

## Classification of contracts

Contract may be classified on the basis of their (a) validity, (b) formation, or (c) formance.

They are briefly discussed as under :-

(1) **Valid Contracts** : A valid contract is an agreement enforceable by law. An agreement becomes enforceable by law when all the essentials of a valid contract as laid in Section 10 are fulfilled.

(2) **Void Contract** : An agreement which was legally enforceable when entered into but which has become void due to supervening impossibility of performance. For example, a contract between a citizen of Pakistan and India is a valid contract during peace but if war breaks out between the two countries, the agreement will become void contract.

Literally, the word 'void' means 'not binding in law'. Accordingly the term 'void contract' implies a useless contract which has no legal effect at all. Such a contract is a nullity, as for there has been no contract at all.

Section 2(j) defines, "A contract which ceases to be enforceable by law becomes void, when it ceases to be enforceable".

(3) **Void agreement** : According to Section 2(g), "An agreement which is not enforceable by law either of the parties is void". No legal right or obligations can arise out of a void agreement. It is void ab initio i.e., from its very inception, for example, an agreement with out consideration or with a minor.

A 'void agreement' should be distinguished from a 'void contract'. A 'void' agreement never amounts to a contract as it is void ab initio. A 'void' contract is valid when it is entered into, but subsequent to its formation some thing happens which makes it enforceable by law. Notice that a contract cannot be void ab initio and only an agreement can be void ab initio become void.

(4) **Unenforceable Contracts** : It is a contract which is actually valid but cannot be enforced because of some technical defect (such as not in writing, under stamped). Such contracts can be enforced if the technical defect involved is removed.

**Example** : An oral agreement for arbitration is enforceable because the law requires that an arbitration agreement must be in writing. If the oral agreement for arbitration is reduced to writing, it will become enforceable.

(5) **Illegal Agreements** : An illegal agreement is one the object of which is unlawful. Such an agreement cannot be enforced by law. Thus, illegal agreements are always void ab initio (i.e. void from the very beginning). Thus, a contract to commit dacoit is an illegal contract and cannot be enforced at law.

Agreement with a minor is void but not illegal. Every void agreement is not illegal unless its object or consideration is (a) immoral (b) opposed to public policy etc. A void contract does not affect a collateral contract. An illegal agreement is like an infectious disease and is fatal not only to the main contract but to collateral contract as well.

**Example** : It is the above example, X borrows Rs. 1,00,000 from W who is aware of the purpose of the loan, the main agreement between X and Y is illegal and the agreement between X and W which is collateral to the main agreement is also void. Hence, W cannot recover the money from X.

### **Contract classified according to formation :**

(1) **Express Contract** : Express Contract is one which is made by words spoken or written.

(2) **Implied Contract** : Where the proposal or acceptance is made other wise than in words, it is an implied contract. Implied contracts can be smelled out of the surrounding circumstances and the conduct of the parties who made them.

**Example** : A transport company buses on different routes to carry passengers. This is an acceptance by X. Now, there is an implied contract.

(3) **Constructive or Quasi Contract** : It is a contract in which there is no intention on either side to make a contract, but the law imposes a contract. In such a contract right and obligations arise not by any agreement between the parties but by operations of law. Thus, a finder of lost goods. Similarly, where certain books are delivered to a wrong addressee is under an obligation either to pay for them or return them.

(4) **E- com contracts/ contracts over internet** : These contracts are entered into between the parties using internet. In electronic commerce, different parties create net works which are linked to other networks through EDI (Electronic Data Inter Change). This help's in doing business transactions using electronic mode.

### **Classification on the basis of performance :**

Contract may be classified on the basis of their performance. Such contracts may be :

(1) **Executed Contract** : It is a contract where both the parties to the contract have fulfilled their respective obligations under the contract.

In other words, it is a completed contract.

**Example** : A sells a T.V. set to B for Rs. 20,000. B paya the price and A hands over T.V. set to B.

(2) **Executory Contract** : It is a contract where both the parties to the contract have still to perform their respective obligations.

**Example** : A agreement to make furniture for B for Rs. 5,000 . Mr A has yet to make furniture and Mr B has not made the payment. So, both A and B are yet to perform their obligations.

Thus, executory contract may be

a) Unilateral

b) Bilateral

(a) **Unilateral Contract** : A unilateral contract is one in which a promise on one side is exchanged for an act on the other side.

**Example** : Mr A, a worker does manual labor at the request of Mr B, on a particular day. On completion of work it is B's obligation to pay him wages because A has already performed his obligation.

(b) **Bilateral Contract** : These are the contracts where a promise on one side is exchanged for a promise on the part of other party.

### **References :**

1) Business Law (6th edition) : MC Kuchhal and Vivek Kuchhal (Vikas Publishing House, Noida)

2) Indian Contract Act (12th edition) : RK Bangia (Allahabad Law Agency, Faridabad)

3) Indian Contract Act (12th edition) : Avtar Singh (Eastern Law Agency, Noida)