

Special Type of Contracts

CONTINGENT CONTRACTS · QUASI CONTRACTS · APPOINTMENT & AUTHORITY OF AGENTS

Comprehensive Exam Revision Handout

1 CORE CONCEPT — THREE SPECIAL RELATIONSHIPS

Contingent contract

Performance depends on a **future uncertain event collateral** to the contract.

Quasi contract

Obligation **imposed by law** without any agreement — rests on equity: no one should be **unjustly enriched** at another's expense.

Agency

Agent acts **for a principal** in dealings with third persons; contract is between **principal and third party**.

2 CONTINGENT CONTRACTS S. 31

A contract **to do or not to do something**, if some event, **collateral to such contract**, does or does not happen. Examples: **contracts of indemnity** (insurance) and **guarantee**.

Essential 1

Performance depends on the **happening or non-happening** of a **future event**.

Essential 2

The event must be **uncertain**.

Essential 3

The event must be **collateral** (incidental) — not the very thing contracted for.

✓ **Contingent**: Rs. 50m payable for a building **provided an architect approves** — approval is collateral.

✗ **Not contingent**: No payment till building **completed** — completion is the very thing contracted for.

3 RULES OF ENFORCEMENT S. 32, 33, 35, 36

Contingent on	Time fixed?	Enforceable when	Void when
Happening of uncertain future event	No	Event happens	Event becomes impossible (fiancé dies)
	Yes	Event happens within time (ship returns within a year)	Time expires, or event impossible before expiry (ship sinks)
Non-happening of uncertain future event	No	Event becomes impossible (ship sinks)	Event happens (ship returns)
	Yes	Time expires, or event impossible before expiry	Event happens within time
Impossible event	—	Agreement void — whether or not the impossibility is known to the parties (run at 500 km/h; marry a daughter already dead)	

Future conduct of a living person S. 34

If the event depends on how a **third person** will act, and he does something making it impossible, the event is **deemed impossible** → contract void.

Pay Sarmad if he marries Shazia; Shazia marries Dawood → deemed impossible. Later marriage as a widow does not revive the obligation.

Basis	Contingent Contract	Wagering Agreement
Validity	Valid	Void and illegal
Interest	Real interest in event (e.g. insurable interest)	Only in winning or losing
Event	Merely collateral	Sole determining factor
Reciprocal promises	Consists of reciprocal promises	May or may not
Breach	Suit & damages possible	No suit, no damages

4 QUASI CONTRACTS (CONSTRUCTIVE CONTRACTS)

The law imposes obligations **resembling those created by contract** although no agreement exists — a contract that **should have been formed** though in fact it was not.

1. Supply of necessities S. 68

Necessaries **suited to the condition in life** supplied to a person incapable of contracting (minor, unsound mind) or his dependants → supplier reimbursed **from the incapable person's property** — **no personal liability**.

Diamond-button coat ✗ not necessary. Jacket priced Rs. 2,000 (market Rs. 1,500) → recover only **reasonable value**.

2. Payment by interested person S. 69

Conditions: payer is **interested** in the payment **and** the other was **bound by law** to pay.

Lessee pays landlord's land revenue to stop sale ✓. Neighbour pays rent out of goodwill ✗ (no interest).

3. Benefit of non-gratuitous act

Lawfully does/delivers something **not intending it gratuitously**, and the other **enjoys the benefit** → must compensate or restore.

Coolie carries goods; buyer doesn't object ✓. Saving property from fire with gratuitous intent ✗.

4. Finder of goods S. 71

Same responsibility as a **bailee**: care of an **ordinary prudent man**; take **reasonable steps to trace owner** (else wrongful conversion); may **retain** till owner found S. 151. May **sell** if goods **perishable** or finding charges ≥ **2/3 of value** S. 169.

5. Payment / delivery by mistake or under coercion S. 72

Must be **repaid or returned**.

Joint debt paid twice by mistake → refund to second payer. Undue carriage charge paid to get goods → excess recoverable.

5 APPOINTMENT OF AGENTS

Agent S. 182 = a person employed to do any act for another or to **represent another in dealings with third persons**. The person represented = **Principal**. The relationship = **Agency**.

PRINCIPAL

← AGENCY →

AGENT

← NEGOTIATES →

THIRD PARTY

Contract is made between **Principal ≠ Third Party** — enforceable by and against the principal. Normally **no contract** between agent and third party.

Who may employ S. 183

Any person of the **age of majority** and of **sound mind**.

Who may be agent S. 184

As between principal and third persons, **any person** — even a minor/unsound person; but such an agent is **not responsible to the principal**.

Consideration S. 185

Not necessary to create an agency.

6 AUTHORITY OF AGENTS

The principal is liable to a third party when the agent has authority — whether **express or implied, actual or apparent**.

Express S. 186–187

Given by **words spoken or written**.

Power of attorney to sell house; verbal appointment to sell goods.

Implied S. 186–188

Inferred from circumstances, things said/written, or **ordinary course of dealing**.

Shop manager habitually orders goods with owner's knowledge.

Apparent (ostensible)

Third party **reasonably believes** agent has authority; may assume **usual powers** of the position unless he knows otherwise.

Agent dismissed without notice still binds principal; secret instruction not to sell doesn't bind buyer.

Emergency S. 189

All acts to **protect principal from loss** that a **person of ordinary prudence** would do in his own case.

Butter sold to prevent spoiling ✓; furniture sold for a better price ✗ (no real emergency).

Authority to do an act → every **lawful thing necessary** to do it (debt-recovery agent may sue and give discharge).

Authority to carry on a business → every lawful thing necessary or **usually done** in that business (shipbuilding agent buys timber, hires workmen).

7 APPLICATION & EXAM TRAPS

! Licence ban before issue → boats-purchase contingent contract **not enforceable**; effort/fee spent is irrelevant.

! Regulatory ban before approval → contract void; buyer **recovers advance**, not liable for seller's approval costs.

! Contingent contract is **always void** → **valid** (if object lawful); wager is void.

! Insurance / guarantee = **contingent contracts**.

! Necessaries: liability from **property** of incapable person — **personal liability** ✗; amount = **reasonable price**.

! Finder of a non-perishable dog may sell only if finding charges ≥ **two-thirds** of value.

! A minor **can be an agent** (binds principal) but is not liable to the principal; a minor **cannot employ** an agent.

! Agency needs **consideration** → **no consideration necessary**.

8 QUICK REVISION BOX

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Essentials: future · uncertain · collateral event

5

Quasi contracts: necessities · interested payer · non-gratuitous · finder · mistake/coercion

2/3

Finder may sell if charges ≥ 2/3 of value (or perishable)

4

Authority: express · implied · apparent · emergency

- S. 31 Contingent contract · S. 32–36 Enforcement rules · S. 2(f) Reciprocal promises
- S. 68 Necessaries · S. 69 Interested payer · S. 71 Finder · S. 72 Mistake/coercion

- S. 151 / 169 Finder's care / sale
- S. 182–185 Agent, principal, capacity, consideration · S. 186–189 Authority