

Indian Contract Act

According to **section 2(h)** of the Indian Contract Act, 1872 "An agreement enforceable by law is a contract."

A contract is a combination of the two elements:

1. There must be an agreement
2. Agreement must be enforceable by law (obligation)

Contract = Agreement + Enforcement by law

Agreement

Section 2(e) "Every promise and every set of promises, forming the consideration for each other, is an agreement." Thus it is clear from this definition that a 'promise' is an agreement

Agreement = offer + Acceptance

Promise

Section 2(b) "when the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal, when accepted, becomes a promise."

An agreement, therefore, comes into existence when one party makes a proposal or offer to the other party and that other party signifies his assent thereto.

Following are the characteristics of an agreement:

(a) **Plurality of persons:** There must be two or more persons to make an agreement because one person cannot enter into an agreement with himself.

(b) **Consensus ad idem:** The meeting of the minds is called consensus-ad-idem. It means both the parties to an agreement must agree about the subject matter of the agreement in the same sense and at the same time.

Legal obligation

As stated above, an agreement to become a contract must give rise to a legal obligation i.e. a duty enforceable by law.

Essential Elements of a Valid Contract

Section 10 of the Indian Contract Act, 1872 provides that "all agreements are contracts if they are made by the free consent of parties competent to contract, for a lawful consideration and with a lawful object, and are not hereby expressly declared to be void".

Thus, the **essential elements of a valid contract** are as follows:

1. An offer or proposal by one party and acceptance of that offer by another party resulting in an **agreement** —consensus-ad-idem.
2. An **intention to create legal relations** or intent to have legal consequences.
3. The agreement is supported by a **lawful consideration**.
4. The parties to the contract are **legally capable of contracting**.
5. **Genuine consent** between the parties.
6. The **object and consideration of the contract is legal** and is not opposed to public policy.
7. The terms of the **contract are certain**.

Therefore, to form a valid contract there must be (i) an agreement (ii) based on the genuine consent of the parties, (iii) supported by a lawful consideration, (iv) made for a lawful object, and (v) between the competent parties.