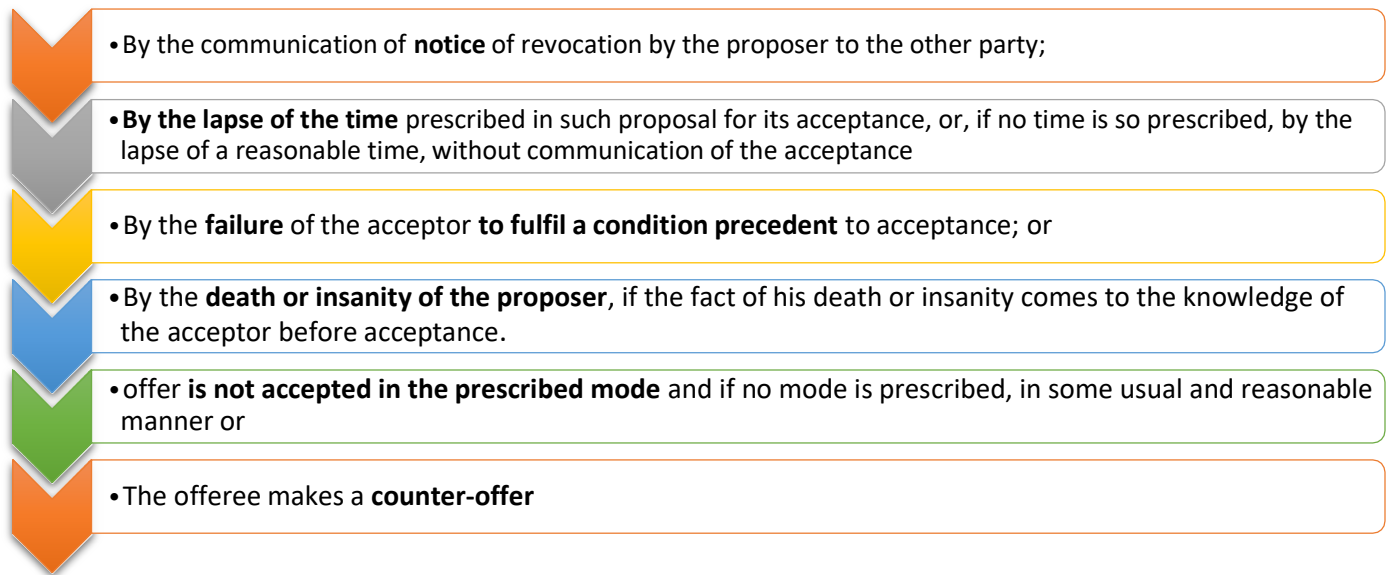


# Business law

## Lecture-5

### ➤ How revocation of proposal is made – Section 6



### ➤ 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 –

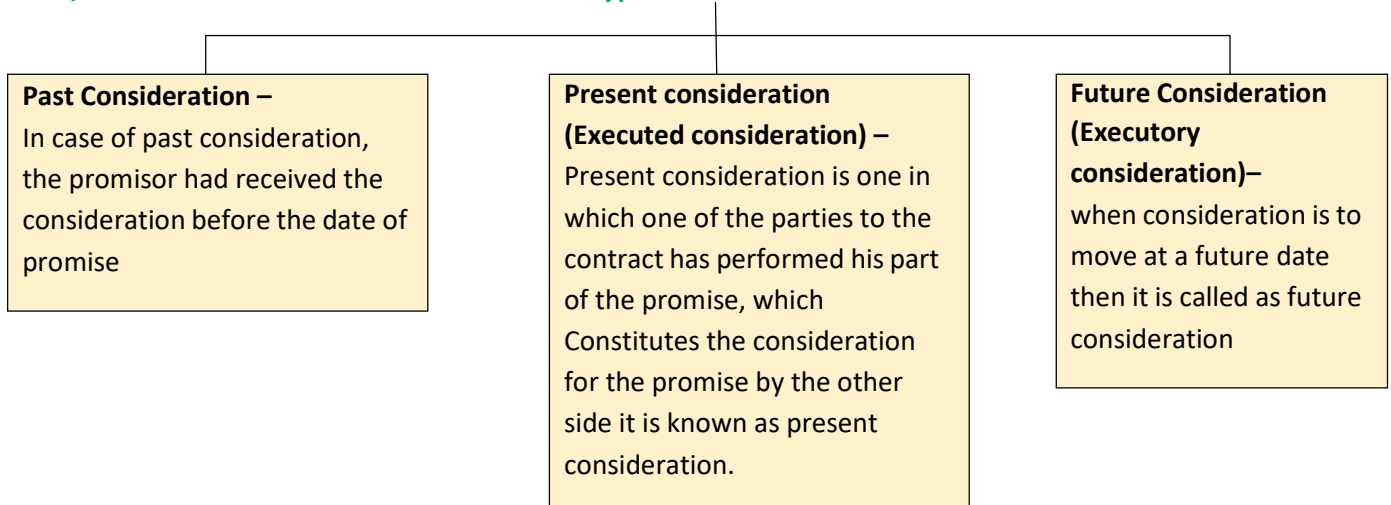
- Consideration means something in return
- It may be an act or abstinence or promise

#### Note –

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

#### C)

#### Types of consideration –



# Business law

## Lecture-5

### D) Essentials of valid consideration –

#### 1) Consideration must move at the desire of the promisor –

- 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.

### CONSIDERATION



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

- Consideration may be furnished even by a stranger under Indian Law.
- 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 donor's 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 donor's 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 –

- Promise to not to smoke is a negative act (abstinence),
- Promise to not to refer the matter to court (abstinence).
- 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 –

- According to Indian Law Consideration may be past, present or future.
- 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;