

## MID TERM ASSIGNMENT LAW OF CONTRACT-1

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# ESSENTIALS OF CONTRACT

Essentials of Valid Contract is necessary to study, What makes a valid contract, A valid contract is enforceable by law and if a contract is not valid it may lead to obstruction of businesses and unlawful and insincere dealings. Let us learn about the essential features of a valid contract.

### ESSENTIALS OF VALID CONTRACT:-

A contract that is not a valid contract will have many problems for the parties involved. For this reason, we must be fully aware of the various elements of a valid contract. In other words, here we shall ponder on all the ramifications of the definition of the contract as provided by the Pakistan Contract Act.

**Conti.....P/2**

## Page-2

Pakistan Contract Act, itself defines and lists the Essentials of a Contract either directly or through interpretation through various judgments of the Pakistan judiciary. Section 10 of the contract enumerates certain points that are essential for valid contracts like Free consent, Competency Of the parties, Lawful consideration etc.

***Other than these there are some we can interpret from the context of the contract which is also essential Let us see.***

### 1) **TWO PARTIES:-**

So you decide to sell your car to yourself! Let us say to avoid tax or some other sinister purpose. Will that be possible? Can you have a contract with yourself? The answer is no, unfortunately. You can't get into a contract with yourself. A Valid Contract must involve at least two parties identified by the cont3.act. One of these parties will make the proposal and the other is the party that shall eventually accept it. Both the parties must have either what is known as a legal existence e.g. companies, schools, organization etc. or must be natural persons.

#### **For Example:-**

A business partnership was dissolved and assets were distributed among the partners as per the settlement. However, all transactions that fall under a contract are liable for taxation by the office of the State Sales Tax Officer. However, the court held that this transaction was not a sale because the parties involved were business parties and thus joint owners. For a sale, we need a buyer (party one) and a seller (party two) which must be different people.

**Conti....P/3**

## **2) INTENT OF LEGAL OBLIGATIONS:-**

The parties that are subject to a contract must have clear intentions of creating a legal relationship between them. What this means is those agreements that are not enforceable by the law e.g. social or domestic agreements between relatives or neighbors are not enforceable in a court of law and thus any such agreement can't become a valid contract.

## **3) CASE SPECIFIC CONTRACTS:-**

Some contracts have special conditions that if not observed would render them invalid or void. For example, the Contract of insurance is not a valid contract unless it is in the written form. Similarly, in the case of contracts like contracts for immovable properties, registration of contract is necessary under the law for these to be valid.

## **4) CERTAINTY OF MEANING:-**

Consider this statement "I agree to pay Mr. X a desirable amount for his house at so and so location". Is this a valid contract even if all the parties agree to this term? Of course, it can't be as "desirable amount" is not well defined and has no certainty of meaning. Thus we say that a valid contract must have certainty of Meaning.

**5) POSSIBILITY OF PERFORMANCE OF AN AGREEMENT:-**

Suppose two people decide to get into an agreement where a person A agrees to bring back the person B's dead relative back to life. Even when all the parties agree and all other conditions of a contract are satisfied, this is not valid because bringing someone back from the dead is an impossible task. Thus the agreement is not possible to be enforced and the contract is not valid.

**6) Free Consent:-**

Consent is crucial/critical for an agreement and thus for a valid contract. If two people reach a similar agreement in the same sense, they are said to consent to the promise. However, for a valid contract, we must have free consent which means that the two parties must have reached consent without either of them being influenced, coerced, misrepresented or tricked into it. In other words, we say that if the consent of either of the parties is vitiated knowingly or by mistake, the contract between the parties is no longer valid.

**7) Competency Of Parties:-**

“Who are competent to contract — Every person is competent to contract who is of the age of majority according to the law to which he is subject, and who is of sound mind and is not disqualified from contracting by any law to which he is subject.

**LET US SEE THESE QUALIFICATIONS IN DETAIL:**

- i.** *Refers to the fact that the person must be at least 18 years old or more.*
- ii.** *Means that the party or the person should be able to fully understand the terms or promises of the contract at the time of the formulation of the contract.*
- iii.** *States that the party should not be disqualified by any other legal ramifications. For example, if the person is a convict, a foreign sovereign, or an alien enemy, etc., they may not enter into a contract.*

**8) CONSIDERATION:-**

Quid Pro Quo means 'something in return' which means that the parties must accrue in the form of some profit, rights, interest, etc. or seem to have some form of valuable "consideration".

For example, if you decide to sell your watch for Rs. 500 to your friend, then your promise to give the rights to the watch to your friend is a consideration for your friend. Also, your friend's promise to pay Rs. 500 is a consideration for you.

**9) LAWFUL CONSIDERATION:-**

In A Section of the Act, the unlawful considerations are defined as under:-

- i.** Which is forbidden by law.
- ii.** Which is of such a nature that, if permitted, it would defeat the provisions of any law, or is fraudulent.
- iii.** Which involves or implies, injury to the person or property of another.
- iv.** Which the Court regards it as immoral or opposed to public policy.

**Q NO.2 WHAT IS THE DIFFERENCE BETWEEN VALID AND VOID AGREEMENTS?**

A contract may be valid when it is executed, but later become void due to changes in the law or the circumstances of either party make fulfilling the contract impossible. Some issues will make a contract “void on its face,” meaning that the contract as written is void and cannot be amended to make it enforceable.

**Conti....P/7**

## **V**<sub>ALID</sub> **C**<sub>ONTRACT</sub>:-

Essentially, the difference between void and voidable contracts is enforceability: a void contract is illegal and unenforceable; a voidable contract is legal and enforceable. VOID CONTRACTS: A contract that is void is unenforceable, meaning that neither party has legal recourse against the other for a breach. A contract can be void from the beginning or become void due to certain circumstances, including: It involves illegal activity It is against public policy It is impossible to perform It involves a party who is not legally competent A contract may be valid when it is executed, but later become void due to changes in the law or the circumstances of either party make fulfilling the contract impossible. Some issues will make a contract “void on its face,” meaning that the contract as written is void and cannot be amended to make it enforceable.

## **V**<sub>OID</sub> **A**<sub>GREEMENT</sub>:-

An empty value agreement means a legal value agreement or contract. Legally an empty agreement means that the contract or agreement will no longer apply. Although correct interpretations vary by jurisdiction, blank agreements are generally classified as invalid from the beginning and are not always valid. Empty contracts, on the other hand, are generally said to have been valid at one time, but are now worthless. However, despite those correct interpretations, the terms are often used interchangeably.

**Conti....P/8**

## **E**xample of **V**oid **A**greement

A common example in an empty contract is that one show agrees with a series of shows, after which it is damaged and cannot perform at all. Under these circumstances, the contract was initially valid, but is now impossible to fulfill.

### **Definition:-**

A void contract cannot be enforced by law, An agreement to carry out an illegal act is an example of a void agreement. For example, a contract between drug dealers and buyers is a void contract simply because the terms of the contract are illegal. In such a case, neither party can go to court to enforce the contract.

- Agreement in Restraint of Marriage. Any agreement that restrains the marriage of a major (adult) is a void agreement. ...
- Agreement in Restraint of Trade.
- Agreement in Restraint of Legal Proceedings.
- An Agreement Whose Meaning is Uncertain.
- Wagering Agreement.

**THE END**