

# The Contract Act

# THE CONTRACT ACT

The Contract Act 1872 is a law in Pakistan that regulates the formation, execution and performance of contracts. It came into force on 1<sup>st</sup> September 1872. It provides the legal framework for making and executing contracts in Pakistan, sets out the rights and obligations of parties involved in a contract, and outlines the consequences of a breach of contract. The act also defines the various types of contracts, such as express and implied contracts, and outlines the conditions necessary for a contract to be considered valid. The Contract Act 1872 is an important piece of legislation that helps ensure the orderly and fair functioning of commerce and trade in Pakistan. It deals with :

- a. The general principles for all types of contracts. (Section 1 To 75)
- b. Sales of goods . (Section 76 To 123)
- c. The Contracts of indemnity, guarantee, bailment , pledge and agency. (Sec. 124 To 238)
- d. All matters related to partnership. (Section 239 To 266) , but were subsequently excluded and separated as “Sales of Goods Act, 1930” and “Partnership Act, 1932”

### **Definitions of Contract:**

A contract is a legally binding agreement between two or more parties that sets out the terms and conditions of a particular transaction or exchange. A contract specifies what each party promises to do and what they are entitled to receive in return. A contract can be written, oral, or implied by the actions of the parties involved. To be considered valid, a contract must involve an offer, acceptance, and consideration (something of value exchanged between the parties). The parties to the contract are legally obligated to fulfill their promises and perform their obligations as specified in the contract. Contracts play a key role in commerce and trade, as they establish a framework for the exchange of goods and services and provide a basis for resolving disputes.

### **According to Black's Law Dictionary**

A contract is defined as:

**"An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law."**

This definition highlights the key elements of a contract: it must involve an agreement between parties, and the agreement must create obligations that are legally enforceable. A contract is considered a binding agreement because the parties involved have voluntarily agreed to the terms and conditions of the agreement and have exchanged something of value (consideration) in return. The obligations specified in the contract can be enforced through the legal system if one party fails to fulfill its obligations as agreed.

### **According to Merriam-Webster Dictionary:**

A contract is defined as:

1. a written or spoken agreement between two or more parties that is enforceable by law
2. a binding agreement between two or more parties that sets out their obligations and responsibilities

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3. a legally binding agreement between two or more parties that is enforceable by law, especially in matters of business, trade, and employment.

### **According to the Oxford Law Dictionary:**

Contract is defined as:

"A legally binding agreement between two or more parties, which sets out their rights and obligations in relation to each other."

### **Salmond defined a contract as:**

"An agreement between two or more parties creating obligations that are enforceable or otherwise recognizable at law."

### **Sir William Anson:**

"A contract is an agreement enforceable by law, creating obligations which are binding on the parties to it."

### **Pollock:**

"A contract is an agreement creating obligations enforceable by law."

### **H.L.A Hart:**

"A contract is an agreement with normative force, that is, a promise or set of promises which creates legally enforceable obligations."

### **J.N.D. Anderson:**

"A contract is a legally binding agreement by which parties create, modify or extinguish obligations between themselves."

### **Blackstone:**

"A contract is an agreement between two or more parties, upon sufficient consideration, to do or not to do a particular thing."

### **Lord Denning:**

"A contract is an agreement giving rise to obligations which are enforced or recognized by law."

### **Chitty:**

"A contract is an agreement between two or more parties which is intended to create legally binding obligations."

### **Gray:**

"A contract is an agreement to do or not to do a particular thing, enforceable by law."

## **Important Definitions in The Contract Act 1872**

### **Proposal:**

Proposal is defined in The Contract Act 1872 under Section 2(a) as an

"Offer made with a view to obtaining the assent of that other person to such act or abstinence."

In other words, a proposal is an offer made by one party to another, with the intention of creating a binding agreement between them if the other party accepts the offer.

### **Promise:**

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Promise is defined in The Contract Act 1872 under Section 2(b) as :

“An agreement with certain terms between two or more parties, which is enforceable by law”.

### **Promisor:**

Promisor is defined in The Contract Act 1872, section 2(c) as

“The person who makes a promise or offers to perform a certain act. This person is also referred to as the "offeror" or "promiser."

### **Consideration:**

Consideration is defined in Section 2(d) of The Contract Act 1872, as follows:

"When, at the desire of the Promisor, the promisee or any other person has 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."

In simpler terms, consideration refers to the exchange of something of value between two parties in a contract. This can be a promise, act, or abstention from doing something.

### **An Agreement :**

Agreement is defined in Sec. 2(e) as:

"Every promise and every set of promises, forming the consideration for each other, is an agreement."

Agreement refers to a mutual understanding between two or more parties to perform or not to perform a particular action. It is a legally binding arrangement that can be enforced in a court of law.

For example, let's say you and your friend have agreed to split the cost of a movie ticket equally. This agreement creates a legally binding obligation between you and your friend to pay half the cost each. If one party fails to fulfill the obligation, the other party can take legal action to enforce the agreement.

### **Contract:**

A contract is defined in the Contract Act 1872 under Section 2(h), which states:

"A contract is a promise or set of promises which are enforceable by law."

### **Voidable Contract :**

A voidable contract is defined in The Contract Act 1872 Section 2 (i) as :

"A contract which is enforceable by law at the option of one or more of the parties thereto, but not at the option of the other or others, is a voidable contract."

### **Void Contract:**

According To Section 2(j) of The Contract Act 1872:

"An agreement not enforceable by law is said to be void."



# **ESSENTIALS OF VALID CONTRACT**

Agreements become contracts if they meet the essential elements of a contract, including the free consent of the parties involved. This means that both parties must agree to the terms of the agreement voluntarily and without coercion or undue influence.

For example: Farooq offers to sell his car to Saleem for Rs. 1,00,000 and Saleem agrees to the offer. This agreement is a contract because both parties have freely consented to the terms and conditions of the deal.

### **Essentials of Valid Contract:**

Here are essential elements of a valid contract:

- 1) **Offer and Acceptance**
- 2) **Legal Obligations**
- 3) **Lawful Consideration**
- 4) **Capacity of Parties**
- 5) **Free Consent**
- 6) **Lawful Object**
- 7) **Writing and Registration**
- 8) **Certainty of Terms**
- 9) **Expressly Declared Void**
- 10) **Possibility of Performance**

### **1. Offer and Acceptance:**

**Offer:** An offer is a proposal made by one party to another to enter into an agreement. The offer must be clear, definite, and specific and must be communicated to the offeree. Example: A builder offers to sell a house to a buyer for a specific price.

**Acceptance:** Acceptance is the acceptance of the terms of an offer by the offeree, communicated to the offeror. Acceptance must be unconditional and in accordance with the terms of the offer. Example: The buyer accepts the builder's offer to purchase the house at the specified price.

When the offer and acceptance are combined, a contract is formed. It is important to note that a contract cannot be formed unless both offer and acceptance are present and have been communicated effectively.

### **2. Legal Obligations:**

A valid contract requires the presence of several essential elements, one of which is legal obligations. Legal obligations refer to the promises made by the parties to perform specific acts, either to do something (positive obligation) or not to do something (negative obligation). The following are examples of legal obligations in a contract:

- **Positive obligation:** A construction company agrees to build a bridge for a government agency within a specified timeframe.
- **Negative obligation:** A software developer agrees not to disclose confidential information about a client's business to any third party.

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In order for a contract to be enforceable, the legal obligations of the parties must be clear, specific, and enforceable. The parties must also have the capacity to enter into the contract and the agreement must be entered into voluntarily.

### **3. Lawful Consideration:**

Lawful consideration is an essential element of a valid contract according to The Contract Act. It refers to the mutual exchange of promises or promises and performance that takes place between the parties to a contract. The consideration must be something of value and must be lawful, meaning that it should not be illegal, immoral or against public policy.

For example, in a contract between a buyer and a seller, the buyer's promise to pay the price of the goods or services and the seller's promise to deliver the goods or services is a lawful consideration. Another example is in an employment contract, where an employer promises to pay the employee a salary and the employee promises to perform the duties of the job.

In contrast, if a contract involves an illegal act, such as selling drugs or engaging in insider trading, the consideration is not lawful and the contract is not valid. Similarly, a contract between two parties for illegal activities, such as gambling or bribing public officials, is also not valid as it is against public policy.

### **4. Capacity of Parties:**

Capacity of parties is a crucial aspect of a valid contract according to The Contract Act, 1872. It refers to the legal ability of a person to enter into a binding agreement. If either party lacks capacity, the contract is considered void and unenforceable.

For a contract to be valid, the parties must have the capacity to understand the terms and conditions of the agreement, as well as the ability to enter into a binding agreement. Some of the key points related to the capacity of parties include:

- **Age:** Under the Contract Act, a person must be 18 years of age or above to enter into a contract. If a minor enters into a contract, it is considered voidable, which means that the minor can either choose to enforce the contract or reject it.
- **Mental Capacity:** If a person is of unsound mind or mentally challenged, they cannot enter into a contract as they lack the capacity to understand the terms and conditions of the agreement.
- **Legal Capacity:** Certain individuals, such as insolvents, bankrupts, or convicted criminals, may not have the legal capacity to enter into a contract.

Example 1: A 15-year-old student agrees to purchase a mobile phone from a store. This contract is voidable as the student is a minor and lacks the capacity to enter into a binding agreement.

Example 2: A person suffering from a mental illness agrees to sell their house to another person. This contract is void as the person lacks the capacity to understand the terms and conditions of the agreement.

### **5. Free Consent:**

Free consent is one of the essential elements of a valid contract according to The Contract Act. It refers to the agreement between two or more parties that is voluntarily and freely entered into without any coercion, undue influence, or fraud. In other words, both parties must agree to the terms of the contract without any outside force or manipulation.

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## **Examples of free consent:**

- A couple agrees to enter into a marriage without any outside force or manipulation.
- A company agrees to enter into a contract with a supplier to purchase goods without any coercion.
- An individual agrees to sell their property to another individual without any undue influence from a third party.

If free consent is absent, the contract is considered void or voidable, meaning it is not legally binding. For example, if a party is under duress or under the influence of drugs or alcohol, their consent is not considered free, and the contract is void. Similarly, if a party is misled by false information, their consent is not considered free, and the contract is voidable.

## **6. Lawful Object:**

As per The Contract Act, a lawful object is an essential element of a valid contract. A lawful object refers to the purpose or aim of the contract, which must not be illegal, immoral, or against public policy. If the object of a contract is illegal, the contract becomes void ab initio and unenforceable.

### **Examples of lawful objects in a contract are:**

- Sale of goods:** The sale of goods is a lawful object as it is not illegal, immoral, or against public policy.
- Employment Contract:** An employment contract where an employer hires an employee for a specific job is a lawful object as it is a lawful and moral act.
- Lease of Property:** A lease of property is a lawful object as it is a lawful act, as long as the property being leased is not illegal or against public policy.
- Partnership Agreement:** A partnership agreement between two or more individuals for a lawful business is a lawful object as it is a lawful and moral act.
- Loan Agreement:** A loan agreement between a lender and a borrower is a lawful object as it is a lawful act, as long as the loan is not used for illegal purposes.

## **7. Writing and Registration:**

Writing and registration are two important elements of a valid contract. A contract is a legal agreement between two or more parties which outlines the terms and conditions of the agreement. The contract must be written and registered to make it legally binding and enforceable.

- **Writing:** A written contract is considered as a tangible evidence of the agreement between the parties. It helps in avoiding disputes and misunderstandings between the parties. It also makes it easier for the parties to refer back to the agreement in case of any dispute. A written contract must be in the form of a document, which contains all the terms and conditions agreed upon by the parties.

Example: Suppose, A agrees to sell his car to B for Rs. 5 lakhs. A and B enter into a written agreement, detailing the terms and conditions of the sale, such as the make and model of the car, the price, payment terms, delivery date, etc. This written agreement is considered as a valid contract between A and B.

- **Registration:** The Contract Act also requires certain contracts to be registered to make them legally binding and enforceable. Contracts that are required to be registered

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include contracts relating to immovable property, such as the sale of land or building, mortgage, lease, etc.

Example: Suppose, A agrees to sell his house to B for Rs. 50 lakhs. A and B enter into a written agreement, detailing the terms and conditions of the sale, such as the price, payment terms, delivery date, etc. The written agreement must also be registered with the relevant authorities in accordance with The Registration Act, 1908. This registration will make the contract legally binding and enforceable between A and B.

### **8. Certainty of Terms:**

"Certainty of terms" refers to the requirement that the terms of a contract must be clear, definite and unambiguous in order to be enforceable. This is considered an essential element of a valid contract under The Contract Act.

For example: A contract for the sale of a "red car" is not certain, as the description is too vague and could refer to any number of vehicles. However, a contract for the sale of a "2015 red Ferrari 488 GTB" is certain, as the description is specific and clearly identifies the object of the contract.

Example 2: A contract to perform "services" is not certain, as the term is too general and does not specify what services are to be performed. However, a contract to "provide 10 hours of web design services" is certain, as the terms clearly define the scope of work to be performed.

### **9. Possibility of Performance:**

According to The Contract Act, a valid contract must have the possibility of performance as an essential element. This means that the terms and conditions of the contract must be capable of being fulfilled by both parties. If the contract cannot be performed, it is considered void.

- For example, if two parties agree to sell a cow that has already died, the contract is considered void because the performance of the contract is impossible. Similarly, if a person agrees to marry someone who is already married, the contract is void as the performance is impossible.
- Another example is if a person agrees to sell a car that is not owned by them. In this case, the performance of the contract is also impossible as the person does not have the right to sell the car.

### **10. Expressly Declared Void:**

A contract is considered void if it goes against the provisions of the Contract Act, or if it is illegal, immoral, or against public policy. In such cases, the contract is deemed void ab initio, which means it was never valid from the beginning.

- For example, a contract between two parties to engage in illegal activities, such as smuggling, would be considered void. Similarly, a contract that requires one party to perform an act that is against public policy, such as committing fraud, would also be considered void.
- For example, if two parties enter into a contract for the sale of illegal drugs, the contract would be considered void as it goes against the law. Another example would be a contract entered into by a minor, which is automatically void as minors are not legally competent to enter into contracts.



# KINDS OF CONTRACT

Contracts are Classified into following Types:

1. **According To Enforceability**
2. **According To Formation**
3. **According To Performance**
4. **According To Parties**

### 1. According To Enforceability :

According to enforceability contract can be further divided into following types:

- A. **Valid Contract**
- B. **Void Contract**
- C. **Void Agreement**
- D. **Voidable Contract**
- E. **Unenforceable Contract**
- F. **Illegal Agreement**

#### A. Valid Contract:

A valid contract is a legally binding agreement between two or more parties that can be enforced by the court. To be considered a valid contract, the following elements must be present:

- Offer: one party makes a clear proposal to another party
- Acceptance: the other party agrees to the terms of the offer
- Consideration: each party promises to give something of value
- Capacity: both parties must have the ability to enter into a contract
- Genuine Consent: parties must agree to the terms freely and without coercion or undue influence
- Legal Purpose: the contract must be for a lawful purpose

Example: A valid contract is formed when a homeowner agrees to pay a contractor \$10,000 to build a new deck. The homeowner makes an offer to the contractor, who accepts the offer. The homeowner promises to pay \$10,000, and the contractor promises to build the deck. Both parties have the capacity to enter into the contract, and their agreement is made freely and without coercion. The purpose of the contract is to build a deck, which is a lawful purpose.

#### B. Void Contract:

A void contract is a contract that has no legal effect or binding power. In other words, it is as if the contract never existed. This can occur when the contract violates a law, is against public policy, or if one of the parties lacked the capacity to enter into a contract.

Example: A contract to sell illegal drugs is void and unenforceable because it violates the law. The parties to the contract cannot seek legal remedy for its performance.

### **C. Void Agreement:**

A void agreement is a contract that has no legal effect and is considered as if it never existed. It is considered "void" from the beginning, meaning it was never valid in the first place.

Examples of void agreements are:

- Agreements that are illegal or against public policy, such as agreements to engage in criminal activities.
- Agreements that involve a mistake of fact or law.
- Agreements in which one of the parties lacked capacity, such as minors or individuals with mental incapacity.
- Agreements that lack consideration, which means there is nothing of value exchanged between parties.
- Agreements made under duress or undue influence.

### **D. Voidable Contract:**

A voidable contract is a type of contract that is valid but can be cancelled or annulled by one of the parties involved. This means that the contract can be either binding or unenforceable, depending on the choice of the parties involved. The following are some of the circumstances that may render a contract voidable:

- **Misrepresentation:** If one party makes false statements or hides important information that influences the other party's decision to enter into the contract, the affected party can void the contract.

Example: A buyer purchases a car from a seller who falsely represents the car's condition. The buyer can void the contract if they discover the true condition of the car.

- **Undue influence:** If one party uses coercion or undue influence to get the other party to enter into a contract, the contract may be voidable.

Example: An elderly person is pressured into signing a contract by a salesperson who uses high-pressure tactics. The contract may be voidable if the elderly person can prove that they were under undue influence.

- **Duress:** If one party is forced to enter into a contract under threat of harm, the contract may be voidable.

Example: A business owner is threatened with physical harm if they do not sign a contract with a supplier. The contract may be voidable if the business owner can prove that they were forced to sign the contract under duress.

- **Mental incapacity:** If one party was not of sound mind at the time the contract was signed, the contract may be voidable.

Example: A person with dementia signs a contract to purchase a house. The contract may be voidable if it can be proven that the person was not of sound mind at the time of signing.

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We can say a voidable contract is a contract that can be cancelled by one of the parties if it was entered into under certain circumstances, such as misrepresentation, undue influence, duress, or mental incapacity.

### **E. Unenforceable Contract:**

An unenforceable contract is a contract that, although it may have been validly formed, cannot be enforced or acted upon due to some technical defect. This means that the parties to the contract may have entered into a binding agreement, but the agreement cannot be enforced by the court due to some legal impediment.

Examples of unenforceable contracts include:

- **Contracts with illegal purpose:** Contracts that have an illegal or prohibited objective, such as the sale of illegal drugs, are unenforceable.
- **Contracts against public policy:** Contracts that go against the public interest, such as contracts to bribe public officials, are unenforceable.
- **Contracts with missing elements:** Contracts that lack essential terms, such as price, delivery date, or quantity, are unenforceable.
- **Contracts signed under duress or undue influence:** Contracts signed under coercion or undue pressure are unenforceable.
- **Contracts with incapacity of parties:** Contracts entered into by minors, individuals of unsound mind, or those under duress are unenforceable.
- **Statute of frauds contracts:** Contracts that must be in writing under the Statute of Frauds, such as contracts for the sale of real estate, are unenforceable if not in writing.

It's important to note that an unenforceable contract is not the same as a void contract, which has no legal effect or binding power from the outset. An unenforceable contract, on the other hand, may have been validly formed but cannot be acted upon due to a technical defect.

### **F. Illegal Agreement:**

An illegal agreement is a contract or arrangement that goes against the laws and regulations of the state or country. Such agreements are not enforceable by law, and any parties involved in them may face legal consequences.

Examples of illegal agreements are:

- Agreements to engage in criminal activities such as drug trafficking, bribery, or fraud.
- Agreements that conflict with public policy, such as those promoting discrimination or violating human rights.
- Agreements that are against the provisions of consumer protection laws, such as those involving false advertising or exploitation of vulnerable consumers.
- Agreements that involve gambling or betting in countries where such activities are prohibited.
- Agreements for illegal or unethical business practices, such as price fixing or market manipulation.

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It is important for parties to a contract to ensure that their agreement does not violate any laws or regulations, as doing so may result in severe legal consequences and financial penalties.

## **2. According To Formation:**

According to formation , A Contract may be divided into following types:

- A. Express Contract**
- B. Implied Contract**
- C. Quasi Contract**

### **A. Express Contract:**

An express contract is a type of contract where the terms and conditions of the agreement are explicitly stated and communicated between the parties. The terms of the contract are clearly and specifically set out in writing or orally.

Examples of express contracts include:

- A contract for the sale of goods, where the buyer and seller have explicitly agreed on the price, quality, and delivery date of the goods.
- A rental agreement, where the landlord and tenant have explicitly agreed on the rental amount, payment due date, and other conditions of the tenancy.
- A loan agreement, where the lender and borrower have explicitly agreed on the loan amount, interest rate, repayment terms, and other conditions of the loan.

In an express contract, the parties have a clear understanding of their obligations and rights, and the contract can be enforced by law if one of the parties breaches its obligations.

### **B. Implied Contract:**

An implied contract is an agreement that is not expressed in words, but is inferred from the actions and circumstances of the parties involved. It is a type of contract that is created by the conduct of the parties, rather than by a written or spoken agreement. The terms of an implied contract are not explicitly stated, but are understood from the circumstances and the conduct of the parties.

Examples of implied contracts include:

- A customer entering a store and picking up goods from the shelves implies an agreement to pay for the goods at the time of purchase.
- An employee who accepts a job offer and begins working for an employer implies an agreement to perform the job duties in exchange for compensation.
- A person who accepts a ride from a taxi driver implies an agreement to pay the fare at the end of the ride.
- A person who uses a service, such as a gym or a library, implies an agreement to follow the rules and regulations of the service provider.
- A person who borrows a book from a friend implies an agreement to return the book in good condition.

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In all these examples, the terms of the contract are not explicitly stated, but are understood from the circumstances and the conduct of the parties. An implied contract is legally binding and enforceable, just like an express contract.

### **C. Quasi Contract:**

A quasi-contract, also known as a constructive contract, is an obligation imposed by law in the absence of an actual agreement between parties. It is a fictional contract created by the courts to prevent unjust enrichment and to ensure fairness in certain circumstances.

Examples of quasi-contracts include:

- **Unjust Enrichment:** If a person receives a benefit from another person without any intention to pay for it, the court may impose a quasi-contract to prevent unjust enrichment. For example, if a person receives services from a plumber but refuses to pay, the plumber may sue for the value of the services provided.
- **Necessary Services:** If a person provides necessary services to another person in an emergency situation, a quasi-contract may be imposed to ensure that the person who received the services is not unjustly enriched. For example, if a doctor provides medical services to a person who is unconscious, the doctor may be entitled to payment for the services provided.
- **Supply Of Goods:** If a person supplies goods to another person who is not able to pay for them, a quasi-contract may be imposed to ensure that the supplier is not unjustly enriched. For example, if a person supplies food to a hungry person who does not have the means to pay, the supplier may be entitled to payment for the goods supplied.
- **Bailment:** If a person entrusts goods to another person for safekeeping, a quasi-contract may be imposed to ensure that the bailee is not unjustly enriched. For example, if a person entrusts jewellery to a jeweller for repair, the jeweller may be entitled to payment for the services provided.

In all of these cases, a quasi-contract is imposed by law to prevent unjust enrichment and to ensure fairness. The purpose of a quasi-contract is to put the parties in the same position as if they had entered into a contract voluntarily.

### **3. According To Performance:**

According to performance, a contract has following two types:

- A. Executed Contract**
- B. Executory Contract**

#### **A. Executed Contract:**

An executed contract is a legally binding agreement between two or more parties that has been fully performed. This means that all of the obligations and promises outlined in the contract have been fulfilled by each party involved.

For example, consider a contract between a builder and a client for the construction of a house. Once the house has been built and the client has paid the builder the agreed-upon amount, the contract between the two parties can be considered executed.

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Another example could be a contract between a seller and a buyer for the sale of a car. If the car has been handed over to the buyer and the buyer has paid the seller the agreed-upon amount, the contract between the two parties can be considered executed.

### **B. Executory Contract:**

An executory contract is a type of agreement in which one or more parties have yet to fulfill their obligations under the terms of the contract. In other words, an executory contract is a contract where some performance remains due from one or both parties.

For example, if you sign a contract to rent an apartment, and you have not yet moved in, the contract is executory because you have not yet fulfilled your obligation to take possession of the apartment, and the landlord has not yet fulfilled their obligation to provide you with a place to live.

Another example is a contract to purchase a car, where the buyer has made a down payment but has not yet taken possession of the vehicle. In this case, both the buyer and the seller have obligations that are yet to be fulfilled, and the contract is considered executory.

It is important to note that an executory contract can be fully performed by either party, partially performed by both parties, or not performed by either party. The terms of the contract will dictate which party is responsible for fulfilling the remaining obligations.

## **4. According To Parties**

According to Parties , a contract is divided into following types:

### **A. Unilateral Contract**

### **B. Bilateral Contract**

#### **A. Unilateral Contract:**

A unilateral contract is a type of contract where only one party makes a promise in exchange for the completion of a specified act by the other party. The promise is made with the understanding that if the act is completed, the promisor will be bound to fulfill their end of the bargain.

Examples of unilateral contracts include:

- **Reward contracts:** A person offers a reward for the return of lost property or the capture of a criminal.
- **Contract for services:** A person offers to pay for services to be performed, such as hiring a contractor to complete a construction project.
- **Option contracts:** A person offers to sell property in exchange for payment of an option fee, giving the buyer the right to purchase the property at a later date.
- **Insurance contracts:** An insurance company promises to pay a specified amount if a certain event occurs, such as a car accident or illness.

In a unilateral contract, the promise is only binding if the other party performs the specified act. Until the act is completed, the promisor is not obligated to fulfill their promise.

### **B. Bilateral Contract:**

A bilateral contract is a type of contract where both parties make promises to each other. It is called "Bilateral" because both parties have obligations to fulfill. In a bilateral contract, one party promises to do something in exchange for the promise of the other party to do something else.

For example:

- A person agrees to sell their car to another person in exchange for payment of a certain amount of money.
- A contractor agrees to build a house for a client in exchange for payment of a specified sum.
- An employee agrees to work for an employer in exchange for a salary.

In each of these examples, both parties have made promises to each other, creating mutual obligations. The contract becomes legally binding once both parties have fulfilled their promises. If either party fails to fulfill their promise, the other party may have the right to take legal action to enforce the contract.



## **DIFFERENCE BETWEEN AGREEMENT AND CONTRACT**

Agreements and contracts are terms that are often used interchangeably, but they have different meanings. An agreement is a mutual understanding between two or more parties to do, or refrain from doing, something. It can be either express or implied, written or oral, and does not necessarily have to be enforceable by law. On the other hand, a contract is a specific type of agreement that creates legally enforceable obligations. In order to be considered a contract, there must be an offer, acceptance, and consideration, and it must meet certain requirements, such as being in writing and signed by the parties. Contracts are enforceable by law, while the enforceability of an agreement depends on the specific terms of the agreement and the jurisdiction in which it was formed. In short, while all contracts are agreements, not all agreements are contracts.

<b>Nature of Difference</b>	<b>Agreement</b>	<b>Contract</b>
<b>Definition</b>	An agreement is a mutual understanding between two or more parties to do, or refrain from doing, something. It can be either express or implied, and can be written or oral.	A contract is a legally binding agreement between two or more parties. It is a specific type of agreement that creates legally enforceable obligations.
<b>Formation</b>	An agreement can be formed through negotiation, offer and acceptance, or by conduct. It does not necessarily have to be in writing or enforceable by law.	A contract requires an offer, acceptance, and consideration. It must also meet certain requirements, such as being in writing and signed by the parties, in order to be enforceable by law.
<b>Enforceability</b>	An agreement may be enforceable in some cases, but not in others. It depends on the specific terms of the agreement and the jurisdiction in which it was formed.	A contract is enforceable by law. If a party fails to fulfill its obligations under the contract, the other party can take legal action to enforce its rights.
<b>Example</b>	Two friends agree to go to the movies together. This is an agreement, but not a contract, as it is not enforceable by law.	A person agrees to sell their car to another person for a specified price. This is a contract, as it is a legally binding agreement with enforceable obligations.





## **DIFFERENCE BETWEEN VOID AGREEMENT AND VOID CONTRACT**

### **Void Agreement:**

An agreement that has no legal effect or binding force is called a void agreement.

#### **Example:**

An agreement made with a minor, an agreement made under duress or undue influence, or an agreement that is illegal.

### **Void Contract:**

A contract that has no legal effect or binding force is called a void contract.

#### **Example:**

A contract for the sale of goods that become unavailable before delivery, a contract that becomes illegal after it was formed, or a contract that is frustrated by an event that makes performance impossible.

### **Difference:**

- An agreement becomes a contract when it is enforceable by law, but a void agreement is one that was never enforceable to begin with.
- A void contract, on the other hand, was once a valid contract but has become unenforceable due to some change in circumstances, such as the death of one of the parties.

In summary, the main difference between a void agreement and a void contract is that a void agreement was never valid, while a void contract was once valid but has since become unenforceable.

## **DIFFERENCE BETWEEN ILLEGAL AND VOID AGREEMENT**

Here you can find the difference between illegal and void agreements.

<b>Nature</b>	<b>Illegal Agreement</b>	<b>Void Agreement</b>
<b>Definition</b>	An illegal agreement is one that is contrary to law, morals, public policy, or good faith. Such agreements are not enforceable in a court of law.	A void agreement, on the other hand, is one that is not enforceable due to the absence of one or more essential elements of a contract, such as a valid offer, acceptance, consideration, or capacity to contract.
<b>Enforceability</b>	Illegal agreements are not enforceable by either party as they break the law.	Void agreements are also unenforceable, but for different reasons. They are not legally binding due to

## The Contract & Sales of Goods Act

		some deficiency in the formation of the contract.
<b>Consequences</b>	Entering into an illegal agreement can result in criminal or civil penalties for the parties involved.	Entering into a void agreement does not have any legal consequences as the agreement was never legally binding in the first place.
<b>Examples</b>	An illegal agreement could be one for the sale of illegal drugs.	A void agreement could be one where a minor attempts to enter into a contract without the consent of their parents.



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<p><b>Account Title :</b> Shahid Naeem <b>Account No. :</b> 03213614222</p>	<p><b>Account Title :</b> Shahid Naeem <b>Account No. :</b> 03213614222</p>	<p><b>Account Title :</b> Shahid Naeem <b>Account No. :</b> 2801 0100 317641 <b>IBAN :</b> PK10 MEZN 0028 0101 0031 7641</p>	<p><b>Account Title :</b> Aglow College of Science &amp; Tech. <b>Account No. :</b> 0124 0010 1001 8144 <b>IBAN :</b> PK48 MUJB 0124 0010 8144</p>
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