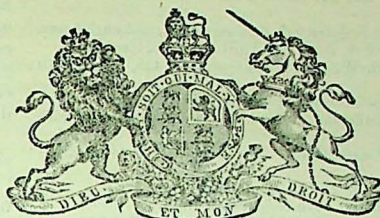


THE



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Separate paging is given to this Part, in order that it may be filed as a separate compilation.

## PART VI.

### BILLS OF THE GOVERNMENT OF INDIA.

#### LEGISLATIVE DEPARTMENT.

The following Report of a Select Committee, together with the Bill as settled by them, was presented to the Council of the Governor General of India for the purpose of making Laws and Regulations on the 12th March 1872:—

We, the undersigned, the Members of the Select Committee of the Council of the Governor General

of India for the purpose of making Laws and Regulations, to which the Bill to define and amend the Law relating to Contracts, Sale of Moveables, Indemnity and Guarantee, Bailment, Agency and Partnership was referred, have the honour to report that we have considered the Bill and the papers noted in the margin.

From Secretary of State for India (Judicial), No. 42, dated 14th September 1866.  
Second Report of Her Majesty's Commissioners appointed to prepare a body of Substantive Law for India.

Report on Native papers for the week ending 17th August 1867.  
Note by the Assistant Secretary in the Home Department (Legislative) on the Second Report of the Indian Law Commissioners.

From Secretary to Chief Commissioner, British Burma, No. 213, dated 4th November 1867.

Remarks by Honourable Sir W. Morgan, Chief Justice, High Court, North-Western Provinces, on Part IV.

Observations by the Assistant Secretary to Government of Bengal, Legislative Department.

From Under Secretary to Government of Bengal, No. 6680, dated 20th December 1867, and enclosure.

Remarks by John Cochrane, Esq., dated 18th December 1867.

From Under Secretary to Government of Bengal, No. 6759, dated 30th December 1867, and enclosure.

Observations by the Officiating Deputy Commissioner, Delhi, dated 18th December 1867.

Further remarks by John Cochrane, Esq., dated 24th December 1867.

From First Assistant Resident, Haidarabad, No. 45, dated 12th December 1867, and enclosures.

Certain questions by Major General the Hon'ble Sir H. M. Durand, dated 16th December 1867.

Note by C. D. Field, Esq., dated 14th January 1868.

Remarks by Rae Chunna Mull of Delhi, dated 15th January 1868.

Note by Assistant Secretary to Government of India, Home Department (Legislative), dated 24th January 1868.

From Junior Secretary to Government of Bengal, No. 495, dated 28th January 1868, and enclosure.

From Civil and Sessions Judge of Rájshahi, No. 41, dated 31st January 1868.

From Deputy Commissioner, Lohárdága, No. 1069, dated 7th January 1868.

From Judicial Commissioner, Chota Nágpur, No. 7, dated 31st January 1868.



From Under Secretary to Government of Bombay, No. 328, dated 31st January 1868, and enclosures.

Remarks by Secretary and Treasurer, Bank of Bengal, dated 11th February 1868.  
From Secretary of State for India, No. 42, dated 14th September 1866, and enclosures.

From Secretary of State for India, No. 8, dated 8th February 1867, and enclosures.  
From Commissioner of Mysor, No. 105-8, dated 2nd April 1868, and enclosures.

From Secretary to Government North-Western Provinces, No. 425, dated 18th April 1868, and enclosures.

From J. W. B. Money, Esq., Barrister-at-law, dated 21st May 1868.

From Officiating Magistrate and Collector of Naddea, No. 1088, dated 26th August 1868, and enclosure.

From First Judge, Calcutta Small Cause Court, No. 39, dated 7th September 1868, and enclosures.

From Registrar, High Court, Calcutta, dated 8th September 1868.

Minute by Honourable H. S. Maine, dated 11th September 1868.

From Secretary to Government, Panjáb, No. 915, dated 3rd April 1868, and enclosures.

From Chief Secretary to Government, Fort St. George, No. 691, dated 23rd April 1868, and enclosures.

From Commissioner of Coorg, No. 81-5, dated 24th April 1868.

From Secretary to Government, North-Western Provinces, No. 219, dated 6th May 1868.

From Secretary to Government, Panjáb, No. 616, dated 11th May 1868.

From Under Secretary to Government, Bombay, No. 1478, dated 19th May 1868, and enclosure.

From Under Secretary to Government, Bombay, No. 1505, dated 29th May 1868.

From Secretary to Chief Commissioner, British Burma, No. 171-6, dated 10th June 1868, and enclosure.

From Secretary to Government, Fort St. George, No. 1108, dated 14th July 1868, and enclosures.

From Under Secretary to Government, Bengal, No. 4411, dated 10th August 1868, and enclosures.

From Secretary to Chief Commissioner, Oudh, No. 3782, dated 7th September 1868, and enclosures.

From Secretary to Chief Commissioner, Oudh, No. 3903, dated 14th September 1868.

From Assistant Secretary to Chief Commissioner, Central Provinces, No. 3000, dated 16th September 1868, and enclosures.

From Secretary to Government, Panjáb, No. 1567, dated 3rd December 1868.

Despatch from the Right Hon'ble the Secretary of State for India, No. 7, dated 18th March 1869.

Despatch from the Right Hon'ble the Secretary of State for India, No. 8, dated 18th March 1869.

Note by Hon'ble J. F. Stephen, dated 6th February 1870.

Despatch from the Right Hon'ble the Secretary of State for India, No. 47, dated 24th November 1870.

Notes by the Hon'ble Members on Secretary of State's Despatch, No. 47, dated 24th November 1870.

Despatch from the Right Hon'ble the Secretary of State for India, No. 11, dated 23rd February 1871.

From P. W. Department, No. 1809R, dated 25th September 1871, forwarding letter from Secretary to Government, Panjáb, P. W. Department, Railway Branch, No. 3078G, dated 9th September 1871, and enclosures.

Note by Hon'ble J. F. Stephen, dated 21st October 1871.

From P. W. Department, No. 167G. R, dated 31st January 1872.

From Financial Department, No. 1338, dated 23rd February 1872, and enclosure.

From Secretary to Government, Bombay, No. 1257, dated 18th March 1872.

at the option of either party, and the third at the option of one party, but not of the other. All agreements may be put into one or other of these three classes; those which cannot be enforced at all we have called void agreements; those which can be enforced by any of the parties we have called contracts; and those which can be enforced at the option of one party only, we have called voidable contracts.

4. In some cases, a contract which, when made, is enforceable, ceases to be enforceable owing to subsequent occurrences, as, for instance, when a person contracts to paint a picture, and dies before he can complete it. In this case the contract becomes void.

5. By defining these fundamental terms, we think that the Act is made much clearer throughout, and, in particular, it becomes easy to arrange it in a systematic way.

6. The first point to be dealt with is, obviously, the law as to proposals, which are the first step towards a contract. Accordingly, chapter I. of the draft deals with the communication, acceptance, and revocation of proposals. Its provisions do not differ very materially from sections 6 and 7 of the Bill, but they are adapted to some extent from the New York Civil Code.

7. Sections 6, 8, 9, 10 and 11 in the Bill treat of the validity of contracts under certain circumstances; but it seemed to us that they are not so drawn as to convey readily to the mind of a student the general theory on which they rest. They correspond to chapter II. (sections 10-30) of the present draft, which embodies them all, with the addition of a few sections suggested by, or adapted from, the New York Code. The theory on which the whole subject depends is contained in section 10 of the present draft, which explains the rest. '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.' Each member of this proposition is then separately explained. Section 11 defines who are 'competent persons,' and section 12 defines 'soundness of mind,' which is an element of com-

3. Section 4 of the Bill is in these words—'A contract is an agreement between parties, whereby a party engages to do a thing or engages not to do a thing. A contract may contain several engagements, and they may be either by the same party or by different parties.'

Throughout the Bill, the expressions 'agreement,' 'contract,' 'binding agreement,' 'engagement' and 'engagement by contract' are used indiscriminately. This wording appeared to us to be wanting in precision, and we have endeavoured to place the subject in a clearer light by a definition of contract, which is based on the following theory: 'The first step towards a contract is a proposal. If the proposal is accepted, it becomes a promise. Where two men agree, either by proposal and acceptance of a promise, or by entering into reciprocal promises, there is an agreement; and, if the agreement is not purely gratuitous, that which causes it is its consideration. These terms proposal, promise, agreement, consideration are all in common use, and fitly describe relations which arise between man and man quite independently of law. What difference, then, does the law make? It enforces some agreements, it does not enforce others, and there is a third kind which it enforces at the option of one party to them, but not at the option of other parties. An agreement to commit a crime, an agreement to sell a horse, and an agreement obtained by misrepresentation, are all agreements; but the law will not enforce the first at all; it will enforce the second



petency; section 13 defines 'consent'; section 14 specifies the five causes—namely, coercion, undue influence, fraud, misrepresentation and mistake—which may interfere with the freedom of consent; section 15 defines 'coercion'; section 16 defines 'undue influence'; section 17 defines 'fraud'; section 18 defines 'misrepresentation'; section 19 describes the effect upon an agreement of coercion, undue influence, fraud and misrepresentation; and sections 20 and 22 deal with the effects of mistakes in fact and law.

8. These sections together give, broadly and fully, the meaning of a valid contract and of the nature of the elements of which it is composed. The following sections, 24-30, declare what agreements are void. These matters in the original draft are mixed up indiscriminately with its other provisions. Thus, agreements void for uncertainty are dealt with in section 12, between the subject of mistake and that of consideration. It is not expressly said, but only implied (section 13), that an unlawful agreement is void, and section 13 is somewhat clumsy. Nothing is said as to agreements in restraint of marriage or trade, or as to wagers, or as to agreements not to sue. We have recommended distinct provisions to be made for the effect of an unlawful object or consideration, the absence of consideration, contracts in restraint of marriage or trade, and contracts in restraint of legal proceedings; contracts the meaning of which cannot be ascertained, and contracts by way of wager. As to contracts in restraint of legal proceedings, we have provided, in section 28, that while, on the one hand, a contract, by which a person is restricted absolutely from enforcing his claims in Court, is void; on the other hand, parties, may agree that, in the event of a dispute arising between them in respect to any specified matters, it shall be referred to arbitration, and that only the amount awarded in such arbitration shall be recoverable. We recommend that, when such a contract to refer has been made, it shall be a bar to any action brought in respect of the matters to which it relates, other than an action for the amount awarded in arbitration. This appears to us to embody the results of the latest English decisions, and to be consonant with justice and good sense.

9. Sections 14-17 of the original Bill are replaced by chapter III. of the draft now submitted, headed "Of Contingent Contracts." The original sections appeared to us to mix up two matters which are essentially distinct, namely, (1) agreements contingent upon an event collateral to the agreement—as, if A contracts to pay a sum of money to B, if B lives to be twenty-one. (2) Reciprocal promises—as, if A contracts to pay for a horse, if B delivers it. The result is a good deal of confusion. It is difficult to see why sections 14, 15 and 16 of the Bill are separated by nine other sections from the seven sections which are put under the heading "Of Conditional Contracts." When carefully examined, it will be apparent that the attempt to simplify by neglecting the distinction to which we have referred has caused this, and that the result is to make a clear subject obscure. It also introduces, we think, positive error. Thus, sections 26 and 27, taken together, provide that 'an engagement by contract may be made with the condition superadded that it shall be terminated in case a specified uncertain event shall happen; and that, if at the time of the contract the event is repugnant to law or morality, the condition is invalid. Suppose a man engages, by contract, to carry goods safely unless they are taken from him by thieves or robbers, the contract is clearly good; yet, under the terms of these sections, the condition would be void. This arises from the neglect to distinguish between conditions independent of a contract, and conditions which form a part of the contract. It is surely one thing to contract to indemnify a man if some one else robs him, and another to contract to indemnify him if he robs some one else. Each contract contemplates the commission of a crime; but the first regards it simply as a possible contingency, the second involves a promise to commit it. Besides this, it is extremely difficult to make any clear distinction, if the arrangement of the Bill is maintained, between the provisions of sections 26 and 27, referred to above, and those of section 13, which relates to consideration. According to section 13, it is essential to the validity of a contract that there should be a good consideration, and lawfulness is essential to the goodness of a consideration. By section 14, a condition may be something which constitutes the consideration; by sections 26 and 27 the condition 'must not be repugnant to law.' If the condition is part of the consideration, sections 26 and 27 re-enact, in a somewhat obscure and disjointed way, what is enacted much more clearly by section 13.

10. The present draft is intended to avoid this by separating three cases—

1. The consideration for the contract. This is provided for in sections 24 and 25.
2. The case of agreements made contingently upon some event independent of them. This is provided for in chapter III. sections 31-36.
3. The effect which the relation between reciprocal promises has on the order in which they are to be performed. This is provided for in sections 51 to 58, which form one of the sub-divisions of chapter IV. "Of the Performance of Contracts."

11. No doubt the word 'condition,' or 'conditional,' might be applied in a popular way to each of these three matters. If A's promise is the consideration of B's; or if A makes a promise to B contingently on C's death; or if the intention is to say that, if A promises to pay for B's horse on delivery, A need not pay unless and until B is ready to deliver—it might be said that the consideration of A's promise in the first case, C's death in the second case, and B's readiness to deliver the horse in the third case, were respectively the *conditions* of A's promise, or that A's promise was *conditional* upon them; but we think that, if the sections to which we have referred (namely, 24 and 25, and 51 to 58 of the draft) are read and compared with the corresponding sections (13 to 31) in the Bill, it will be found that the distribution of the subject under the three heads now suggested makes it much clearer.

12. Section 32 of the original Bill has been omitted. Its substance is disposed of in the Evidence Act.



13. The sections in the Bill (33 to 51 inclusive) relating to Performance of Contracts are not arranged upon any particular principle, though they appear sound in substance. We propose to arrange them as follows:—

- Contracts which must be performed:
- By whom contracts must be performed:
- Time and place for performance:
- Order of performance of reciprocal promises:
- Appropriation of payments:
- Contracts which need not be performed.

14. These headings appear to place the subject in its natural order, which is not the case with the original Bill. The arrangement there adopted is such, that the general principle that each party to a contract must perform his own part in it, unless he is in some way excused from doing so, is nowhere plainly laid down. The first section (33), which relates to the subject, lays down a principle of no great or general importance, namely, that a man may, in certain cases, perform a contract vicariously; so, too, the draft Bill puts the subject of Tender (sections 45, 46) at the very end of the chapter. It ought, in our opinion, to come at the beginning, as a qualification upon the general rule that contracts must be performed. We have accordingly placed it there (see sections 37, 38). As to the question by whom contracts should be performed, the original Bill is arranged in a rather confused way. In sections 33 and 34 it provides for two unimportant matters about delegating the performance of a contract, and accepting performance by a third person. It then goes on (sections 35, 36) to a most important matter—dispensation from an old contract and the substitution of one contract for another; and, after an interval of ten sections, it provides for the devolution of liabilities on the representatives of contractors (sections 47-50). It appears to us that sections 35 and 36 fall properly under the head of 'Contracts which need not be performed;' and sections 47 to 50 under the head of 'Persons by whom Contracts must be performed.'

15. Part III. of the Bill relates to what are commonly called quasi-contracts. As to this we have omitted sections 54 and 55. The Law of Evidence provides, to a large extent, for the cases referred to in sections 54, by the rule that one party to a contract is precluded from setting up a state of facts other than that which he caused or intentionally allowed the other party to believe to exist. Section 55 seems to us to belong more properly to the law of torts. Illustration (c), especially, is a pure case of an action for misrepresentation, and the mode of computing the damage which the misrepresentation has occasioned.

16. We have omitted all reference to special branches of the law of contract, which, at present, are regulated either by express legislation or recognized custom, *e. g.*, the law of Shipping, of Bills of Exchange, Insurance, Master and Servant, Carriers, &c. This omission renders the present Bill so far incomplete; but we consider this incompleteness a less evil than the inconvenience of dealing with so many varied and intricate subjects in a single enactment. It will be easy at a future period, when the present Bill has been for a time in operation, and its results have been practically tested, to deal with all or any of the subjects above referred to, and to add them as a new chapter to the Act. With this view leave has already been asked to introduce a Bill to amend and consolidate the law relating to Carriers, and it would no doubt be desirable that the law of master and servant should at an early date be put into a clearer form than that in which it is at present. No sufficient information has at present been collected to render legislation on this subject safe.

17. As to the question of title in the vendor, the original Bill provided that a *bona fide* purchase from the person in possession of goods should have the effect of passing the ownership, provided that the circumstances were not such as to raise a presumption that the vendor had no right to sell. The propriety of this provision was much discussed, and its probable result in facilitating the disposal of stolen property strongly insisted upon. When property has been stolen from its rightful owner, and has found its way into the hands of an innocent purchaser, it is a mere question of expediency as to which of the two shall bear the loss of the transaction. It is difficult to lay down any general rule, grounded on equitable considerations, because the blame, if any, in the transaction may quite as easily attach to one party as the other. The owner may have used every reasonable precaution and the purchaser may have been grossly negligent, or the purchaser may have been cautious and the owner negligent. After much consideration, we have resolved on abandoning the principle laid down in section 75 of the original Bill, and have provided for the subject in section 108 of the draft now submitted. We propose that a seller shall be unable to give a better title to goods than he has himself, except in the following cases, namely:—

1. When the seller is by consent of the owner in possession of a dock-warrant or other document showing title to the goods sold:
2. When the seller is one of several joint owners of the goods sold and in possession of the goods by permission of the other joint owners:
3. When the seller has obtained possession of the goods under a voidable contract and the contract has not been avoided before the sale; provided that the circumstances which render the contract voidable do not amount to an offence.

In each of the above cases, it is necessary that the purchaser should have acted on good faith, and that the circumstances should not have been such as to give him reasonable ground to suspect that the seller had a right to sell.



18. With regard to the distinction between "penalties" and "liquidated damages," we have seen reason to modify the terms of the original section (53). It provides that, "when a contract has been broken, if a sum is named in the contract itself as the amount to be paid in the case of such breach, the amount so named shall be paid accordingly," in other words, it treats all such sums as if they were liquidated damages, and never regards them as penalties. We are quite conscious that it is highly desirable to simplify the law by removing the distinction between penalties and liquidated damages; but we are clearly of opinion that, under the peculiar circumstances of this country, the best way to do so is to provide that all such sums shall be treated as penalties. It is notoriously the practice of the Natives to introduce heavy penal stipulations into their agreements, and these are always intended to operate simply *in terrorem*. It may, no doubt, be said that, by changing the law, the people might be led in time to a better system. But partly through the tenacity of habit in the Natives, partly through the time which it takes to diffuse acquaintance with a new rule, and partly also through the fact that, in the case of bond-debts, it is the creditor who frames the instrument, there would be a great deal of positive suffering inflicted, and possibly more than the legislature has a right to impose, before the result aimed at by the Bill could be attained. We have accordingly altered the first clause of this section as follows:—

"When a contract has been broken, if a sum is named in the contract as the amount to be paid in case of such breach, the party complaining of the breach is entitled, whether or not actual damage or loss is proved to have been caused thereby, to receive from the party who has broken the contract reasonable compensation not exceeding the amount so named."

We have provided, however, that when, by the provisions of any law, a person binds himself under a penalty to perform any condition, he shall be liable to pay the whole of the penalty if he fails to perform the condition. This is intended to provide for the case of recognizances, bail-bonds, and the like.

19. Section 152 of the Bill provides that, "where the bailment is gratuitous, the bailor is entitled at any time, upon reasonable notice, to the restoration of the goods bailed." We have substituted (section 159) the following provision grounded on the New York Code, paragraph 958:—"The lender of a thing for use may at any time require its return if the loan was gratuitous, even though he lent it for a specified time or purpose. But if on the faith of such loan the borrower has acted in such a manner that the return of the thing before the time agreed upon would cause him loss exceeding the benefit derived actually by him from the loan, the lender must if he compels the return, indemnify the borrower for the amount in which the loss so occasioned exceeds the benefit so derived."

20. In section 159 of the Bill we have inserted (section 166) the words "in good faith" before "delivers."

21. Section 161.—After this section we have introduced, from the New York Code, § 943, the following clause (169):—

"When a thing which is commonly the subject of sale is lost, if the owner cannot with reasonable diligence be found, or if he refuses upon demand to pay the lawful charges of the finder, the finder may sell it—

(1) when a thing is in danger of perishing or of losing the greater part of its value; or (2) when the lawful charges of the finder in respect of the thing found amount to two-thirds of its value."

22. Section 163 of the original Bill provides that "in the absence of any agreement to the contrary, bankers, factors, and wharfingers have no right to retain any goods bailed to them as a security for a general balance of account." No reason is given for the abolition of the general lien in these cases, and we think it expedient to alter the section (171) thus:—

"Bankers, factors, wharfingers, attorneys of a High Court, and policy-brokers may, in the absence of a contract to the contrary, retain as a security for a general balance of account, any goods bailed to them, but no other persons have a right to retain as a security for such balance, goods bailed to them, unless there is an express contract to that effect."

23. Section 170 of the original Bill provided that "a person who is in possession of goods, or of any bill of lading, dock-warrant, warehouse-keeper's certificate, warrant or order for delivery, or any other document of title to goods, may make a valid pledge of such goods, or documents; Provided that the pawnee acts in good faith and under circumstances which are not such as to raise a reasonable presumption that the pawner is acting improperly.

To this we have added (section 178) a proviso which seems to us necessary with a view to discouraging the pledge of stolen property—

"Provided also that such goods or documents have not been obtained from their lawful owner or from any person in lawful custody of them by means of an offence or fraud."

24. Section 186 of the original Bill forbids an agent to employ another to perform acts which he has undertaken to perform personally. We have added, in section 190 of our draft, the words "unless, by the ordinary custom of trade, a sub-agent may, or, from the nature of the agency, a sub-agent must be employed.

35. Section 191.—This section of the original Bill provides that an agent, in the absence of his principal's directions, is bound to conduct his business according to the custom which prevails in doing business of the same kind. We have added, in section 211 of our draft, the words "at the place where the agent conducts such business" [*Ireland v. Livingston*, 2. L. R. Q. B. 107, per Shee, J.]

We have provided in section 217 that "an agent may retain, out of any sums received on account of the principal in the business of the agency, all monies due to himself in respect of advances made or expenses properly incurred by him in conducting such business, and also such remuneration as may be payable to him for acting as agent."



26. Section 201 of the original Bill provides that "gross" misconduct in the business of an agency shall disentitle the agent to remuneration in respect of the matter misconducted. The illustrations, however, are not of gross misconduct, and we think that any misconduct should disentitle him. We have omitted the epithet 'gross,' and, in illustration (a), we have changed 'insufficient' into 'bad.'

27. Section 202.—This section of the original Bill declares the agent's lien on "goods, papers and other property of the principal." We have, in section 220 of our draft, inserted the words "whether moveable or immoveable," after "property."

28. Section 203 of the original Bill provides that, "where acts are done by one person on behalf of another, *but without his knowledge*, he may elect to ratify or to disown" them. We have inserted, in section 196 of the present Bill, after "knowledge," the words "or authority."

Section 226 of original Bill we have altered (section 202 of our draft) thus:

29. "Where the agent has himself an interest in the property which forms the subject matter of the agency, the agency cannot, *in the absence of an express contract*, be terminated to the prejudice of such interest."

30. Section 262.—We propose to limit the winding-up jurisdiction conferred by section 262 of the original Bill (section 265 of our draft) to "the Court not inferior to the Court of a District Judge within the local limits of whose jurisdiction the place, or principal place of business of the firm is situate."

31. We have, in numerous instances throughout the Bill, omitted illustrations, wherever they appeared to us either to be unnecessary, or too complicated to be readily intelligible, or when, as being the result of English decisions, they introduced collateral circumstances and principles other than those which they were intended to illustrate, and were thus liable to be misunderstood, except when read in connection with the whole of the surrounding facts.

32. Subject to these amendments we recommend that the Bill be passed.

J. F. STEPHEN.

J. STRACHEY.

R. TEMPLE.

J. F. D. INGLIS.

W. ROBINSON.

F. S. CHAPMAN.

R. STEWART.

J. R. BULLEN SMITH.

F. R. COCKERELL.

*The 12th March 1872.*

## THE INDIAN CONTRACT BILL.

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## SCHEDULE.

## THE INDIAN CONTRACT BILL.

*As amended by the Select Committee.*

WHEREAS it is expedient to define and amend certain parts of the law relating to contracts; It is hereby enacted as follows:—

## PRELIMINARY.

Short title. 1. This Act may be called "The Indian Contract Act, 1872."

It extends to the whole of British India, and it shall come into force on the first day of September 1872.

The enactments mentioned in the schedule hereto are repealed to the extent specified in third column thereof; but nothing herein contained shall affect the provisions of any Statute, Act, or Regulation not hereby expressly repealed, nor any usage or custom of trade, nor any incident of any contract, not inconsistent with the provisions of this Act.



2. In this Act the following words and expressions are used in the following senses, unless a contrary intention appears from the context:—

(a).—When one person signifies to another his willingness to do or to abstain from doing any thing with a view to obtaining the assent of that other to such act or abstinence, he is said to make a proposal.

(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.

(c).—The person making the proposal is called the 'promisor,' and the person accepting the proposal is called the 'promisee.'

(d).—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.

(f).—Every promise and every set of promises, forming the consideration for each other, is an agreement.

Promises which form the consideration or part of the consideration for each other, are called reciprocal promises.

(g).—An agreement not enforceable by law is said to be void.

(h).—An agreement enforceable by law is a contract.

(i).—An agreement 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.

(j).—A contract which ceases to be enforceable by law becomes void when it ceases to be enforceable.

## CHAPTER I.

### OF THE COMMUNICATION, ACCEPTANCE, AND REVOCATION OF PROPOSALS.

3. The communication of proposals, the acceptance of proposals, and the revocation of proposals and acceptances, respectively, are said to be made by any act or omission of the party proposing, accepting or revoking, by which he intends to communicate such proposal, revocation, or acceptance or which has the effect of communicating them respectively.

4. The communication of a proposal is complete when it comes to the knowledge of the person to whom it is made.

The communication of an acceptance is complete as against the proposer, when it is put in a course of transmission to him, so as to be out of the power of the acceptor;

As against the acceptor, when it comes to the knowledge of the proposer.

The communication of a revocation is complete, as against the person who makes it, when it is put into a course of transmission to the person to whom it is made, so as to be out of the power of the person who makes it;

as against the person to whom it is made, when it comes to his knowledge.

#### Illustrations.

(a.) A proposes, by letter, to sell a house to B at a certain price.

The communication of the proposal is complete when B receives the letter.

(b.) B accepts A's proposal by a letter sent by post.

The communication of the acceptance is complete, as against A, when the letter is posted, as against B, when the letter is received by A.

(c.) A revokes his proposal by telegram.

The revocation is complete as against A when the telegram is despatched. It is complete as against B when B receives it.

B revokes his acceptance by telegram. His revocation is complete as against B when the telegram is despatched, and as against A when it reaches him.

5. A proposal may be revoked at any time before the communication of its acceptance is complete as against the proposer, but not afterwards.

An acceptance may be revoked at any time before the communication of the acceptance is complete as against the acceptor, but not afterwards.

#### Illustrations.

A proposes by a letter sent by post to sell his house to B. B accepts the proposal by a letter sent by post.

A may revoke his proposal at any time before or at the moment when B post his letter of acceptance, but not afterwards.

B may revoke his letter of acceptance at any time before or at the moment when it reaches A, but not afterwards.

Revocation how made. 6. A proposal is revoked—

- (1) by the communication of notice of revocation by the proposer to the other party;
- (2) by the lapse of the time prescribed in such proposal for its acceptance, or, if no time is so prescribed, by the lapse of a reasonable time, without communication of the acceptance;
- (3) by the failure of the acceptor to fulfil a condition precedent to acceptance; or
- (4) by the death or insanity of the proposer, if the fact of his death or insanity comes to the knowledge of the acceptor before acceptance.

Acceptance must be absolute. 7. In order to convert a proposal into a promise the acceptance must—

- (1) be absolute and unqualified;
- (2) be expressed in some usual and reasonable manner, unless the proposal prescribes the manner in which it is to be accepted. If the proposal prescribes a manner in which it is to be accepted, and the



acceptance is not made in such manner, the proposer may, within a reasonable time after the acceptance is communicated to him, insist that his proposal shall be accepted in the prescribed manner, and not otherwise; but, if he fails to do so, he accepts the acceptance.

8. Performance of the conditions of a proposal or the acceptance of any consideration for a reciprocal promise which may be offered with a proposal is an acceptance of the proposal.

9. In so far as the proposal or acceptance of any promise is made in Promises, express and implied. words, the promise is said to be express. In so far as such proposal or acceptance is made otherwise than in words, the promise is said to be implied.

CHAPTER II.

OF CONTRACTS, VOIDABLE CONTRACTS, AND VOID AGREEMENTS.

10. 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.

Nothing herein contained shall affect any law in force in British India, and not hereby expressly repealed, by which any contract is required to be made in writing or in the presence of witnesses, or any law relating to the registration of documents.

11. 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.

12. A person is said to be of sound mind for the purpose of making a contract if, at the time when he makes it, he is capable of understanding it and of forming a rational judgment as to its effect upon his interests.

A person who is usually of unsound mind, but occasionally of sound mind, may make a contract when he is of sound mind.

A person who is usually of sound mind, but occasionally of unsound mind, may not make a contract when he is of unsound mind.

Illustrations.

(a.) A patient in a lunatic asylum, who is at intervals of sound mind, may contract during those intervals.

(b.) A sane man, who is delirious from fever, or who is so drunk that he cannot understand the terms of a contract, or form a rational judgment as to its effect on his interests, cannot contract whilst such delirium or drunkenness lasts.

13. Two or more persons are said to consent when they agree upon the same thing in the same sense.

Free consent defined.

- (1) coercion, as defined in section fifteen, or
- (2) undue influence, as defined in section sixteen, or
- (3) fraud, as defined in section seventeen, or
- (4) misrepresentation, as defined in section eighteen, or
- (5) mistake.

Consent is said to be so caused when it would not have been given but for the existence of such coercion, undue influence, fraud, misrepresentation or mistake.

15. Coercion is the committing, or threatening to commit, any act forbidden by the Indian Penal Code, or the unlawful detaining, or threatening to detain, any property, to the prejudice of any person whatever, with the intention of causing any person to enter into an agreement.

Explanation.—It is immaterial whether the Indian Penal Code is or is not in force in the place where the coercion is employed.

Illustration.

A, on board an English ship on the high seas, causes B to enter into an agreement by an act amounting to intimidation under the Indian Penal Code;

A afterwards sues B for breach of contract at Calcutta.

A has employed coercion, although his act is not an offence by the law of England, and although section 508 of the Indian Penal Code was not in force at the time or place where the act was done.

16. Undue influence is said to be employed in the following cases:—

(1.)—When a person in whom confidence is reposed by another, or who holds a real or apparent authority over that other, makes use of such confidence or authority for the purpose of obtaining an advantage over that other, which, but for such confidence or authority, he could not have obtained.

(2.)—When a person whose mind is enfeebled by old age, illness, or mental or bodily distress is so treated as to make him consent to that to which, but for such treatment, he would not have consented, although such treatment may not amount to coercion.

Illustrations.

(1.) A, a young woman, who has resided during her minority in the family of B, her guardian, continues to reside with him after attaining majority, and is induced by means of his influence, to enter into a contract with him which is disadvantageous to herself. B employs undue influence.

(2.) A, having advanced money to his son, B, during his minority, upon B's coming of age, obtains, by parental influence, a bond from B for a greater amount than the sum due upon the advance. A employs undue influence.

3. A is induced, by B's influence over him as his legal adviser, to convey an estate to B for his benefit. B employs undue influence.

4. A, a man enfeebled by disease or age, is induced by B's influence over him, as his medical attendant, to agree to pay B an unreasonable sum for his professional assistance during the rest of A's life. B employs undue influence.

17. Fraud means and includes any of the following acts committed by a party to a contract, or with his connivance, or by his agent, with intent



to deceive another party thereto or his agent, or to induce him to enter into the contract:—

- (1)—The suggestion, as a fact, of that which is not true, by one who does not believe it to be true;
- (2)—The active concealment of a fact by one having knowledge or belief of the fact;
- (3)—A promise made without any intention of performing it;
- (4)—Any other act fitted to deceive;
- (5)—Any such act or omission as the law specially declares to be fraudulent.

*Explanation.*—Mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that under the circumstances of the case, it is the duty of the person keeping silence to speak, or unless his silence in itself is equivalent to speech.

#### Illustrations.

(a.) A and B are in treaty for a horse which A knows to be unsound. A says nothing to B about the horse's unsoundness. This is not fraud in A.

(b.) B is A's daughter and has just come of age. Here, the relation between the parties would make it A's duty to tell B if the horse is unsound.

(c.) B says to A, "If you do not deny it, I shall assume that the horse is sound;" A says nothing. Here A's silence is equivalent to speech.

(d.) A and B, being traders, enter upon a contract. A has private information of a change in prices which would affect B's willingness to proceed with the contract. A is not bound to inform B.

Misrepresentation defined.

18. Misrepresentation means and includes—

- (1) The positive assertion, in a manner not warranted by the information of the person making it, of that which is not true, though he believes it to be true;
- (2) any breach of duty which, without an intent to deceive, gains an advantage to the person committing it, or any one claiming under him, by misleading another to his prejudice, or to the prejudice of any one claiming under him;
- (3) causing a party to an agreement, however innocently, to make a mistake as to the substance of the thing which is the subject of the agreement.

19. When consent to an agreement is caused

by coercion, undue influence, fraud or misrepresentation, the agreement is a contract voidable at the option of the party whose consent was so caused.

The party whose consent was so caused may, if he thinks fit, insist that the contract shall be performed and that he shall be put in the position in which he would have been if the representations made had been true.

*Exception.*—If such consent was caused by misrepresentation or by silence, fraudulent within the meaning of section seventeen, the contract, nevertheless, is not voidable, if the party, whose consent was obtained thereby, had the means of discovering the truth with ordinary diligence.

*Explanation.*—A fraud or misrepresentation which did not cause the consent to a contract of the party on whom such fraud was practised or to whom such misrepresentation was made, does not render a contract voidable.

#### Illustrations.

(a.) A, intending to deceive B, falsely represents that five hundred maunds of indigo are made annually at A's factory, and thereby induces B to buy the factory. The contract is voidable at the option of B.

(b.) A, by a misrepresentation, leads B to believe erroneously that five hundred maunds of indigo are made annually at A's factory. B examines the accounts of the factory, which show that only four hundred maunds of indigo have been made. After this B buys the factory. The contract is not voidable on account of A's misrepresentation.

(c.) A fraudulently informs B that A's estate is free from incumbrance. B thereupon buys the estate. The estate is subject to a mortgage. B may either avoid the contract, or may insist on its being carried out and the mortgage debt redeemed.

(d.) B, having discovered a vein of ore on the estate of A, adopts means to conceal, and does conceal, the existence of the ore from A. Through A's ignorance B is enabled to buy the estate at an under-value. The contract is voidable at the option of A.

(e.) A is entitled to succeed to an estate at the death of B; B dies; C, having received intelligence of B's death, prevents the intelligence reaching A; and thus induces A to sell him his interest in the estate. The sale is voidable at the option of A.

20. Where both the parties to an agreement are under a mistake as to a matter of fact essential to the agreement, the agreement is void.

Mistake of fact.

*Explanation.*—An erroneous opinion as to the value of the thing which forms the subject-matter of the agreement, is not to be considered a mistake as to a matter of fact.

#### Illustrations.

(a.) A agrees to sell to B a specific cargo of goods supposed to be on its way from England to Bombay. It turns out that, before the day of the bargain, the ship conveying the cargo had been cast away and the goods lost. Neither party was aware of these facts. The agreement is void.

(b.) A agrees to buy from B a certain horse. It turns out that the horse was dead at the time of the bargain, though neither party was aware of the fact. The agreement is void.

(c.) A, being entitled to an estate for the life of B, agrees to sell it to C. B was dead at the time of the agreement, but both parties were ignorant of the fact. The agreement is void.

21. A contract is not voidable because it was caused by a mistake as to any law in force in British India; but a mistake as to a law not in force in British India has the same effect as a mistake of fact.

*Illustrations.*  
A and B make a contract grounded on the erroneous belief that a particular debt is barred by the Indian Law of Limitation: the contract is not voidable.

A and B make a contract grounded on an erroneous belief as to the law regulating bills of exchange in France: the contract is voidable.

22. A contract is not voidable because merely it was caused by one of the parties to it being under a mistake as to a matter of fact.

23. The consideration or object of an agreement is lawful, unless—

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



In each of these cases, the consideration or object of an agreement is said to be unlawful. Every agreement of which the object or consideration is unlawful, is void.

#### Illustrations.

(a.) A agrees to sell his house to B for 10,000 rupees. Here B's promise to pay the sum of 10,000 rupees is the consideration for A's promise to sell the house, and A's promise to sell the house is the consideration for B's promise to pay the 10,000 rupees. These are lawful considerations.

(b.) A promises to pay B 1,000 rupees at the end of six months if C, who owes that sum to B, fails to pay it. B promises to grant time to C accordingly. Here the promise of each party is the consideration for the promise of the other party: and they are lawful considerations.

(c.) A promises, for a certain sum paid to him by B, to make good to B the value of his ship if it is wrecked on a certain voyage. Here A's promise is the consideration for B's payment, and B's payment is the consideration for A's promise, and these are lawful considerations.

(d.) A promises to maintain B's child, and B promises to pay A 1,000 rupees yearly for the purpose. Here the promise of each party is the consideration for the promise of the other party. They are lawful considerations.

(e.) A, B and C enter into an agreement for the division among them of gains acquired, or to be acquired, by them by fraud. The agreement is void, as its object is unlawful.

(f.) A promises to obtain for B an employment in the public service, and B promises to pay 1,000 rupees to A. The agreement is void, as the consideration for it is unlawful.

(g.) A, being agent for a landed proprietor, agrees for money, without the knowledge of his principal, to obtain for B a lease of land belonging to his principal. The agreement between A and B is void, as it implies a fraud by concealment by A on his principal.

(h.) A promises B to drop a prosecution which he has instituted against B for robbery, and B promises to restore the value of the things taken. The agreement is void, as its object is unlawful.

(i.) As estate is sold for arrears of revenue under the provisions of an Act of the legislature, by which the defaulter is prohibited from purchasing the estate. B, upon an understanding with A, becomes the purchaser, and agrees to convey the estate to A upon receiving from him the price which B has paid. The agreement is void, as it renders the transaction in effect a purchase by the defaulter and would so defeat the object of the law.

(j.) A, who is B's mukhtar, promises to exercise his influence, as such, with B in favour of C, and C promises to pay 1,000 rupees to A. The agreement is void, because it is immoral.

(k.) A engages her daughter to hire to B for concubinage. The agreement is void, because it is immoral, though the letting may not be punishable under the Indian Penal Code.

#### VOID AGREEMENTS.

24. If any part of a single consideration for one or more objects, or any one or any part of any one of several considerations for a single object, is unlawful, the agreement is void.

#### Illustration.

A promises to superintend, on behalf of B, a legal manufacture of indigo and an illegal traffic in other articles. B promises to pay to A a salary of 10,000 rupees a year. The agreement is void, the object of A's promise and the consideration for B's promise being in part unlawful.

Promises without consideration void unless registered; 25. An agreement made without consideration is void unless—

(1) it is expressed in writing and registered under the law for the time being in force for the registration of assurances; or unless—

(2) it is a promise to compensate wholly or in part a person who has already voluntarily done something for the promisor or something which the promisor was legally compellable to do; or

(3) it is a promise, made in writing and signed by the person to be charged therewith, or by his agent generally or specially authorized in that behalf, to pay wholly or in part a debt of which the creditor might have enforced payment but for the law for the limitation of suits.

In any of these cases, such an agreement is a contract.

*Explanation.*—Nothing in this section shall affect the validity as between the donor and donee of any gift actually made.

#### Illustrations.

(a.) A promises for no consideration to give to B Rs. 1,000. This is a void agreement.

(b.) A puts his promise to give Rs. 1,000 to B into writing, and registers it. This is a contract.

(c.) A finds B's purse and gives it to him. B promises to give A Rs. 50. This is a contract.

(d.) A supports B's infant son. B promises to pay A's expenses in so doing. This is a contract.

(e.) A owes B Rs. 1,000, but the debt is barred by the Limitation Act. A verbally promises to pay B Rs. 500 on account of the debt. This is a contract.

26. Every agreement in restraint of the marriage of any person other than a minor, is void.

27. Every agreement by which any one is restrained from exercising a lawful profession, trade or business of any kind, is to that extent void.

*Exception 1.*—One who sells the good-will of a business may agree with the buyer to refrain from carrying on a similar

business within specified local limits so long as the buyer, or any person deriving title to the good-will from him, carries on a like business therein, provided that such limits appear to the Court reasonable, regard being had to the nature of the business.

*Exception 2.*—Partners may, upon or in anticipation of a dissolution of the partnership, agree that some or all of them will not carry on a business similar to that of the partnership, within such local limits as are referred to in the last exception.

*Exception 3.*—Partners may agree that some one or all of them will not carry on any business other than that of the partnership during the continuance of the partnership.

28. Every agreement by which any party thereto is restricted absolutely from enforcing his rights, under or in respect of any contract by the usual legal proceedings in the ordinary tribunals, or which limits the time within which he may thus enforce his rights, is void to that extent.

*Exception 1.*—This section shall not render illegal a contract by which two or more persons agree that any dispute that may arise between them in respect of any specified matters shall be



referred to arbitration, and that only the amount awarded in such arbitration shall be recoverable in respect of the matter so referred.

When such a contract to refer has been made, a suit may be brought for its specific performance, and if a suit other than for such specific performance, or for the recovery of the amount so awarded, is brought by one party to such contract against any other such party, in respect of any matter which they have so agreed to refer, the existence of such contract shall be a bar to the action.

*Exception 2.*—Nor shall this section render illegal any contract in writing by which two or more persons agree to refer to arbitration any question between them which has already arisen, or affect any provision of any law in force for the time being as to references to arbitration.

29. Agreements the meaning of which is not certain, or capable of being made certain, are void.

#### Illustrations.

(a.) A agrees to sell to B 'a hundred tons of oil.' There is nothing whatever to show what kind of oil was intended. The agreement is void for uncertainty.

(b.) A agrees to sell to B one hundred tons of oil of a specified description known as an article of commerce. There is no uncertainty here to make the agreement void.

(c.) A, who is a dealer in cocoanut-oil only, agrees to sell to B 'one hundred tons of oil.' The nature of A's trade affords an indication of the meaning of the words, and A has entered into a contract for the sale of one hundred tons of cocoanut-oil.

(d.) A agrees to sell to B "all the grain in my granary at Rammagar." There is no uncertainty here to make the agreement void.

(e.) A agrees to sell to B one thousand maunds of rice at a price to be fixed by C. As the subject of the agreement is capable of being made certain, there is no uncertainty here to make it void.

(f.) A agrees to sell B 'my white horse for rupees five hundred or rupees one thousand.' There is nothing to show which of the two prices was to be given. The agreement is void.

30. Agreements by way of wager are void, and no suit shall be brought for recovering anything alleged to be won on any wager or entrusted to any person to abide the result of any game or other uncertain event on which any wager is made.

## CHAPTER III.

### Of Contingent Contracts.

31. A contingent contract is a contract to do or not to do something, if some event, collateral to such contract, does or does not happen.

*Contingent contracts defined.*

*Illustration.*

A contracts to pay B Rs. 10,000 if B's house is burnt. This is a contingent contract.

32. Contingent contracts to do or not to do anything if an uncertain future event happens, cannot be enforced by law unless and until that event has happened.

If the event become impossible such contracts become void;

#### Illustrations.

(a.) A makes a contract with B to buy B's horse if A survives C. This contract cannot be enforced by law unless and until C dies in A's lifetime.

(b.) A makes a contract with B to sell a horse to B at a specified price, if C, to whom the horse has been offered, refuses to buy him. The contract cannot be enforced by law unless and until C refuses to buy the horse.

(c.) A contracts to pay B a sum of money when B marries C. C dies without being married to B. The contract becomes void.

33. Contingent contracts to do or not to do anything if an uncertain future event does not happen, can be enforced when the happening of that event becomes impossible, and not before.

#### Illustration.

A agrees to pay B a sum of money if a certain ship does not return. The ship is sunk. The contract can be enforced when the ship sinks.

34. If the future event on which a contract is contingent is the way in which a person will act at an unspecified time, the event shall be considered to become impossible when the person does anything which renders it impossible that he should do the thing within any definite time, or otherwise than under further contingencies.

(a.) A agrees to pay B a sum of money if B marries C. C marries D. The marriage of B to C must now be considered impossible, although it is possible that D may die, and that C may afterwards marry B.

35. Contingent contracts to do or not to do anything if a specified uncertain event happens within a fixed time, become void if, at the expiration of time fixed, the event has not happened, or if, before the time fixed, the event becomes impossible.

Contingent contracts to do or not to do anything, if a specified uncertain event does not happen within a fixed time, may be enforced by law when the time has expired and the event has not happened, or, before the time has expired, if it becomes certain that the event will not happen.

#### Illustrations.

(a.) A promises to pay B a sum of money if a certain ship returns within the year. The contract may be enforced if the ship returns within the year, and becomes void if the ship is burnt within the year.

(b.) A promises to pay B a sum of money if a certain ship does not return within a year. The contract may be enforced if the ship does not return within the year, or is burnt within the year.

36. Contingent agreements to do or not to do anything, if an impossible event happens, are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made.

#### Illustrations.

(a.) A agrees to pay B 1,000 rupees if two straight lines should enclose a space. The agreement is void.

(b.) A agrees to pay B 1,000 rupees if B will marry A's daughter C. C was dead at the time of the agreement. The agreement is void.



## CHAPTER IV.

## OF THE PERFORMANCE OF CONTRACTS.

## CONTRACTS WHICH MUST BE PERFORMED.

37. The parties to a contract must either perform, or offer to perform,

What contracts must be performed. their respective promises, or make compensation to the promisees for the non-performance of them, unless such performance is dispensed with or excused under the provisions of this Act, or of any other law.

Promises bind the representatives of the promisors in case of their death before performance, unless a contrary intention appears from the contract.

*Illustrations.*

(a.) A promises to deliver goods to B on a certain day on payment of Rs. 1,000. A dies before that day. A's representatives are bound to deliver the goods to B, and B is bound to pay the Rs. 1,000 to A's representatives.

(b.) A promises to paint a picture for B by a certain day at a certain price. A dies before the day. The contract cannot be enforced either by A's representatives or by B.

38. Where a promisor has made an offer of performance to the promisee and the offer has not been accepted, the promisor is not responsible for non-performance, nor does he thereby lose his rights under the contract.

Effect of refusal to accept offer of performance.

promisor is not responsible for non-performance, nor does he thereby lose his rights under the contract.

Every such offer must fulfil the following conditions:—

1. It must be unconditional.

2. It must be made at a proper time and place, and under such circumstances that the person to whom it is made may have a reasonable opportunity of ascertaining that the person by whom it is made is able and willing there and then to do the whole of what he is bound to do by his promise.

3. If the offer is an offer to deliver anything to the promisee, the promisee must have a reasonable opportunity of seeing that the thing offered is the thing which the promisor is bound by his promise to offer.

An offer to one of several joint promisees has the same legal consequences as an offer to all of them.

*Illustrations.*

A contracts to deliver to B at his warehouse on the 1st March 1872, 100 bales of cotton of a particular quality. In order to make an offer of performance with the effect stated in this section, A must bring the cotton to B's warehouse under such circumstances that B may have a reasonable opportunity of satisfying himself that the thing offered is cotton of the quality contracted for, and that there are 100 bales.

39. When a party to a contract has refused to perform, or disabled himself from performing, his promise in its entirety, the promisee may put an end to the contract, unless he has signified, by words or conduct, his acquiescence in its continuance.

Power to terminate contract on refusal of party to perform it wholly.

promisee may put an end to the contract, unless he has signified, by words or conduct, his acquiescence in its continuance.

*Illustrations.*

(a.) A, a singer, enters into an engagement with B, the manager of a theatre, to sing at his theatre two nights in every week during the next two months, and B engages to pay her 100 rupees for each night's performance. On the sixth night the singer wilfully absents herself from the theatre. B is at liberty to put an end to the contract.

(b.) A, a singer, enters into an engagement with B, the manager of a theatre, to sing at his theatre two nights in every week during the next two months, and B engages to pay her at the rate of 100 rupees for each night. On the sixth night the singer wilfully absents herself. With the assent of B she sings on the seventh night. B has signified his acquiescence in the continuance of the contract and cannot now put an end to it, but is entitled to compensation for the damage sustained by him through A's failure to sing on the sixth night.

## BY WHOM CONTRACTS MUST BE PERFORMED.

40. If it appears from the nature of the case that it was the intention of the parties to any contract that any promise contained in it should be performed by the promisor himself, such promise must be performed by the promisor. In other cases, the promisor or his representatives may employ a competent person to perform it.

Person by whom promise is to be performed.

(a.) A promises to pay B a sum of money. He may perform this promise, either by personally paying the money to B, or by causing it to be paid to B by another; and, if A dies before the time appointed for payment, his representatives must perform the promise, or employ some proper person to do so.

(b.) A promises to paint a picture for B. A must perform this promise personally.

41. When a promisee accepts performance of the promise from a third person, he cannot afterwards enforce it against the promisor.

Effect of accepting performance from a third person.

42. When two or more persons have made a joint promise, then, unless a contrary intention appears by the contract, all such persons during their joint lives, and, after the death of any of them, his representative jointly with the survivor or survivors, and, after the death of the last survivor, the representatives of all jointly, must fulfil the promise.

Devolution of joint liabilities.

43. When two or more persons make a joint promise, the promisee may, in the absence of express agreement to the contrary, compel any one of the promisors to perform the whole of the promise.

Any one of joint promisors may be compelled to perform.

Each of two or more joint promisors may compel every other joint promisor to contribute equally with himself to the performance of the promise unless a contrary intention appears from the contract.

If any one of two or more joint promisors makes default in such contribution, the remaining promisors must bear the loss arising from such default in equal shares.

Sharing of loss by default.

*Explanation.*—Nothing in this section contained shall prevent a surety from recovering from his principal payments made by the surety on behalf of the principal, or entitle the principal to recover any thing from the surety on account of such payments.

*Illustrations.*

(a.) A, B, and C jointly promise to pay D 3,000 rupees. D may compel either A or B or C to pay him 3,000 rupees.

(b.) A, B, and C jointly promise to pay D the sum of 3,000 rupees. C is compelled to pay the whole. A is insolvent, but his assets are sufficient to pay one-half of his debts. C is entitled to receive 500 rupees from A's estate, and 1,250 rupees from B.



(c.) A, B, and C are under a joint promise to pay D 3,000 rupees, C is unable to pay anything, and A is compelled to pay the whole. A is entitled to receive 1,500 rupees from B.

(d.) A, B, and C are under a joint promise to pay D 3,000 rupees. A and B being only sureties for C, C fails to pay. A and B are compelled to pay the whole sum. They are entitled to recover it from C.

44. Where two or more persons have made a joint promise, a release of one of such joint promisors by the promisee does not discharge the other joint promisor or joint promisors; neither does it free such joint promisor from responsibility to the other joint promisor or joint promisors.

45. When a person has made a promise to two or more persons jointly, then, unless a contrary intention appears by the contract, the right to claim performance rests, as between him and them, with them during their joint lives, and, after the death of any of them, with the representative of such deceased person jointly with the survivor or survivors, and, after the death of the last survivor, with the representatives of all jointly.

#### Illustration.

A, in consideration of 5,000 rupees lent to him by B and C, promises B and C jointly to repay them that sum with interest on a day specified. B dies. The right to claim performance rests with B's representative jointly with C during C's life, and, after the death of C, with the representatives of B and C jointly.

#### TIME AND PLACE FOR PERFORMANCE.

46. Where by the contract, a promisor is to perform his promise without application by the promisee, and no time for performance is specified, the engagement must be performed within a reasonable time.

*Explanation.*—The question 'what is a reasonable time' is in each particular case, a question of fact.

47. When a promise is to be performed on a certain day and the promisor has undertaken to perform it without application, he may perform it at any time during the usual hours of business on such day and at the place at which the promise ought to be performed.

#### Illustration.

A promises to deliver goods at B's warehouse on the 1st January. On that day A brings the goods to B's warehouse but after the usual hour for closing it; and they are not received. A has not performed his promise.

48. When a promise is to be performed on a certain day, and the promisor has not undertaken to perform it without application, it is the duty of the promisee to apply for performance at a proper place and within the usual hours of business.

*Explanation.*—The question 'What is a proper time and place' is, in each particular case, a question of fact.

49. When a promise is to be performed without application, and no place is fixed for the performance of it, it is the duty of the promisor to apply to the promisee to appoint a reasonable place for the performance of the promise, and to perform it at such place.

#### Illustration.

A undertakes to deliver a thousand maunds of jute to B on a fixed day. A must apply to B to appoint a reasonable place for the purpose of receiving it, and must deliver it to him at such place.

Performance in manner or at time prescribed or sanctioned by person entitled to claim it.

50. The performance of any promise may be made in any manner, or at any time which the promisee prescribes or sanctions.

#### Illustrations.

(a.) B owes A 2,000 rupees. A desires B to pay the amount to A's account with C, a banker. B, who also banks with C, orders the amount to be transferred from his account to A's credit, and this is done by C. Afterwards, and before A knows of the transfer, C fails. This is a good payment by B.

(b.) A and B are mutually indebted. A and B settle an account by setting off one item against another, and B pays A the balance found to be due from him upon such settlement. This amounts to a payment by A and B respectively of the sums which they owed to each other.

(c.) A owes B 2,000 rupees. B accepts some of A's good in reduction of the debt. The delivery of the goods operate as a part payment.

(d.) A desires B, who owes him Rs. 100, to send him a note for Rs. 100 by post. The debt is discharged as soon as B puts into the post a letter containing the note duly addressed to A.

#### ORDER OF PERFORMANCE OF RECIPROCAL PROMISES TO BE SIMULTANEOUSLY PERFORMED.

51. When a contract consists of reciprocal promises to be simultaneously performed, no promisor need perform his promise unless the promisee is ready and willing to perform his reciprocal promise.

#### Illustrations.

(a.) A and B contract that A shall deliver goods to B to be paid for by B on delivery.

A need not deliver the goods, unless B is ready and willing to pay for the goods on delivery.

B need not pay for the goods, unless A is ready and willing to deliver them on payment.

(d.) A and B contract that A shall deliver goods to B at a price to be paid by instalments, the first instalment to be paid on delivery.

A need not deliver, unless B is ready and willing to pay the first instalment on delivery.

B need not pay the first instalment, unless A is ready and willing to deliver the goods on payment of the first instalment.

52. Where the order in which reciprocal promises are to be performed is expressly fixed by the contract, they shall be performed in that order; and where the order is not expressly fixed by the contract, they shall be performed in that order which the nature of the transaction requires.

#### Illustrations.

(a.) A and B contract that A shall build a house for B at a fixed price. A's promise to build the house must be performed before B's promise to pay it.



(b.) A and B contract that A shall make over his stock-in-trade to B at a fixed price, and B promises to give security for the payment of the money. A's promise need not be performed until the security is given, for the nature of the transaction requires that A should have security before he delivers up his stock.

53. When a contract contains reciprocal promises, and one party to the contract prevents the other from performing his promise, the contract becomes voidable at the option of the party so prevented, and he is entitled to compensation from the other party for any loss which he may have sustained in consequence of the non-performance of the contract.

#### Illustration.

A and B contract that B shall execute certain work for A for a thousand rupees. B is ready and willing to execute the work accordingly, but A prevents him from doing so. The contract is voidable at the option of B, and, if he elects to rescind it, he is entitled to recover from A compensation for any loss which he has incurred by its non-performance.

54. When a contract consists of reciprocal promises, such that one of them cannot be performed, or that its performance cannot be claimed, till the other has been performed, and the promisor of the promise last mentioned fails to perform it, such promisor cannot claim the performance of the reciprocal promise, and must make compensation to the other party to the contract for any loss which such other party may have sustained by the non-performance of the contract.

#### Illustrations.

(a.) A hires B's ship to take in and convey from Calcutta to the Mauritius a cargo to be provided by A, B receiving a certain freight for its conveyance. A does not provide any cargo for the ship. A cannot claim the performance of B's promise and must make compensation to B for his failure.

(b.) A contracts with B to execute certain builders' work for a fixed price, B supplying the scaffolding and timber necessary for the work. B refuses to furnish any scaffolding or timber, and the work cannot be executed. A need not execute the work, and B is bound to make compensation to A for any loss caused to him by the non-execution of the contract.

(c.) A contracts with B to deliver to him at a specified price certain merchandise on board a ship, which cannot arrive for a month, and B engages to pay for the merchandise within a week from the date of the contract. B does not pay within the week. A's promise to deliver need not be performed and B must make compensation.

(d.) A promises B to sell him one hundred bales of merchandise, to be delivered next day, and B promises A to pay for them within a month. A does not deliver according to his promise. B's promise to pay need not be performed, and A must make compensation.

55. When any party to a contract promises to do a certain thing at or before a specified time or certain things at or before specified times, and fails to do them at those times, the contract, or so much of it as has not been performed, becomes voidable, at the option of the promisee, if the intention of the parties was that time should be of the essence of the contract.

If it was not the intention of the parties that time should be of the essence of the contract, the contract does not become voidable by the failure to perform at the time agreed, but the promisee is entitled to compensation from the promisor for any loss he may have incurred by such failure.

Effect as to time in contract to do certain things at certain times.

If, in case of a contract voidable on account of the promisor's failure to perform his promise at the time agreed, the promisee accepts performance of such promise at any time other than that agreed, the promisee cannot claim compensation for any loss occasioned by its non-performance at the proper time, unless, at the time of such acceptance, he gives notice of his intention to do so to the promisee.

56. An agreement to do an act impossible in itself is void.

Promise to do an impossible act or one which afterwards becomes illegal. A contract to do an act which, after the contract is made, becomes impossible, or, by reason of some event which the promisor could not prevent, unlawful becomes void when the act becomes impossible or unlawful.

Where one person contracts to do something which he knows, or with reasonable diligence might have known, and which the other party to the contract did not know, to be impossible, or unlawful, the person so contracting is bound to make compensation to such other party for any loss which he has sustained by the non-performance of the promise.

#### Illustrations.

(a.) A agrees with B to discover treasure by magic. The agreement is void.

(b.) A and B contract to marry each other. Before the time fixed for the marriage, A goes mad. The contract becomes void.

(c.) A contracts to marry B, being already married to C, and being forbidden by the law to which he is subject to practise polygamy, A must make compensation to B for the loss caused to her by the non-performance of his promise.

(d.) A contracts to take in cargo for B at a foreign port. The Government afterwards declares war against the country in which the port is situated. The contract becomes void when war is declared.

(e.) A contracts to act at a theatre for six months in consideration of a sum paid in advance by B. On several occasions B is too ill to act. The contract to act on those occasions becomes void.

57. If persons reciprocally promise to act in a certain way, and, under specified circumstances, to act in a certain other way, and, if any of the promises to be substituted under those circumstances for the first set of promises are for an unlawful object or consideration, the set of promises to be substituted are a void agreement; but the set of promises for which they are to be substituted may be a contract.

#### Illustrations.

A and B agree that A shall sell B a house for 10,000 rupees, but that, if B uses it as a gambling house, he shall pay A 50,000 rupees for it.

The first set of reciprocal promises, namely, to sell the house and to pay 10,000 rupees for it, form a valid contract.

The second set are for an unlawful object, namely, that B may use the house as a gambling house, are a void agreement.

58. In the case of an alternative promise one of which is in the alternative, one branch of the alternative being unlawful and the other illegal, the legal branch alone can be enforced.

#### Illustration.

A and B agree that A shall pay B 1,000 rupees for which B shall afterwards deliver to A either rice or smuggled opium.

This is a valid contract to deliver rice, and a void agreement as to the opium.



## APPROPRIATION OF PAYMENTS.

59. Where a man, owing several distinct debts

Where there are several distinct debts and the debt to which payment is to be applied is indicated.

to one person, makes a payment to him, either with express intimation, or under circumstances implying, that the payment is to be applied to the discharge of some particular debt, the payment, if accepted, must be applied accordingly.

*Illustrations.*

(a.) A owes B (among other debts) 1,000 rupees upon a promissory note, which falls due on the 1st June. He owes B no other debt of that amount. On the 1st June A pays to B 1,000 rupees. The payment is to be applied to the discharge of the promissory note.

(b.) A owes to B (among other debts) the sum of 567 rupees. B writes to A and demands payment of this sum. A sends to B 567 rupees. This payment is to be applied to the discharge of the debt of which B had demanded payment.

60. Where the debtor has omitted to intimate,

Where there are several distinct debts and the debt to which payment is to be applied is not indicated.

and there are no other circumstances indicating, to which debt the payment is to be applied, the creditor may apply it at his discretion to any lawful debt actually due and payable to him from the payer, whether its recovery is or is not barred by the law in force for the time being relating to the limitation of suits.

61. Where neither party makes any appropriation,

Where neither party makes any appropriation.

the payment shall be applied in discharge of the debts in order of time, whether they are or are not recoverable under the law relating to the limitation of suits. If they are of equal standing, the payment shall be applied in discharge of each proportionably.

## CONTRACTS WHICH NEED NOT BE PERFORMED.

62. If the parties to a contract agree to substitute a new contract for

Contracts may be rescinded or altered.

it, or to rescind or alter it, the original contract need not be performed.

*Illustrations.*

(a.) A owes money to B under a contract. It is agreed between A, B and C that B shall thenceforth accept C as his debtor instead of A. The old debt of A to B is at an end, and a new debt from C to B has been contracted.

(b.) A owes B 10,000 rupees. A enters into an arrangement with B, and gives him a mortgage of A's estate for 5,000 rupees in place of the debt of 10,000 rupees. This is a new contract and extinguishes the old.

(c.) A owes B 1,000 rupees under a contract. B owes C 1,000 rupees. B orders A to credit C with 1,000 rupees in his books, but C does not assent to the arrangement. B still owes C 1,000 rupees, and no new contract has been entered into.

63. Every promisee may dispense with, or

Dispensation with, or remittance of, or acceptance of satisfaction in lieu of performance.

remit wholly or in part, the performance of the promise made to him, or may extend the time for it, or may accept instead of it any satisfaction which he thinks fit.

*Illustrations.*

(a.) A promises to paint a picture for B. B afterwards forbids him to do so. A is no longer bound to perform the promise.

(b.) A owes B 5,000 rupees. A pays to B, and B accepts in satisfaction of the whole debt 2,000 rupees paid at the time and place at which the 5,000 rupees were payable. The whole debt is discharged.

(c.) A owes B 5,000 rupees. C pays to B 1,000 rupees, and B accepts them, in satisfaction of his claim on A. This payment is a discharge of the whole claim.

(d.) A owes B, under a contract, a sum of money, the amount of which has not been ascertained. A without ascertaining the amount, gives to B, and B, in satisfaction thereof, accepts, the sum of 2,000 rupees. This is a discharge of the whole debt, whatever may be its amount.

(e.) A owes B 2,000 rupees, and is also indebted to other creditors. A makes an arrangement with his creditors, including B, to pay them a compensation of eight annas in the rupee upon their respective demands. Payment to B of 1,000 rupees is a discharge of B's demand.

64. When a person, at whose option a contract

is voidable, rescinds it, the other party thereto need not perform any promise therein contained in which he is promisor.

The party rescinding a voidable contract shall, if he have received any benefit thereunder from another party to such contract, restore such benefit, so far as may be, to the person from whom it was received.

65. When an agreement is discovered to be

void, or when a contract becomes void, any person who has received any advantage under such agreement or contract is bound

to restore it or to make compensation for it to the person from whom he received it.

*Illustrations.*

(a.) A pays B 1,000 rupees in consideration of A's promising to marry C, A's daughter. C is dead at the time of the promise. The agreement is void, but B must repay A the 1,000 rupees.

(b.) A contracts with B to deliver to him 250 maunds of rice before the 1st of May. A delivers 130 maunds only before that day, and none after. B retains the 130 maunds after the 1st of May. He is bound to pay A for them.

(c.) A, a singer, contracts with B the manager of a theatre, to sing at his theatre for two nights in every week during the next two months, and B engages to pay her 100 rupees for each night's performance. On the sixth night, A wilfully absents herself from the theatre, and B, in consequence, rescinds the contract. B must pay A for the five nights on which she had sung.

(d.) A contracts to sing for B at a concert for 1,000 rupees, which are paid in advance. A is too ill to sing. A is not bound to make compensation to B for the loss of the profits which he would have made if A had been able to sing, but must refund the 1,000 rupees paid in advance.

66. The rescission of a voidable contract may

be communicated or revoked in the same manner, and subject to the same rules, as apply to the communication or revocation of a proposal.

67. If any promisee neglects or refuses to

afford the promisor reasonable facilities for the performance of his promise, the promisor is excused by such neglect or refusal as to any non-performance caused thereby.

*Illustration.*

A contracts with B to repair B's house.

B neglects or refuses to point out to A the places in which his house requires repair.

B is excused for the non-performance of the contract, if it is caused by such neglect or refusal.



## CHAPTER V.

OF CERTAIN OBLIGATIONS RESEMBLING THOSE  
CREATED BY CONTRACT.

68. If a person incapable of entering into a contract, or any one whom he is legally bound to support, is supplied by another person with necessaries suited to his condition in life, the person who has furnished such supplies is entitled to be reimbursed from the property of such incapable person.

Supply of necessaries to persons incapable of contracting.

*Illustrations.*

(a.) A supplies B, a minor, with necessaries suitable to his condition in life. A is entitled to be reimbursed from B's property.

(b.) A supplies the wife and children of B, a lunatic with necessaries suitable to their condition in life. A is entitled to be reimbursed from B's property.

69. A person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other.

Reimbursement of person paying what another is bound to pay.

*Illustration.*

B holds land in Bengal on a lease granted by A, the zemindar. The revenue payable by A to the Government being in arrear, his land is advertised for sale by the Government. Under the revenue law, the consequence of such sale will be the annulment of B's lease. B, to prevent the sale and the consequent annulment of his own lease, pays to the Government the sum due from A. A is bound to make good to B the amount so paid.

70. Where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously, and the other enjoys the benefit thereof, the latter is bound to restore, or to make compensation to the former in respect of the thing so done or delivered.

Effect of non-gratuitous act of which a person enjoys the benefit.

*Illustrations.*

(a.) A, a tradesman, leaves goods at B's house by mistake. B treats the goods as his own. He is bound to pay A for them.

(b.) A saves B's property from fire. A is not entitled to compensation from B, if the circumstances show that he intended to act gratuitously.

71. A person who finds goods belonging to another, and takes them into his custody, is subject to the same responsibility as a bailee.

Responsibility of finder of goods.

72. A person to whom money has been paid by mistake, or under coercion must repay it.

Liability of person to whom money is paid by mistake or coercion.

*Illustrations.*

(a.) A and B jointly owe 100 rupees to C. A alone pays the amount to C, and B not knowing this fact, pays 100 rupees over again to C. C is bound to repay the amount to B.

(b.) A railway company refuses to deliver up certain goods to the consignee, except upon the payment of an illegal charge for carriage. The consignee pays the sum charged in order to obtain the goods. He is entitled to recover so much of the charge as was illegally excessive.

## CHAPTER VI.

## OF THE CONSEQUENCES OF THE BREACH OF CONTRACT AND NON-PERFORMANCE OF OBLIGATIONS.

73. A person who rightfully rescinds a contract, is entitled to compensation for any damage which he has sustained through the non-fulfilment of the contract.

*Illustration.*

(a.) A, a singer, contracts with B, the manager of a theatre to sing at his theatre for two nights in every week during the next two months, and B engages to pay her 100 rupees for each night's performance. On the sixth night, A wilfully absents herself from the theatre, and B, in consequence, rescinds the contract. B is entitled to claim compensation for the damage which he has sustained through the non-fulfilment of the contract.

74. When a contract has been broken, and has not been discharged, the party who suffers by such breach is entitled to receive from the party who has broken the contract, compensation for any loss or damage caused to him thereby which naturally arose in the usual course of things from such breach, or which the parties knew, when they made the contract, to be likely to result from the breach of it.

Such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

When an obligation resembling those created by contract has been incurred and has not been discharged, any person injured by the failure to discharge it, is entitled to receive the same compensation from the party in default as if he had contracted to discharge it and had broken his contract.

*Explanation.*—In estimating the loss, the means which existed of remedying the inconvenience caused by the non-performance of the contract must be taken into account.

*Illustrations.*

(a.) A contracts to sell and deliver 50 maunds of saltpetre to B at a certain price, to be paid on delivery. A breaks his promise. B is entitled to receive from A, by way of compensation, the sum, if any, by which the contract price falls short of the price for which B might have obtained 50 maunds of saltpetre of like quality at the time when the saltpetre ought to have been delivered.

(b.) A hires B's ship to go to Bombay and there take on board, on the 1st of January, a cargo (which A is to provide) and to bring it to Calcutta, the freight to be paid when earned. B's ship does not go to Bombay, but A has opportunities of procuring suitable conveyance for the cargo upon terms as advantageous as those on which he had chartered the ship. A avails himself of those opportunities, but is put to trouble and expense in doing so. A is entitled to receive compensation from B in respect of such trouble and expense.

(c.) A contracts to buy of B, at a stated price, 50 maunds of rice, no time being fixed for delivery. A afterwards informs B that he will not accept the rice if tendered to him. B is entitled to receive from A, by way of compensation, the amount, if any, by which the contract price exceeds that which B can obtain for the rice at the time when A informs B that he will not accept it.

(d.) A contracts to buy B's ship for 60,000 rupees, but breaks his promise. A must pay to B, by way of compensation, the excess, if any, of the contract price over the price which B can obtain for the ship at the time of the breach of promise.

(e.) A, in November, contracts to buy of B, at a stated price, 100 bales of jute, to be delivered on the 1st of January. On the 15th of December, A gives notice to B that he will not accept the jute. On the 1st January, the jute is tender-



ed to A, who refuses to accept it. A must pay to B, by way of compensation, the excess, if any, of the contract price over the sum which B could obtain for the jute on the 1st of January.

(f.) A, the owner of a boat, contracts with B to take a cargo of jute to Mirzapur, for sale at that place, starting on a specified day. The boat, owing to some unavoidable cause, does not start at the time appointed, whereby the arrival of the cargo at Mirzapur is delayed beyond the time when it would have arrived if the boat had sailed according to the contract. After that date, and before the arrival of the cargo, the price of jute falls. The measure of the compensation payable to B by A is the difference between the price which B could have obtained for the cargo at Mirzapur at the time when it would have arrived if forwarded in due course and its market price at the time when it actually arrived.

(g.) A contracts to repair B's house in a certain manner, and receives payment in advance. A repairs the house, but not according to contract. B is entitled to recover from A the cost of making the repairs conform to the contract.

(h.) A contracts to let his ship to B for a year, from the 1st of January, for a certain price. Freight rises, and, on the 1st of January, the hire obtainable for the ship is higher than the contract price. A breaks his promise. He must pay to B, by way of compensation, a sum equal to the difference between the contract price and the price for which B could hire a similar ship for a year on and from the 1st of January.

(i.) A contracts to supply B with a certain quantity of iron at a fixed price, being a higher price than that for which A could procure and deliver the iron. B wrongfully refuses to receive the iron. B must pay to A, by way of compensation, the difference between the contract price of the iron and the sum for which A could have obtained and delivered it.

(j.) A delivers to B, a common carrier, a machine, to be conveyed, without delay, to A's mill, informing B that his mill is stopped for want of the machine. B unreasonably delays the delivery of the machine, and A, in consequence, loses a profitable contract with the Government. A is entitled to receive from B, by way of compensation, the average amount of profit which would have been made by the working of the mill during the time that delivery of it was delayed, but not the loss sustained by not obtaining the Government contract.

(k.) A having contracted with B to supply B with 1,000 tons of iron at 100 rupees a ton, to be delivered at a stated time, contracts with C for the purchase of 1,000 tons of iron at 80 rupees a ton, telling C that he does so for the purpose of performing his contract with B. C fails to perform his contract with A, who cannot procure other iron, and, in consequence, fails to perform his contract with B. C must pay to A 20,000 rupees, being the profit which A would have made by the performance of his contract with B.

(l.) A contracts with B to make and deliver to B, by a fixed day, for a specified price, a certain piece of machinery. A does not deliver the piece of machinery at the time specified, and, in consequence of this, B is obliged to procure another at a higher price than that which he was to have paid to A, and is prevented from performing a contract which B had made with a third person at the time of his contract with A (but which had not been then communicated to A, and was compelled to make compensation for breach of that contract. A must pay to B, by way of compensation, the difference between the contract price of the piece of machinery and the sum paid by B for another, but not the sum paid by B to the third person by way of compensation.

(m.) A, a builder, contracts to erect and finish a house by the 1st of January, in order that B may give possession of it at that time to C, to whom B has contracted to let it. A is informed of the contract between B and C. A builds the house so badly that, before the 1st of January, it falls down and has to be rebuilt by B, who, in consequence, loses the rent which he was to have received from C, and is obliged to make compensation to C for the breach of his contract. A must make compensation to B for the cost of re-building the house, for the rent lost, and for the compensation made.

(n.) A sells certain merchandise to B, warranting it to be of a particular quality, and B, in reliance upon this warranty, sells it to C with a similar warranty. The goods prove to be not according to the warranty, and B becomes liable to pay C a sum of money by way of compensation. B is entitled to be reimbursed this sum by A.

(o.) A contracts to pay a sum of money to B on a day specified. A does not pay the money on that day. B, in consequence of not receiving the money on that day, is

unable to pay his debts, and is totally ruined. A is not liable to make good to B anything except the principal sum he contracted to pay, together with interest up to the day of payment.

(p.) A contracts to deliver 50 maunds of saltpetre to B on the 1st of January, at a certain price. B afterwards, before the 1st of January, contracts to sell the saltpetre to C at a price higher than the market price of the 1st of January. A breaks his promise. In estimating the compensation payable by A to B, the market price of the 1st of January, and not the profit which would have arisen to B from the sale to C, is to be taken into account.

(q.) A contracts to sell and deliver 500 bales of cotton to B on a fixed day. A knows nothing of B's mode of conducting his business. A breaks his promise, and B, having no cotton, is obliged to close his mill. A is not responsible to B for the loss caused to B by the closing of the mill.

(r.) A contracts to sell and deliver to B, on the 1st of January, certain cloth which B intends to manufacture into caps of a particular kind, for which there is no demand, except at that season. The cloth is not delivered till long after the appointed time, and too late to be used that year in making caps. A is entitled to receive from B, by way of compensation, the difference between the contract price of the cloth and its market price at the time of delivery, but not the profits which he expected to obtain by making caps, nor the expenses which he has been put to in making preparation for the manufacture.

(s.) A, a ship-owner, contracts with B to convey him from Calcutta to Sydney in A's ship, sailing on the 1st of January, and B pays to A, by way of deposit, one-half of his passage-money. The ship does not sail on the 1st of January, and B, after being, in consequence, detained in Calcutta for some time, and thereby put to some expense, proceeds to Sydney in another vessel, and, in consequence, arriving too late in Sydney, loses a sum of money. A is liable to repay to B his deposit, with interest, and the expense to which he is put by his detention in Calcutta, and the excess, if any, of the passage-money paid for the second ship over that agreed upon for the first, but not the sum of money which B lost by arriving in Sydney too late.

75. When a contract has been broken, if a sum

Title to compensation for breach of contract in which a sum is named as payable in case of breach.

is named in the contract as the amount to be paid in case of such breach, the party complaining of the breach is entitled, whether or not actual damage or loss is proved to have been caused thereby, to receive from the party who has broken the contract reasonable compensation not exceeding the amount so named.

*Explanation.*—Where, under provisions of any law, any person enters into any bond to perform any condition under a specified penalty, he is liable to pay the full amount of such penalty if he does not perform the condition of the bond.

#### Illustrations.

(a.) A contracts with B to pay B Rs. 1,000 if he fails to pay B Rs. 500 on a given day. A fails to pay B Rs. 500 on that day. B is entitled to recover from A such compensation not exceeding Rs. 1,000 as the Court considers reasonable.

(b.) A contracts with B that if A practises as a surgeon within Calcutta he will pay B Rs. 5,000. A practises as a surgeon in Calcutta. B is entitled to such compensation not exceeding Rs. 5,000 as the Court considers reasonable.

(c.) A gives a recognizance binding him in a penalty of Rs. 500 to appear in Court on a certain day. He forfeits his recognizance. He is liable to pay the whole penalty.

## CHAPTER VII.

### SALE OF GOODS.

#### WHEN PROPERTY IN GOODS SOLD PASSES.

76. In this chapter, the word 'goods' means and includes every kind of moveable property.

'Goods' defined.



77. Sale is the exchange of property for a price. It involves the transfer of the ownership of the thing sold from the seller to the buyer.

78. Sale is effected by offer and acceptance of ascertained goods for a price,  
Sale how effected.

or of a price for ascertained goods, together with payment of the price or delivery of the goods, or with tender, part payment, earnest, or part delivery, or with an agreement, express or implied, that the payment, or delivery, or both, shall be postponed.

Where there is a contract for the sale of ascertained goods, the property in the goods sold passes to the buyer when the whole or part of the price or when the earnest is paid, or when the whole or part of the goods are delivered.

If the parties agree expressly, or by implication, that the payment or delivery, or both, shall be postponed, the property passes as soon as the proposal for sale is accepted.

#### Illustrations.

(a.) B offers to buy A's horse for 500 rupees. A accepts B's offer, and delivers the horse to B. The horse becomes B's property on delivery.

(b.) A sends goods to B, with the request that he will buy them at a stated price if he approves of them, or return them if he does not approve of them. B retains the goods, and informs A that he approves of them. The goods become B's when B retains them.

(c.) B offers A, for his horse, 1,000 rupees, the horse to be delivered to A on a stated day, and the price to be paid on another stated day. A accepts the offer. The horse becomes B's as soon as the proposal is accepted.

(d.) B offers A, for his horse, 1,000 rupees, on a month's credit. A accepts the offer. The horse becomes B's as soon as the offer is accepted.

(e.) B, on the 1st January, offers to A, for a quantity of rice, 2,000 rupees, to be paid on the 1st March following, the rice not to be taken away till paid for. A accepts the offer. The rice becomes B's as soon as the offer is accepted.

79. Where there is a contract for the sale of a thing which has yet to be ascertained, made, or finished, the ownership of the thing is not transferred to the buyer until it is ascertained, made, or finished.

#### Illustration.

B orders A, a barge-builder, to make him a barge. The price is not made payable by instalments. While the barge is building, B pays to A money from time to time on account of the price. The ownership of the barge does not pass to B until it is finished.

80. Where, by a contract for the sale of goods, the seller is to do anything to them for the purpose of putting them into a state in which the buyer is to take them, the sale is not complete until such thing has been done.

Sale of goods which the seller is to put into state in which buyer is to take them.

#### Illustrations.

(a.) A, a ship-builder, contracts to sell to B, for a stated price, a vessel which is lying in A's yard; the vessel to be rigged and fitted for a voyage, and the price to be paid on delivery. Under the contract, the property in the vessel does not pass to B until the vessel has been rigged, fitted up, and delivered.

(b.) A contracts to build a ship for B for a price, payable by instalments, dependent on the progress of the building of the ship, and the ship is to be built under B's superin-

tendence. The ownership of the materials incorporated with the ship passes to B at the time of incorporation, as this was intended by the parties, but the materials lying in A's yard, though suited and intended for the ship, do not pass to B until they are actually incorporated with the ship.

81. Where anything remains to be done to the goods by the seller for the purpose of ascertaining the amount of the price, the sale is not complete until this has been done.

Sale of goods when seller has to do anything thereto in order to ascertain price.

#### Illustrations.

(a.) A, owner of a stack of bark, contracts to sell it to B, weigh and deliver it at 100 rupees per ton. B agrees to take and pay for it on a certain day. Part is weighed and delivered to B; the ownership of the residue is not transferred to B until it has been weighed pursuant to the contract.

(b.) A contracts to sell a heap of clay to B at a certain price per ton. B is, by the contract, to load the clay in his own carts, and to weigh each load at a certain weighing machine which his carts must pass over on their way from A's ground to B's place of deposit. Here, nothing more remains to be done by the seller; the sale is complete, and the ownership of the heap of clay is transferred at once.

82. Where the goods are not ascertained at the time of making the contract of sale, it is necessary to the completion of the sale that the goods shall be ascertained.

Sale when goods are unascertained at date of agreement.

#### Illustration.

A agrees to sell to B, 20 tons of oil in A's cisterns. A's cisterns contain more than 20 tons of oil. No portion of the oil has become the property of B.

83. Where the goods are not ascertained at the time of making the agreement for sale, but goods answering the description in the agreement are subsequently appropriated by one party for the purpose of the agreement, and that appropriation is assented to by the other, the goods have been ascertained, and the sale complete.

Ascertainment of goods by subsequent appropriation.

#### Illustration.

A, having a quantity of sugar in bulk, more than sufficient to fill 20 hogsheads, contracts to sell B 20 hogsheads of it. After the contract, A fills 20 hogsheads with the sugar, and gives notice to B that the hogsheads are ready, and requires him to take them away. B says he will take them as soon as he can. By this appropriation by A and assent by B, the sugar becomes the property of B.

84. Where the goods are not ascertained at the time of making the contract of sale, and by the terms of the contract the seller is to do an act with reference to the goods which cannot be done until they are appropriated to the buyer, the seller has a right to select any goods answering to the contract, and by his doing so, the goods are ascertained:

Ascertainment of goods by seller's selection.

#### Illustration.

B agrees with A to purchase of him, at a stated price, to be paid on a fixed day, 50 maunds of rice out of a larger quantity in A's granary. It is agreed that B shall send sacks for the rice, and that A shall put the rice into them. B does so, and A puts 50 maunds of rice into the sacks. The goods have been ascertained.

85. Where an agreement is made for the sale of immoveable and moveable property combined, the ownership of the moveable property does not pass before the transfer of the immoveable property.

Agreement for sale of immoveable and moveable property combined.



*Illustration.*

A agrees with B for the sale of a house and furniture. The ownership of the furniture does not pass to B until the house is conveyed to B.

86. When goods have become the property of the buyer, he must bear any loss arising from their destruction or injury.
- Buyer's risk.

*Illustrations.*

(a.) B offers, and A accepts, 100 rupees for a stack of fire-wood standing on A's premises, the fire-wood to be allowed to remain on A's premises till a certain day, and not to be taken away till paid for. Before payment, and while the fire-wood is on A's premises, it is accidentally destroyed by fire. B must bear the loss.

(b.) A bids 1,000 rupees for a picture at a sale by auction. After the bid, it is injured by an accident. If the accident happens before the hammer falls, the loss falls on the seller; if afterwards, on A.

87. When there is a contract for the sale of goods not yet in existence, the ownership of the goods may be transferred by acts done after the goods are produced, in pursuance of the contract, by the seller, or by the buyer with the seller's assent.
- Transfer of ownership of goods agreed to be sold while non-existent.

*Illustrations.*

(a.) A contracts to sell to B, for a stated price, all the indigo which shall be produced at A's factory during the ensuing year. A, when the indigo has been manufactured, gives B an acknowledgment that he holds the indigo at his disposal. The ownership of the indigo vests in B from the date of the acknowledgment.

(b.) A, for a stated price, contracts that B may take and sell any crops that shall be grown on his land in succession to the crops then standing. Under this contract, B, with the assent of A, takes possession of some crops grown in succession to the crops standing at the time of the contract. The ownership of the crops, when taken possession of, vests in B.

(c.) A, for a stated price, contracts that B may take and sell any crops that shall be grown on his land in succession to the crops then standing. Under this contract, B applies to A for possession of some crops grown in succession to the crops which were standing at the time of the contract. A refuses to give possession. The ownership of the crops has not passed to B, though A may commit a breach of contract in refusing to give possession.

88. A contract for the sale of goods to be delivered at a future day is binding, though the goods are not in the possession of the seller at the time of making the contract, and though, at that time, he has no reasonable expectation of acquiring them otherwise than by purchase.
- Contract to sell and deliver at a future day, goods not in seller's possession at date of contract.

*Illustration.*

A contracts, on the 1st January, to sell B 50 shares in the East Indian Railway Company, to be delivered and paid for on the 1st March of the same year. A, at the time of making the contract, is not in possession of any shares. The contract is valid.

89. Where the price of goods sold is not fixed by the contract of sale, the buyer is bound to pay the seller such a price as the Court considers reasonable.
- Determination of unfixed price.
- Court considers reasonable.

*Illustration.*

B, living at Patna, orders of A, a coach-builder at Calcutta, a carriage of a particular description. Nothing is said by either as to the price. The order having been executed, and the price being in dispute between the buyer and the seller, the Court must decide what price it considers reasonable.

*DELIVERY.*

90. Delivery of goods sold may be made by doing anything which has the effect of putting them in the possession of the buyer, or of any person authorized to hold them on his behalf.

*Illustrations.*

(a.) A sells to B a horse, and causes or permits it to be removed from A's stables to B's. The removal to B's stable is a delivery.

(b.) B, in England, orders 100 bales of cotton from A, a merchant of Bombay, and sends his own ship to Bombay for the cotton. The putting the cotton on board the ship is a delivery to B.

(c.) A sells to B certain specific goods which are locked up in a godown. A gives B the key of the godown, in order that he may get the goods. This is a delivery.

(d.) A sells to B five specific casks of oil. The oil is in the warehouse of A. B sells the five casks to C. A receives warehouse rent for them from C. This amounts to a delivery of the oil to C, as it shows an assent on the part of A to hold the goods as warehouseman of C.

(e.) A sells to B 50 maunds of rice in the possession of C, a warehouseman. A gives B an order to C to transfer the rice to B and C assents to such order, and transfers the rice in his books to B. This is a delivery.

(f.) A agrees to sell B five tons of oil, at 1,000 rupees per ton, to be paid for at the time of delivery. A gives to C, a wharfinger, at whose wharf he had twenty tons of the oil, an order to transfer five of them into the name of B. C makes the transfer in his books, and gives A's clerk a notice of the transfer for B. A's clerk takes the transfer-notice to B and offers to give it him on payment of the bill. B refuses to pay. There has been no delivery to B, as B never assented to make C his agent to hold for him the five tons selected by A.

91. A delivery to a wharfinger or carrier of the goods sold, has the same effect as a delivery to the buyer, but does not render the buyer liable for the price of goods which do not reach him, unless the delivery is so made as to enable him to hold the wharfinger or carrier responsible for the safe delivery of the goods.
- Effect of delivery to wharfinger or carrier.

*Illustration.*

B, at Agra, orders of A, who lives at Calcutta, three casks of oil to be sent to him by railway. A takes three casks of oil directed to B to the railway station, and leaves them there without conforming to the rules which must be complied with in order to render the Railway Company responsible for their safety. The goods do not reach B. There has not been a sufficient delivery to charge B in a suit for the price.

92. A delivery of part of goods in progress of the delivery of the whole has the same effect, for the purpose of passing the property in such goods, as a delivery of the whole; but a delivery of part of the goods with an intention of severing it from the whole, does not operate as a delivery of the remainder.
- Effect of part-delivery.

*Illustrations.*

(a.) A ship arrives in a harbour laden with a cargo consigned to A, the buyer of the cargo. The captain begins to discharge it, and delivers over part of the goods to A in progress of the delivery of the whole. This is a delivery of the cargo to A for the purpose of passing the property in the cargo.

(b.) A sells to B a stack of fire-wood, to be paid for by bill on delivery. After the sale, B applies for and obtains from A leave to take away some of the fire-wood. This has not the legal effect of delivery of the whole.

(c.) A sells 50 maunds of rice to B. The rice remains in A's warehouse. After the sale, B sells to C 10 maunds of the rice, and A, at B's desire, sends the 10 maunds to C. This has not the legal effect of a delivery of the whole.



93. In the absence of any special promise to the contrary the seller of goods is not bound to deliver them until the buyer applies for possession.

Seller not bound to deliver until buyer applies for possession.

94. In the absence of any promise as to delivery, goods sold are to be delivered at the place at which they are at the time of the sale, and goods contracted to be sold are to be delivered at the place at which they are at the time of the contract for sale, or, if not then in existence, at the place at which they are produced.

#### SELLER'S LIEN.

95. Unless a contrary intention appears by the contract, a seller has a lien on sold goods as long as they remain in his possession, and the price or any part of it remains unpaid.

Seller's lien.

96. Where, by the contract, the payment is to be made at a future day, but no time is fixed for the delivery of the goods, the seller has no lien, and the buyer is entitled to a present delivery of the goods without payment. But if the buyer becomes insolvent before delivery of the goods, or if the time appointed for payment arrives before the delivery of the goods, the seller may retain the goods for the price.

Lien where payment to be made at a future day, but no time fixed for delivery. 'Insolvency' defined.

*Explanation.*—A person is insolvent who has ceased to pay his debts in the usual course of business, or who is incapable of paying them.

#### Illustration.

A sells to B a quantity of sugar in A's warehouse. It is agreed that three months' credit shall be given. B allows the sugar to remain in A's warehouse. Before the expiry of the three months, B stops payment. A may retain the goods for the price.

97. Where, by the contract the payment is to be made at a future day, and the buyer allows the goods to remain in the possession of the seller until that day, and does not then pay for them, the seller may retain the goods for the price.

Where payment to be made at future day, and buyer allows goods to remain in seller's possession.

#### Illustrations.

A sells to B a quantity of sugar in A's warehouse. It is agreed that three months' credit shall be given. B allows the sugar to remain in A's warehouse till the expiry of the three months, and then does not pay for them. A may retain the goods for the price.

98. A seller, in possession of goods sold, may retain them for the price against any subsequent buyer, unless the seller has recognized the title of the subsequent buyer.

Seller's lien against subsequent buyer.

#### STOPPAGE IN TRANSIT.

99. A seller who has parted with the possession of the goods, and has not received the whole price, may, if buyer becomes insolvent, stop the goods while they are in transit to the buyer.

Power to stop in transit.

100. Goods are to be deemed in transit while they are in the possession of the carrier, or lodged at any place in the course

of transmission to the buyer, and are not yet come into the possession of the buyer, or any person on his behalf, otherwise than as being in possession of the carrier, or as being so lodged.

#### Illustrations.

(a.) B, living at Madras, orders goods of A, at Patna, and directs that they shall be sent to Madras. The goods are sent to Calcutta, and there delivered to C, a wharfinger, to be forwarded to Madras. The goods, while they are in the possession of C, are in transit.

(b.) B, at Delhi, orders goods of A, at Calcutta. A consigns and forwards the goods to B at Delhi. On arrival there, they are taken to the warehouse of B, and left there. B refuses to receive them, and immediately afterwards stops payment. The goods are in transit.

(c.) B, who lives at Puná, orders goods of A at Bombay. A sends them to Puná by C, a carrier appointed by B. The goods arrive at Puná, and are placed by C, at B's request, in C's warehouse for B. The goods are no longer in transit.

(d.) B, a merchant of London, orders 100 bales of cotton of A, a merchant at Bombay. B sends his own ship to Bombay for the cotton. The transit is at an end when the cotton is delivered on board the ship.

(e.) B, a merchant of London, orders 100 bales of cotton of A, a merchant at Bombay. B sends his own ship to Bombay for the cotton. A delivers the cotton on board the ship, and takes bills of lading from the master, making the cotton deliverable to A's order or assigns. The cotton arrives at London, but before coming into B's possession, B becomes insolvent. The cotton has not been paid for. A may stop the cotton.

101. The right of stoppage does not, except in the cases hereinafter mentioned, cease on the buyer's reselling the goods while in transit, and receiving the price, but continues until the goods have been delivered to the second buyer, or to some person on his behalf.

102. The right of stoppage ceases if the buyer, having obtained a bill of lading or other document showing title to the goods, assigns it, while the goods are in transit to a second buyer, who is acting in good faith, and who gives valuable consideration for them.

Cessation of right on assignment of bill of lading.

#### Illustrations.

(a.) A sells and consigns certain goods to B. A being still unpaid, B becomes insolvent, and while the goods are in transit, assigns the bill of lading for cash to C, who is not aware of his insolvency. A cannot stop the goods in transit.

(b.) A sells and consigns certain goods to B. A being still unpaid, B becomes insolvent, and while the goods are still in transit, assigns the bill of lading for cash to C, who knows that B is insolvent. The assignment not being in good faith, A may still stop the goods in transit.

103. Where a bill of lading or other instrument of title to any goods is assigned by the buyer to pledge of amount of such goods by way of pledge, to secure an advance made specifically upon it, in good faith, the seller cannot, except on payment or tender to the pledgee of the advance so made, stop the goods in transit.

#### Illustrations.

(a.) A sells and consigns goods to B of the value of 12,000 rupees. B assigns the bill of lading for those goods to C to secure a specific advance of 5,000 rupees made to him upon the bill of lading by C. B becomes insolvent, being indebted to C to the amount of 9,000 rupees. A is not entitled to stop the goods except on payment or tender to C of 5,000 rupees.

(b.) A sells and consigns goods to B of the value of 12,000 rupees. B assigns the bill of lading for those goods to C, to secure the sum of 5,000 rupees due from him to C, upon a general balance of account. B becomes insolvent. A is entitled to stop the goods in transit without payment or tender to C of the 5,000 rupees.



104. The seller may effect stoppage in transit either by taking actual stoppage how effected. possession of the goods, or by giving notice of his claim to the carrier or other depositary in whose possession they are.

105. Such notice may be given either to the person who has the immediate possession of the goods, or to the principal whose servant has possession. In the latter case, the notice must be given at such a time, and under such circumstances, that the principal, by the exercise of reasonable diligence, may communicate it to his servant in time to prevent a delivery to the buyer.

106. Stoppage in transit entitles the seller to hold the goods stopped until the price of the whole of the goods sold is paid.

Right of seller on stoppage.

#### Illustration.

A sells to B 100 bales of cotton; 60 bales having come into B's possession, and 40 being still in transit. B becomes insolvent, and A being still unpaid, stops the 40 bales in transit. A is entitled to hold the 40 bales until the price of the 100 bales is paid.

#### RE-SALE.

107. Where the buyer of goods fails to perform his part of the contract either by not taking the goods sold to him, or by not paying for them, the seller, having a lien on the goods or having stopped them in transit, may alter giving notice to the buyer of his intention to do so, re-sell them after the lapse of a reasonable time, and the buyer must bear any loss, but is not entitled to any profit which may occur on such re-sale.

#### TITLE.

108. No seller can give to the buyer of goods a better title to those goods than he has himself, except in the following cases:—

Title conveyed by seller of goods to buyer.

*Exception 1.* When any person is, by the consent of the owner in possession of any goods or in possession of any bill of lading, dock-warrant, warehouse-keeper's certificate or wharfinger's certificate or warrant or order for delivery, or other document showing title to the goods, he may transfer the ownership of the goods of which he is so in possession, or to which such documents relate, to any other person, and give such person a good title thereto, notwithstanding any instructions of the owner to the contrary: Provided that the buyer acts in good faith, and under circumstances which are not such as to raise a reasonable presumption that the person in possession of the goods or documents has no right to sell the goods.

*Exception 2.* If one of several joint-owners of goods has the sole possession of them by the permission of the co-owners, the ownership of the goods is transferred to any person who buys them in good faith, and under circumstances which are not such as to raise a reasonable presumption that the person in possession of the goods has no right to sell them.

*Exception 3.* When a person has obtained possession of goods under a contract voidable at the option of the other party thereto, the ownership

of the goods is transferred to a third person who, before the contract is rescinded, buys them in good faith of the person in possession, unless the circumstances which render the contract voidable amounted to an offence committed by the seller or the person whom he represents.

In this case the original seller is entitled to compensation from the original purchaser for any loss which the seller may have sustained by being prevented from rescinding the contract.

#### Illustrations.

(a.) A buys from B, in good faith, a cow which B had stolen from C. The property in the cow is not transferred to A.

(b.) A, a merchant, intrusts B, his agent, with a bill of lading relating to certain goods, and instructs B not to sell the goods for less than a certain price, and not to give credit to D. B sells the goods to D for less than that price, and gives D three months' credit. The property in the goods passes to D.

(c.) A sells to B goods of which he has the bill of lading, but the bill of lading is made out for delivery of the goods to C, and it has not been endorsed by C. The property is not transferred to B.

(d.) A, B and C are joint Hindú brothers, who own certain cattle in common. A is left by B and C in possession of a cow, which he sells to D. D purchases *bonâ fide*. The property in the cow is transferred to D.

(e.) A, by a misrepresentation not amounting to cheating, persuades B to sell and deliver to him a horse. A sells the horse to C before B has rescinded the contract. The property in the horse is transferred to C; and B is entitled to compensation from A for any loss which D has sustained by being prevented from getting back the horse.

(f.) A compels B by wrongful intimidation, or induces him by cheating or forgery, to sell him a horse, and, before B rescinds the contract, sells the horse to C. The property is not transferred to C.

#### WARRANTY.

109. If the buyer, or any person claiming under him, is, by reason of the Seller's responsibility for badness of title. invalidity of the seller's title, deprived of the thing sold, the seller is responsible to the buyer, or person claiming under him, for loss thereby caused, unless a contrary intention appears by the contract.

Implied warranty of goodness or quality. 110. An implied warranty of goodness or quality may be established by the custom of any particular trade.

Warranty of soundness on sale of provisions. 111. On the sale of provisions, there is an implied warranty that they are sound.

112. On the sale of goods by sample, there is an implied warranty that the bulk is equal in quality to the sample.

113. Where goods are sold as being of a certain denomination, there is an implied warranty that they are such goods as are commercially known by that denomination, although the buyer may have bought them by sample, or after inspection of the bulk.

*Explanation.*—But if the contract specifically states that the goods, though sold as of a certain denomination, are not warranted to be of that denomination, there is no implied warranty.



*Illustrations.*

(a.) A, at Calcutta, sells to B twelve bags of "waste silk," then on its way from Moorshedabad to Calcutta. There is an implied warranty by A that the silk shall be such as is known in the market under the denomination of "waste silk."

(b.) A buys, by sample and after having inspected bulk 100 bales of "Fair Bengal" Cotton. The cotton proves not to be such as is known in the market as "Fair Bengal": there is a breach of warranty.

114. Where goods have been ordered for a specified purpose, for which goods of the denomination employed in the order are usually sold, there is an implied warranty by the seller that the goods supplied are fit for that purpose.

Warranty where goods ordered for a specified purpose.

*Illustration.*

B orders of A, a copper manufacturer, copper for sheathing a vessel. A, on this order, supplies copper. There is an implied warranty that the copper is fit for sheathing a vessel.

115. Upon the sale of an article of a well-known ascertained kind, there is no implied warranty of its fitness for any particular purpose.

Sale of article of a well-known ascertained kind.

*Illustration.*

B writes to A, the owner of a patent invention for cleaning cotton—"Send me your patent cotton-cleaning machine to clean the cotton at my factory." A sends the machine according to order. There is an implied warranty by A that it is the article known as A's patent cotton-cleaning machine, but none that it is fit for the particular purpose of cleaning the cotton at B's factory.

116. In the absence of fraud and of any express warranty of quality, the seller of an article, which answers the description under which it was sold, is not responsible for a latent defect in it.

Non-responsibility for latent defects.

*Illustration.*

A sells to B a horse. It turns out that the horse had at the time of the sale a defect of which A was unaware. A is not responsible for this.

117. Where a specific article, sold with a warranty, has been delivered and accepted, and the warranty is broken, the sale is not thereby rendered voidable, but the buyer is entitled to compensation from the seller for loss caused by the breach of warranty.

Buyer's right on breach of warranty.

*Illustration.*

A sells to B a horse, warranted sound. The horse proves to have been unsound at the time of sale. B is entitled to compensation from A for loss caused by the unsoundness.

118. Where there has been a contract, with a warranty, for the sale of goods, which at the time of the contract were not ascertained, or not in existence, and the warranty is broken, the buyer may

accept the goods or refuse to accept the goods when tendered,

or keep the goods for a time reasonably sufficient for examining and trying them, and then refuse to accept them, provided that, during such time, he exercises no other act of ownership over them than is necessary for the purpose of examination and trial.

In any case the buyer is entitled to compensation from the seller for any loss caused by the breach of warranty; but if he accepts the goods and intends to claim compensation, he must give notice of his intention to do so within a reasonable time after discovering the breach of the warranty.

*Illustrations.*

(a) A agrees to sale and, without application on B's part, deliver to B 200 bales of unascertained cotton by sample. Cotton, not in accordance with sample, is delivered to B. B. may return it if he has not kept it longer than a reasonable time for the purpose of examination.

(b) B agrees to buy of A twenty-five sacks of flour by sample. The flour is delivered to B, who pays the price. B, upon examination, finds it not equal to sample, and informs A that he means to claim compensation. B afterwards uses two sacks, and sells one. He cannot now repudiate the contract and recover the price, but he is entitled to compensation from A for any loss caused by the breach of warranty.

(c) B makes two pairs of shoes for A by A's orders. When the shoes are delivered, they do not fit A. A keep both pairs for a day. He wears one pair for a short time in the house, and takes a long walk out of doors in the other pair. He may refuse to accept the first pair, but not the second. But he may recover compensation for any loss sustained by the defect of the second pair.

## MISCELLANEOUS.

119. When the seller sends goods not ordered with goods ordered, the buyer may refuse to accept any of the goods so sent, if there is risk or trouble in separating the goods ordered from the goods not ordered.

Refusal to accept when goods not ordered are sent.

*Illustration.*

A orders of B specific articles of china. B sends these articles to A in a hamper with other articles of china which had not been ordered. A may refuse to accept any of the goods sent.

120. If a buyer wrongfully refuses to accept the goods sold to him, this amounts to a breach of the contract of sale.

Effect of wrongful refusal to accept.

121. When goods sold have been delivered to the buyer, the seller is not entitled to rescind the contract on the buyer's failing to pay the price at the time fixed, unless it was stipulated by the contract that he should be so entitled.

Rescission on failure to pay price at time fixed.

122. Where goods are sold by auction there is a distinct and separate sale of the goods in each lot, by which the ownership thereof is transferred as each lot is knocked down.

Sale of several lots by auction.

123. If, at a sale by auction, the seller makes use of pretended biddings to raise the price, the sale is voidable at the option of the buyer.

Puffers at auction.

## CHAPTER VIII.

## OF INDEMNITY AND GUARANTEE.

124. A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person, is called a contract of indemnity.

'Indemnity' defined.



*Illustration.*

(a.) A contracts to indemnify B against the consequences of any proceedings which C may take against B in respect of a certain sum of 200 rupees. This is a contract of indemnity.

125. The promisee in a contract of indemnity, acting within the scope of his authority, is entitled to recover from the promisor—

(1) all damages which he may be compelled to pay in any suit in respect of any matter to which the promise to indemnify applies;

(2) all costs which he may be compelled to pay in any such suit if, in bringing or defending it, he did not contravene the orders of the promisor and acted as it would have been prudent for him to act in the absence of any contract of indemnity, or if the promisor authorized him to bring or defend the suit;

(3) all sums which he may have paid under the terms of any compromise of any such suit if the compromise was not contrary to the orders of the promisor and was one which it would have been prudent for him to make in the absence of any contract of indemnity or if the promisor authorized him to compromise the suit.

126. A contract of guarantee is a contract to perform the promise or discharge the liability of a third person in case of his default. The person

Definitions of 'guarantee,' 'surety,' 'principal debtor,' and 'creditor.'

who gives the guarantee is called the surety, the person, in respect of whose default the guarantee is given, is called the principal debtor, and the person to whom the guarantee is given is called the creditor. A guarantee may be either oral or written.

127. Anything done or any promise made for the benefit of the principal debtor, may be a sufficient consideration to the surety for giving the guarantee.

Consideration for guarantee.

*Illustrations.*

(a.) B requests A to sell and deliver to him goods on credit. A agrees to do so, provided C will guarantee the payment of the price of the goods. C promises to guarantee the payment in consideration of A's promise to deliver the goods. This is a sufficient consideration for C's promise.

(b.) A sells and delivers goods to B. C afterwards requests A to forbear to sue B for the debt for a year, and promises that if he does so, C will pay for them in default of payment by B. A agrees to forbear as requested. This is a sufficient consideration for C's promise.

(c.) A sells and delivers goods to B. C afterwards, without consideration, agrees to pay for them in default of B. The agreement is void.

128. The liability of the surety is co-extensive with that of the principal debtor, unless it is otherwise provided by the contract.

Surety's liability.

*Illustration.*

A guarantees to B the payment of a bill of exchange by C, the acceptor. The bill is dishonoured by C. A is liable, not only for the amount of the bill, but also for any interest and charges which may have become due on it.

129. A guarantee which extends to a series of transactions, is called a continuing guarantee.

*Illustrations.*

(a.) A, in consideration that B will employ C in collecting the rents of B's zamindari, promises B to be responsible, to the amount of 5,000 rupees, for the due collection and payment by C of those rents. This is a continuing guarantee.

(b.) A guarantees B, a tea-dealer, to the amount of £100 for any tea he may from time to time supply to C. B supplies C with tea to above the value of £100, and C pays B for it. Afterwards B supplies C with tea to the value of £200. C fails to pay. The guarantee given by A was a continuing guarantee, and he is accordingly liable to B to the extent of £100.

(c.) A guarantees B the price of five sacks of flour to be delivered by B to C payable in one month. B delivers five sacks to C. A pays for them. Afterwards B delivers four sacks to C, which C does not pay for. The guarantee given by A was not a continuing guarantee, and accordingly he is not liable for the price of the four sacks.

130. A continuing guarantee may be at any time revoked, as to future transactions, by the surety, by notice to the creditor.

Revocation of continuing guarantee.

*Illustrations.*

(a.) A, in consideration of B's discounting, at A's request, bills of exchange for C, guarantees to B for twelve months the due payment of all such bills to the extent of 5,000 rupees. B discounts bills for C to the extent of 2,000 rupees. Afterwards, at the end of three months, A revokes the guarantee. This revocation discharges A from all liability to B for any subsequent discount. But A is liable to B for the 2,000 rupees, on default of C.

(b.) A guarantees to B, to the extent of 10,000 rupees, that C shall pay all the Bills that B shall draw upon him. B draws upon C. C accepts the bill. A gives notice of revocation. C dishonours the bill at maturity. A is liable upon his guarantee.

131. The death of the surety operates, in the absence of any contract to the contrary, as a revocation of a continuing guarantee, so far as regards future transactions.

Revocation of continuing guarantee by surety's death.

132. Where two persons contract with a third person to undertake a certain liability, and also contract with each other that one of them shall be liable only on the default of the other, the third person not being a party to such contract, but being aware of its existence, the liability of each of the two persons to the third person under the first contract is not affected by the existence of the second contract.

Liability of two persons primarily liable, not affected by a private arrangement as to suretyship.

*Illustration.*

A and B make a joint and several promissory note to C. A makes it, in fact, as surety for B, and C knows this at the time when the note is made. The fact that A, to the knowledge of C, made the note as surety for B, is no answer to a suit by C against A upon the note.

133. Any variance made without the surety's consent, in the terms of the contract between the principal and the creditor, discharges the surety as to transactions subsequent to the variance.

Discharge of surety by variance in terms of contract.

*Illustrations.*

(a.) A becomes surety to C for B's conduct as a manager in C's bank. Afterwards, B and C contract, without A's consent, that B's salary shall be raised, and that he shall become liable to one-fourth of the losses on overdrafts. B allows a customer to overdraw, and the bank loses a sum of money. A is discharged from his suretyship by the variance made without his consent, and is not liable to make good this loss.



(b.) A guarantees C against the misconduct of B in an office to which B is appointed by C, and of which the duties are defined by an Act of the legislature. By a subsequent Act, the nature of the office is materially altered, afterwards B misconducts himself. A is discharged from future liability under his guarantee by the change, though the misconduct of B is in respect of a duty not affected by the later Act.

(c.) C agrees to appoint B as his clerk to sell goods at a year's salary, upon A's becoming surety to C for B's duly accounting for monies received by him as such clerk. Afterwards, without A's knowledge or consent, C and B agree that B should be paid by a commission on the goods sold by him and not by a fixed salary. A is not liable for subsequent misconduct of B.

(d.) A gives to C a continuing guarantee to the extent of 3,000 rupees for any oil supplied by C to B on credit. Afterwards B becomes embarrassed, and, without the knowledge of A, B and C contract that C shall continue to supply B with oil for ready money, and that the payments shall be applied to the then existing debts between B and C. A is not liable on his guarantee for any goods supplied after this new arrangement.

(e.) C contracts to lend B 5,000 rupees on the first March. A guarantees repayment. C pays the 5,000 rupees to B on the 1st January. A is discharged from his liability as the contract has been varied, inasmuch as C might sue B for the money before the first of March.

134. The surety is discharged by any contract between the creditor and the principal debtor, by which the principal debtor is released, or by any act or omission of the creditor, the legal consequence of which is the discharge of the principal debtor.

Discharge of surety by release or discharge of principal debtor.

#### Illustrations.

(a.) A gives a guarantee to C for goods to be supplied by C to B. C supplies goods to B, and afterwards B becomes embarrassed and contracts with his creditors (including C) to assign to them his property in consideration of their releasing him from their demands. Here B is released from his debt by the contract with C, and A is discharged from his suretyship.

(b.) A contracts with B to grow a crop of indigo on A's land and to deliver it to B at a fixed rate, and C guarantees A's performance of this contract. B diverts a stream of water which is necessary for the irrigation of A's land, and thereby prevents him from raising the indigo. C is no longer liable on his guarantee.

(c.) A contracts with B for a fixed price to build a house for B within a stipulated time, B supplying the necessary timber. C guarantees A's performance of the contract. B omits to supply the timber. C is discharged from his suretyship.

135. A contract between the creditor and the principal debtor, by which the creditor makes a composition with, or promises to give time to, or not to sue, the principal debtor, discharges the surety, unless the surety assents to such contract.

136. Where a contract to give time to the principal debtor is made by the creditor with a third person, and not with the principal debtor, the surety is not discharged.

#### Illustration.

C, the holder of an overdue bill of exchange drawn by A as surety for B, and accepted by B, contracts with M to give time to B. A is not discharged.

137. Mere forbearance on the part of the creditor to sue the principal debtor, or to enforce any other remedy against him does not, in the absence of any provision in the guarantee to the contrary, discharge the surety.

Creditor's forbearance to sue.

#### Illustration.

B owes to C a debt guaranteed by A. The debt becomes payable. C does not sue B for a year after the debt has become payable. A is not discharged from his suretyship.

138. Where there are co-sureties, a release by the creditor of one of them does not discharge the others; neither does it free that one from any responsibility to the others.

139. If the creditor does any act which is inconsistent with the rights of the surety, or omits to do any act which his duty to the surety requires him to do, and the eventual remedy of the surety himself against the principal debtor is thereby impaired, the surety is discharged.

Discharge of surety by creditor's act or omission impairing surety's eventual remedy.

#### Illustrations.

(a.) B contracts to build a ship for C for a given sum, to be paid by instalments as the work reaches certain stages. A becomes surety to C for B's due performance of the contract. C, without the knowledge of A, prepays to B the last two instalments. A is discharged by this prepayment.

(b.) C lends money to B on the security of a joint and several promissory note made in C's favour by B and by A as surety for B, together with a bill of sale of B's furniture, which gives power to C to sell the furniture, and apply the proceeds in satisfaction of the monies due on the note. Subsequently C sells the furniture, but, owing to his misconduct and wilful negligence, only a small price is realized. A is discharged from liability on the note.

(c.) A puts M as apprentice to B, and gives a guarantee to B for M's fidelity. B promises on his part that he will, at least once a month, see M make up the cash. B omits to see this done as promised and M embezzles. A is not liable to B on his guarantee.

140. Where a guaranteed debt has become due, or default of the principal debtor to perform a guaranteed duty has taken place, the surety, upon payment or performance of all that he is liable for, is invested with all the rights which the creditor had against the principal debtor.

141. A surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time when the contract is entered into, whether the surety knows of the existence of such security or not; and if the creditor loses, or, without the consent of the surety, parts with such security, the surety is discharged to the extent of the value of the security.

Surety's right to benefit of creditor's securities.

#### Illustrations.

(a.) C advances to B, his tenant, 2,000 rupees on the guarantee of A. C has also a further security for the 2,000 rupees by a mortgage of B's furniture. C cancels the mortgage. B becomes insolvent, and C sues A on his guarantee. A is discharged from liability to the amount of the value of the furniture.

(b.) C, a creditor, whose advance to B is secured by a decree, receives also a guarantee for that advance from A. C afterwards takes B's goods in execution under the decree, and then, without the knowledge of A, withdraws the execution. A is discharged.

(c.) A, as surety for B, makes a bond jointly with B to C to secure a loan from C to B. Afterwards, C obtains from B a further security for the same debt. Subsequently C gives up the further security. A is not discharged.

142. Any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid.

Guarantee obtained by misrepresentation.



143. Any guarantee which the creditor has obtained by means of keeping silence as to a material circumstance, is invalid.

Guarantee obtained by concealment.

*Illustrations.*

(a.) A engages B as clerk to collect money for him. B fails to account for some of his receipts, and A in consequence calls upon him to furnish security for his duly accounting. C gives his guarantee for B's duly accounting. A does not acquaint C with B's previous conduct. B afterwards makes default. The guarantee is invalid.

(b.) A guarantees to C payment for iron to be supplied by him to B to the amount of 2,000 tons. B and C have privately agreed that B should pay five rupees per ton beyond the market price, such excess to be applied in liquidation of an old debt. This agreement is concealed from A. A is not liable as a surety.

144. Where a person gives a guarantee upon a contract that the creditor shall not act upon it until another person has joined in it as co-surety, the guarantee is not valid if that other person does not join.

Guarantee on agreement that creditor shall not act on it until co-surety joins.

shall not act upon it until another person has joined in it as co-surety, the

guarantee is not valid if that other person does not join.

145. In every contract of guarantee there is an implied promise to indemnify surety.

Implied promise to indemnify surety.

surety is entitled to recover from the principal debtor whatever sum he has rightfully paid under the guarantee, but no sums which he has paid wrongfully.

*Illustrations.*

(a.) B is indebted to C, and A is surety for the debt. C demands payment from A, and on his refusal sues him for the amount. A defends the suit, having reasonable grounds for doing so, but he is compelled to pay the amount of the debt with costs. He can recover from B the amount paid by him for costs, as well as the principal debt.

(b.) C lends B a sum of money, and A, at the request of B, accepts a bill of exchange drawn by B upon A to secure the amount. C, the holder of the bill, demands payment of it from A, and on A's refusal to pay sues A upon the bill. A, not having reasonable grounds for so doing, defends the suit, and has to pay the amount of the bill and costs. He can recover from B the amount of the bill, but not the sum paid for costs, as there was no real ground for defending the action.

(c.) A guarantees to C, to the extent of 2,000 rupees, payment of rice to be supplied by C to B. C supplies to B rice to a less amount than 2,000 rupees, but obtains from A payment of the sum of 2,000 rupees in respect of the rice supplied. A cannot recover from B more than the price of the rice actually supplied.

146. Where two or more persons are co-sureties for the same debt or duty either jointly or severally, and whether under the same or different contracts, and whether with or without the knowledge of each other, the co-sureties, in the absence of any contract to the contrary, are liable as between themselves to pay each an equal share of the whole debt, or of that part of it which remains unpaid by the principal debtor.

Co-sureties liable to contribute equally.

either jointly or severally, and whether under the

same or different contracts, and whether with or without the knowledge of each other, the co-sureties, in the absence of any contract to the contrary, are liable as between themselves to pay each an equal share of the whole debt, or of that part of it which remains unpaid by the principal debtor.

*Illustrations.*

(a.) A, B and C are sureties to D for the sum of 3,000 rupees lent to E. E makes default in payment. A, B, and C are liable as between themselves to pay 1,000 rupees each.

(b.) A, B, and C are sureties to D for the sum of 1,000 rupees lent to E, and there is a contract between A, B, and C that A is to be responsible to the extent of one-quarter, B to the extent of one-quarter, and C to the extent of one-half. E makes default in payment. As between the sureties A is liable to pay 250 rupees, B 250 rupees, and C 500 rupees.

147. Co-sureties who are bound in different sums are liable to pay equally as far as the limits of their respective obligations permit.

Liability of co-sureties bound in different sums.

*Illustrations.*

(a.) A, B, and C, as sureties for D, enter into three several bonds, each in a different penalty, viz., A in the penalty of 10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes default to the extent of 30,000 rupees. A, B, and C are each liable to pay 10,000 rupees.

(b.) A, B, and C, as sureties for D, enter into three several bonds, each in a different penalty, viz., A in the penalty of 10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes default to the extent of 40,000 rupees. A is liable to pay 10,000 rupees, and B and C 15,000 rupees each.

(c.) A, B, and C, as sureties for D, enter into three several bonds, each in a different penalty, viz., A in the penalty of 10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes default to the extent of 70,000 rupees. Each has to pay the full penalty of his bond.

## CHAPTER IX.

### OF BAILMENT.

148. A bailment is the delivery of goods by one person to another for some purpose, upon a contract that they shall when the purpose is accomplished be returned or otherwise disposed of according to the directions of the person delivering them. The person delivering the goods is called the bailor. The person to whom they are delivered is called the bailee.

'Bailment,' 'bailor,' and 'bailee' defined.

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the purpose is accomplished be returned or otherwise disposed of according to the directions of the person delivering them. The person delivering the goods is called the bailor. The person to whom they are delivered is called the bailee.

*Explanation.*—If a person, already in possession of the goods of another, contracts to hold them as a bailee, he thereby becomes the bailee, and the owner becomes the bailor of such goods, although they may not have been delivered by way of bailment.

149. The delivery to the bailee may be made by doing anything which has the effect of putting the goods in the possession of the intended bailee or of any person authorized to hold them on his behalf.

Delivery to bailee how made.

by doing anything which has the effect of putting the goods in the possession of the intended bailee or of any person authorized to hold them on his behalf.

150. The bailor is bound to disclose to the bailee faults in the goods bailed of which the bailor is aware and which materially interfere with the use of them, or expose the bailee to extraordinary risks; and if he does not make such disclosure, he is responsible for damage arising to the bailee directly from such faults.

Bailor's duty to disclose faults in goods bailed.

bound to disclose to the bailee faults in the goods bailed of which the bailor is aware and which materially interfere with the use of them, or expose the bailee to extraordinary risks; and if he does not make such disclosure, he is responsible for damage arising to the bailee directly from such faults.

If the goods are bailed for hire, the bailor is responsible for such damage, whether he was or was not aware of the existence of such faults in the goods bailed.

*Illustrations.*

(a.) A lends a horse, which he knows to be vicious, to B. He does not disclose the fact that the horse is vicious. The horse runs away. B is thrown and injured. A is responsible to B for damage sustained.

(b.) A hires a carriage of B. The carriage is unsafe, though B is not aware of it, and A is injured. B is responsible to A for the injury.



151. In all cases of bailment the bailee is bound to take as much care of the goods bailed to him as a man of ordinary prudence would, under similar circumstances, take of his own goods of the same bulk, quality and value as the goods bailed.

152. The bailee, in the absence of any contract to the contrary, is not responsible for the loss, destruction or deterioration of the thing bailed, if he has taken the amount of care of them described in section 151.

153. A contract of bailment is voidable at the option of the bailor, if the bailee does any act with regard to the goods bailed, inconsistent with the conditions of the bailment.

*Illustration.*

A lets to B for hire a horse for his own riding. B drives the horse in his carriage. This is, at the option of A, a termination of the bailment.

154. If the bailee makes any use of the goods bailed which is not according to the conditions of the bailment, he is liable to make compensation to the bailor for any damage arising to the goods from or during such use of them.

*Illustrations.*

(a.) A lends a horse to B for his own riding only. B allows C, a member of his family, to ride the horse. C rides with care, but the horse accidentally falls and is injured. B is liable to make compensation to A for the injury done to the horse.

(b.) A hires a horse in Calcutta from B expressly to march to Benares. A rides with due care, but marches to Cuttaek instead. The horse accidentally falls and is injured. A is liable to make compensation to B for the injury to the horse.

155. If he bailee, with the consent of the bailor, mixes the goods of the bailor with his own goods, the bailor and the bailee shall have an interest, in proportion to their respective shares, in the mixture thus produced.

156. If the bailee, without the consent of the bailor, mixes the goods of the bailor with his own goods, and the goods can be separated or divided,

Mixture, with bailor's consent, of his goods with goods of bailee.

Mixture, without bailor's consent, when the goods can be separated.

the property in the goods remains in the parties respectively, but the bailee is bound to bear the expense of separation or division and any damage arising from the mixture.

*Illustration.*

A bails 100 bales of cotton marked with a particular mark to B. B without A's consent mixes the 100 bales with other bales of his own bearing a different mark: A is entitled to have his 100 bales returned, and B is bound to bear all the expense incurred in the separation of bales and any other incidental damage.

157. If the bailee, without the consent of the bailor, mixes the goods of the bailor with his own goods, in such a manner that it is impossible to separate the goods bailed from the other goods,

and deliver them back, the bailor is entitled to be compensated by the bailee for the loss of the goods.

*Illustration.*

A bails a barrel of Cape flour worth Rs. 45 to B. B, without A's consent mixes the flour with country flour of his own, worth only Rs. 25 a barrel. B must compensate A for the loss of his flour.

158. Where by the conditions of the bailment the goods are to be kept or to be carried, or to have work done upon them by the bailee for the bailor, and the bailee is to receive no remuneration, the bailor shall re-pay to the bailee the necessary expenses incurred by him for the purpose of the bailment.

159. The lender of a thing for use may at any time require its return if the loan was gratuitous, even though he lent it for a specified time or purpose. But if, on the faith of such loan, the borrower has acted in such a manner that the return of the thing before the time agreed upon would cause him loss exceeding the benefit actually derived by him from the loan, the lender must, if he compels the return, indemnify the borrower for the amount in which the loss so occasioned exceeds the benefit so derived.

160. It is the duty of the bailee to return, or deliver according to the bailor's directions, the goods bailed, without demand, as soon as the time for which they were bailed has expired, or the purpose for which they were bailed has been accomplished.

161. If by the fault of the bailee the goods are not returned, delivered, or tendered at the proper time, he is responsible to the bailor for any loss, destruction, or deterioration of the goods from that time.

162. A gratuitous bailment is terminated by the death either of the bailor or of the bailee.

163. In the absence of any contract to the contrary, the bailee is bound to deliver to the bailor, or according to his directions, any increase or profit which may have accrued from the goods bailed.

*Illustration.*

A leaves a cow in the custody of B to be taken care of. The cow has a calf. B is bound to deliver the calf as well as the cow to A.

164. The bailor is responsible to the bailee for any loss which the bailee may sustain by reason that the bailor was not entitled to make the bailment, or to receive back the goods, or to give directions respecting them.

165. If several joint owners of goods bail them, the bailee may deliver them back to, or according to the directions of, one joint owner without the consent of all, in the absence of any agreement to the contrary.



## BAILMENTS OF PLEDGES.

166. If the bailor has no title to the goods, and the bailee, in good faith, delivers them back to, or according to the directions of, the bailor, the bailee is not responsible to the owner in respect of such delivery.

If the bailee delivers the goods to a person who is entitled to them as against the bailor, he is not responsible to the bailor for such delivery; but the burden of proving that such person was so entitled to them is upon the bailee.

167. If a third person claims goods bailed, he may apply to the Court to stop the delivery of the goods to the bailor, and to decide the title to the goods.

168. The finder of goods has no right to sue the owner for compensation by him to preserve the goods and to find out the owner; but he has a right to retain the goods against the owner until he receives such compensation; and where the owner has offered a specific reward for the return of goods lost, the finder has a right to sue for such reward and to retain the goods until he receives it.

Right of finder of goods.

May sue for the amount not to apply to salvage.

169. When a thing, which is commonly the subject of sale, is lost, if the owner cannot with reasonable diligence be found, or if he refuses upon demand to pay the lawful charges of the finder, the finder may sell it—

(1.) when the thing is in danger of perishing or of losing the greater part of its value, or

(2.) when the lawful charges of the finder, in respect of the thing found, amount to two-thirds of its value.

170. Where the bailee has, in accordance with the purpose of the bailment, rendered any service, involving the exercise of labour or skill, on the goods bailed, he has, in the absence of a contract to the contrary, a right to retain the goods until he receives remuneration for the services he has rendered in respect of them

*Illustrations.*

(a.) A delivers a rough diamond to B, a jeweller, to be cut and polished, which is accordingly done. B is entitled to retain the stone till he is paid for the services he has rendered.

(b.) A gives cloth to B, a tailor, to make into a coat. B promises A to deliver the coat as soon as it is finished, and to give A three months' credit for the price. B is not entitled to retain the coat until he is paid.

171. Bankers, factors, wharfingers, attorneys of a High Court and policy brokers may, in the absence of a contract to the contrary, retain as a security for a general balance of account, any goods bailed to them; but no other persons have a right to retain, as a security for such balance, goods bailed to them, unless there is an express contract to that effect.

Bankers, factors, and wharfingers have no general lien.

172. The bailment of goods as security for payment of a debt or performance of a promise is called pledge. The bailor is in this case called the pawnor. The bailee is called the pawnee.

173. The pawnee may retain the goods pledged not only for payment of the debt or the performance of the promise, but for the interest of the debt, and all necessary expenses incurred by him in respect of the possession or for the preservation of the goods pledged.

Pawnee's right of retention.

174. The pawnee shall not retain the goods pledged for any other debt or promise than the debt or promise for which they are pledged, except by contract between the parties; but such contract, in the absence of anything to the contrary, shall be presumed in regard to subsequent advances made by the pawnee.

175. The pawnee is entitled to receive from the pawnor extraordinary expenses incurred by him for the preservation of the goods pledged.

176. If the pawnor makes default in payment of the debt or performance of the promise in respect of which the goods were pledged, at the stipulated time, the pawnee may bring a suit against the pawnor upon the debt or promise, and retain the goods pledged as a collateral security, or may sell the thing pledged on giving the pawnor reasonable notice of the sale.

If the proceeds of the sale are less than the amount due in respect of the debt or promise, the pawnor is still liable to pay the balance. If the proceeds of the sale are greater than the amount so due, the pawnee shall pay over the surplus to the pawnor.

177. If a time is stipulated for the payment of the debt or performance of the promise, for which the pledge is made, and the pawnor makes default in payment of the debt or performance of the promise at the stipulated time, he may redeem the goods pledged at any time before the actual sale of them, but he must, in that case pay, in addition, any expenses which have arisen from his default.

178. A person who is in possession of goods, or of any bill of lading, dock-warrant, warehouse-keeper's certificate, warrant or order for delivery, or any other document of title to goods, may make a valid pledge of such goods, or document: Provided that the pawnee acts in good faith and under circumstances which are not such as to raise a reasonable presumption that the pawnor is acting improperly.

Provided also that such goods or documents have not been obtained from their lawful owner or from any person in lawful custody of them by means of an offence or fraud.



179. Where a person pledges goods in which he has only a limited interest, the pledge is valid to the extent of that interest.

Pledge where pledgor has only a limited interest.

#### SUITS BY BAILEES OR BAILORS AGAINST WRONGDOERS.

180. If a third person wrongfully deprives the bailee of the use or possession of the goods bailed, or does them any injury, the bailee is entitled to use such remedies as the owner might have used in the like case if no bailment had been made, and either the bailor or the bailee may bring a suit against a third person for such deprivation or injury.

Suits by bailor or bailee against wrongdoers.

181. Whatever is obtained by way of relief or compensation in any such suit shall, as between the bailor and the bailee, be dealt with according to their respective interests.

Apportionment of proceeds of such suits.

### CHAPTER X.

#### AGENCY.

##### APPOINTMENT AND AUTHORITY OF AGENTS.

182. An agent is a person employed to do any act for another, or to represent another in dealings with third persons. The person for whom such act is done, or who is so represented, is called the principal.

'Agent' and 'principal' defined.

183. Any person who is of the age of majority according to the law to which he is subject, and who is of sound mind, may employ an agent.

Who may be a principal.

184. As between the principal and third persons, any person may become an agent; but no person who is not of the age of majority and of sound mind can become an agent, so as to be responsible to his principal according to the provisions in that behalf herein contained.

Who may be an agent.

185. No consideration is necessary to create an agency.

Agency created without consideration.

186. The authority of an agent may be expressed or implied.

Agent's authority may be expressed or implied.

187. An authority is said to be express when it is given by words spoken or written. An authority is said to be implied when it is to be inferred from the circumstances of the case; and things spoken or written or the ordinary course of dealing may be accounted circumstances of the case.

Definitions of expressed and implied authority.

##### Illustration.

A owns a shop in Serampore, living himself in Calcutta, and visiting the shop occasionally. The shop is managed by B, and he is in the habit of ordering goods from C in the name of A for the purposes of the shop, and of paying for them out of A's funds with A's knowledge. B has an implied authority from A, to order goods from C in the name of A for the purposes of the shop.

188. An agent having an authority to do any act, has authority to do every lawful thing which is necessary in order to do such act.

Extent of agent's authority.

An agent having an authority to carry on any business, has authority to do every lawful thing necessary for the purpose of or usually done in the course of conducting such business.

##### Illustrations.

(a.) A is employed by B, residing in London, to recover at Bombay a debt due to B. A may adopt any legal process necessary for the purpose of recovering the debt, and may give a valid discharge for the same.

(b.) A constitutes B his agent to carry on his business of a ship-builder. B may purchase timber and other materials, and hire workmen for the purpose of carrying on the business.

189. An agent has authority in an emergency to do all such acts for the purpose of protecting his principal from loss as would be done by a person of ordinary prudence in his own case under similar circumstances.

Agent's authority in an emergency.

##### Illustrations.

(a.) Agent for sale may have goods repaired.

(b.) A consigns provisions to B at Calcutta, with directions to send them immediately to C at Cuttack. B may sell the provisions at Calcutta if they will not bear the journey without spoiling.

#### SUB-AGENTS.

190. An agent cannot lawfully employ another to perform acts which he has expressly or impliedly undertaken to perform personally, unless by the ordinary custom of trade a sub-agent may, or, from the nature of the agency, a sub-agent must be employed.

When agent cannot delegate.

191. A sub-agent is a person employed by and acting under the control of the original agent in the business of the agency.

'Sub-agent' defined.

192. Where a sub-agent is properly appointed, the principal is, so far as regards third persons, represented by the sub-agent, and is bound by and responsible for his acts, as if he were an agent originally appointed by the principal. The agent is responsible to the principal for the acts of the sub-agent. The sub-agent is responsible for his acts to the agent but not to the principal, except in cases of fraud or wilful wrong.

Representation of principal by sub-agent properly appointed.

193. Where an agent, without having authority to do so, has appointed a person to act as a sub-agent, the agent stands in the relation of a principal to an agent, and is responsible for his acts both to the principal and to third persons, and the principal is not represented by or responsible for the acts of the person so employed, nor is that person responsible to the principal.

Agent's responsibility for sub-agent appointed without authority.

194. Where an agent, holding an express or implied authority to name another person to act for the principal in the business of the agency, has named another person accordingly, such person is not a sub-agent, but an agent of the principal for such part of the business of the agency as is entrusted to him.

Relation between principal and person to whom agency is duly delegated.



*Illustrations.*

(a.) A directs B, his solicitor, to sell his estate by auction and to employ an auctioneer for the purpose. B names C, an auctioneer, to conduct the sale. C is not a sub-agent, but is A's agent, for the conduct of the sale.

(b.) A authorizes B, a merchant in Calcutta, to recover the monies due to A from C & Co. B instructs D, a solicitor, to take legal proceedings against C & Co. for the recovery of the money. D is not a sub-agent, but is solicitor for A.

195. In selecting such agent for his principal, an agent is bound to exercise the same amount of discretion as a man of ordinary prudence would exercise in his own case, and if he does this he will not be responsible to the principal for the acts or negligence of the agent so selected.

*Illustrations.*

(a.) A instructs B, a merchant, to buy a ship for him. B employs a ship-surveyor of good reputation to choose a ship for A. The surveyor makes the choice negligently and the ship turns out to be unseaworthy and is lost. B is not, but the surveyor is, responsible to A.

(b.) A consigns goods to B, a merchant, for sale. B, in due course, employs an auctioneer in good credit to sell goods of A, and allows the auctioneer to receive the proceeds of the sale. The auctioneer afterwards becomes insolvent without having accounted for the proceeds. B is not responsible to A for the proceeds.

## RATIFICATION.

196. Where acts are done by one person on behalf of another, but without his knowledge, or authority, he may elect to ratify or to disown such acts. If he ratify them, the same effects will follow as if they had been performed by his authority.

197. Ratification may be expressed or may be implied in the conduct of the persons on whose behalf the acts are done.

*Illustrations.*

(a.) A, without authority, buys goods for B. Afterwards B sells them to C on his own account; B's conduct implies a ratification of the purchase made for him by A.

(b.) A, without B's authority, lends B's money to C. Afterwards B accepts interest on the money from C. B's conduct implies a ratification of the loan.

198. No valid ratification can be made by a person whose knowledge of the facts of the case is materially defective.

199. A person, ratifying any unauthorized act done on his behalf, ratifies the whole of the transaction of which such act formed a part.

200. An act done by one person on behalf of another, without such other person's authority, which, if done with authority, would have the effect of subjecting a third person to damages or of terminating any right or interest of a third person, cannot by ratification be made to have such effect.

*Illustrations.*

(a.) A, an unauthorized person, requires on account of B the owner of a chattel, the delivery of the chattel to B. This demand cannot be ratified by B, so as to make the holder liable for damages for default.

(b.) A holds a lease from B, terminable on three months' notice. C, an unauthorized person, gives notice of termination to A. The notice cannot be ratified by B so as to be binding on A.

## REVOCATION OF AUTHORITY.

201. An agency is terminated by the principal revoking his authority or by the agent renouncing the business of the agency or by the business of agency the being completed, or by either the principal or agent dying or becoming of unsound mind: or by the principal being adjudicated an insolvent under the provisions of any Act for the time being in force for the relief of insolvent debtors.

202. Where the agent has himself an interest in the property which forms the subject-matter of the agency, the agency cannot, in the absence of an express contract, be terminated to the prejudice of such interest.

*Illustrations.*

(a.) A gives authority to B to sell A's land, and to pay himself out of the proceeds the debts due to him from A. A cannot revoke this authority, nor can it be terminated by his insanity or death.

(b.) A consigns 1,000 bales of cotton to B, who has made advances to him on such cotton, and desires B to sell the cotton, and to repay out of the price the amount of his own advances. A cannot revoke this authority, nor is it terminated by his insanity or death.

203. The principal may, save as is otherwise provided by the last preceding section, revoke the authority given to his agent at any time before the authority has been exercised so as to bind the principal.

204. The principal cannot revoke the authority given to his agent after the authority has been partly exercised, so far as regards such acts and obligations as arise from acts already done in the agency.

*Illustrations.*

(a.) A authorizes B to buy 1,000 bales of cotton on account of A, and to pay for it out of A's monies remaining in his hands. B buys 1,000 bales of cotton in his own name, so as to make himself personally liable for the price. A cannot revoke B's authority so far as regards payment for the cotton.

(b.) A authorizes B to buy 1,000 bales of cotton on account of A and to pay for it out of A's monies remaining in B's hands. B buys 1,000 bales of cotton in A's name, and so as not to render himself personally liable for the price. A can revoke B's authority to pay for the cotton.

205. Where there is an express or implied contract that the agency should be continued for any period of time, the principal must make compensation to the agent, or the agent to the principal, as the case may be, for any previous revocation or renunciation of the agency without sufficient cause.

206. Reasonable notice must be given of such revocation or renunciation, or the damage there-by resulting to the principal or the agent, as the case may be, must be made good to him by the other.



207. Revocation and renunciation may be expressed or may be implied in the conduct of the principal or agent respectively.

Revocation and renunciation may be expressed or implied.

*Illustration.*

A empowers B to let A's house. Afterwards A lets it himself. This is an implied revocation of B's authority.

208. The termination of the authority of an agent does not, so far as regards the agent, take effect before it becomes known to him, or, so far as regards third persons, before it becomes known to them.

When termination of agent's authority takes effect.

*Illustrations.*

(a.) A directs B to sell goods for him, and agrees to give B five per cent. commission on the price fetched by the goods. A afterwards by letter revokes his authority. B, after the letter is sent, but before he receives it, sells the goods for 100 rupees. The sale is binding on A, and B is entitled to five rupees as his commission.

(b.) A, at Madras, by letter directs B to sell some cotton lying in a warehouse in Bombay for him, and afterwards by letter revokes his authority to sell, and directs B to send the cotton to Madras. B, after receiving the second letter, enters into a contract with C, who knows of the first letter, but not of the second, for the sale to him of the cotton. C pays B the money, with which B absconds. C's payment is good as against A.

(c.) A directs B, his agent, to pay certain money to C. A dies and D takes out probate to his will. B, after A's death, but before hearing of it, pays the money to C. The payment is good as against D, the executor.

209. When an agency is terminated by the principal dying or becoming of unsound mind, the agent is bound to take all reasonable steps for the protection and preservation of the interests entrusted to him on behalf of the representatives of his late principal.

Agent's duty on termination of agency by principal's death or insanity.

210. The termination of the authority of an agent causes the termination of the authority of all sub-agents appointed by him, subject to the rules herein contained regarding the termination of an agent's authority.

Termination of sub-agent's authority.

AGENT'S DUTY TO PRINCIPAL.

211. An agent is bound to conduct the business of his principal according to the directions given by the principal, or, in the absence of any such directions, according to the custom which prevails in doing business of the same kind at the place where the agent conducts such business. When the agent acts otherwise, if any loss be sustained, he must make it good to his principal, and if any profit accrues he must account for it.

Agent's duty in conducting principal's business.

*Illustrations.*

(a.) A, an agent engaged in carrying on for B a business in which it is the custom to invest from time to time at interest the monies which may be in hand, omits to make such investment. A must make good to the principal the interest usually obtained by such investments.

(b.) B, a broker, in whose business it is not the custom to sell on credit, sells goods of A on credit to C, whose credit at the time was very high. C, before payment, becomes insolvent. B must make good the loss to A.

212. An agent is bound to conduct the business of the agency with as much skill as is generally possessed by persons

Skill and diligence required from agent.

engaged in similar business, unless the principal has notice of his want of skill. The agent is always bound to act with reasonable diligence, and to use such skill as he possesses; and to make compensation to his principal in respect of the direct consequences of his own neglect, want of skill, or misconduct, but not in respect of loss or damage which are indirectly or remotely caused by such neglect, want of skill, or misconduct.

*Illustrations.*

(a.) A, a merchant in Calcutta, has an agent B in London, to whom a large sum of money is paid on A's account, with orders to remit. B retains the money for a considerable time. A in consequence of not receiving the money, becomes insolvent. B is liable for the money and interest from the day on which it ought to have been paid according to the usual rate, and for any further direct loss as, e.g., by variation of rate of exchange, but not further.

(b.) A, an Agent for the sale of goods, having authority to sell on credit, sells to B, on credit, without making the proper and usual inquiries as to the solvency of B. B, at the time of such sale, is insolvent. A must make compensation to his principal in respect of any loss thereby sustained.

(c.) A, an insurance broker employed by B, to effect an insurance on a ship, omits to see that the usual clauses are inserted in the policy. The ship is afterwards lost. In consequence of the omission of the clauses nothing can be recovered from the underwriters. A is bound to make good the loss to B.

(d.) A, a merchant in England, directs B, his agent at Bombay, who accepts the agency, to send him 100 bales of cotton by a certain ship. B, having it in his power to send the cotton, omits to do so. The ship arrives safely in England. Soon after her arrival the price of cotton rises. B is bound to make good to A the profit which he might have made by the 100 bales of cotton at the time the ship arrived, but not any profit he might have made by the subsequent rise.

213. An agent is bound to render proper accounts to his principal on demand.

Agent's accounts.

214. It is the duty of an agent in cases of difficulty to use all reasonable diligence in communicating with his principal, and in seeking to obtain his instructions.

Agent's duty to communicate with principal.

215. If an agent deals on his own account in the business of the agency without first obtaining the consent of the principal, and acquainting him with all material circumstances which have come to his own knowledge on the subject, the principal may repudiate the transaction if the case show either that any material fact has been dishonestly concealed from him by the agent, or that the dealings of the agent have been disadvantageous to him.

Agent dealing on his own account in business of agency without principal's consent.

*Illustrations.*

(a.) A directs B to sell A's estate. B buys the estate for himself in the name of C. A, on discovering that B has bought the estate for himself, may repudiate the sale if he can show that B has dishonestly concealed any material fact, or that the sale has been disadvantageous to him.

(b.) A directs B to sell A's estate. B on looking at the estate before selling it, finds a mine on the estate which is unknown to A. B informs A that he wishes to buy the estate for himself, but conceals the discovery of the mine.

A allows B to buy, in ignorance of the existence of the mine. A, on discovering that B knew of the mine at the time he bought the estate, may either repudiate or adopt the sale at his option.



*Illustrations.*

(a.) B, at Singapore, under instructions from A of Calcutta, contracts with C to deliver certain goods to him. A does not send the goods to B and C sues B for breach of contract. B informs A of the suit, and A authorizes him to defend the suit. B defends the suit, and is compelled to pay damages and costs, and incurs expenses. A is liable to B for such damages, costs, and expenses.

(b.) B, a broker at Calcutta, by the orders of A, a merchant there, contracts with C for the purchase of 10 casks of oil for A. Afterwards A refuses to receive the oil, and C sues B. B informs A, who repudiates the contract altogether. B defends, but unsuccessfully, and has to pay damages and costs and incurs expenses. A is liable to B for such damages, costs, and expenses.

223. Where one person employs another to do an act, and the agent does the act in good faith the employer is liable to indemnify the agent against the consequences of that act, though it cause an injury to the rights of third persons.

*Illustrations.*

(a.) A, a decree-holder and entitled to execution of B's goods, requires the officer of the Court to seize certain goods representing them to be the goods of B. The officer seizes the goods, and is sued by C, the true owner of the goods. A is liable to indemnify the officer for the sum he is compelled to pay to C, in consequence of obeying A's directions.

(b.) B, at request of A sells goods in the possession of A, but which A had no right to dispose of. B does not know this, and hands over the proceeds of the sale to A. Afterwards C, the true owner of the goods, sues B and recovers the value of the goods and costs. A is liable to indemnify B for what he has been compelled to pay to C, and for B's own expenses.

224. Where one person employs another to do an act which is criminal, the employer is not liable to the agent, either upon an express or an implied promise, to indemnify him against the consequences of that act.

*Illustrations.*

(a.) A employs B to beat C, and agrees to indemnify him against all consequence of the act. B thereupon beats C, and has to pay damages to C for so doing. A is not liable to indemnify B for those damages.

(b.) B, the proprietor of a newspaper, publishes, at A's request, a libel upon C in the paper, and A agrees to indemnify B against the consequences of the publication, and all costs and damages of any action in respect thereof. B is sued by C and has to pay damages, and also incurs expenses. A is not liable to B upon the indemnity.

225. The principal must make compensation to his agent in respect of injury caused to such agent by the principal's neglect or want of skill.

*Illustration.*

A employs B as a bricklayer in building a house, and puts up the scaffolding himself. The scaffolding is unskillfully put up, and B is in consequence hurt. A must make a compensation to B.

**EFFECT OF AGENCY ON CONTRACTS WITH THIRD PERSONS.**

226. Contracts entered into through an agent and obligations arising from acts done by an agent, may be enforced in the same manner, and will have the same legal consequences as if the contracts had been entered into and the acts done by the principal in person.

216. If an agent without the knowledge of his principal deals in the business of the agency on his own account instead of on account of his principal, the principal is entitled to claim from the agent any benefit which may have resulted to him from the transaction.

*Illustration.*

A directs B, his agent, to buy a certain house for him. B tells A it cannot be bought and buys the house for himself. A may, on discovering that B has bought the house compel him to sell it to A at the price he gave for it.

217. An agent may retain, out of any sums received on account of the principal in the business of the agency, all monies due to himself in respect of advances made or expenses properly incurred by him in conducting such business, and also such remuneration as may be payable to him for acting as agent.

218. Subject to such deductions, the agent is bound to pay to his principal all sums received on his account.

219. In the absence of any contract to the contrary, payment for the performance of any act is not due to the agent until the completion of such act; but an agent may detain moneys received by him on account of goods sold, although the whole of the goods consigned to him for sale may not have been sold, or although the sale may not be actually complete.

220. An agent who is guilty of misconduct in the business of the agency, is not entitled to any remuneration in respect of that part of the business which has been so misconducted.

*Illustrations.*

(a.) A employs B to recover 1,00,000 rupees from C, and lay it out on good security. B recovers the 1,00,000 rupees and lays out 90,000 rupees on good security, but lays out 10,000 rupees on security, which he ought to have known to be bad, whereby A loses 2,000 rupees. B is entitled to remuneration for recovering the 1,00,000 rupees, and for investing the 90,000 rupees. He is not entitled to any remuneration for investing the 10,000 rupees, and he must make good the 2,000 rupees to B.

(b.) A employs B to recover 1,000 rupees from C. Through B's misconduct the money is not recovered. B is entitled to no remuneration for his services, and must make good the loss.

221. In the absence of any contract to the contrary, an agent is entitled to retain goods, papers, and other property, whether moveable, or immovable, of the principal received by him, until the amount due to himself for commission, disbursements, and services in respect of the same has been paid or accounted for to him.

**PRINCIPAL'S DUTY TO AGENT.**

222. The employer of an agent is bound to indemnify him against the consequences of all lawful acts done by him in exercise of the authority conferred upon him.

Agent's indemnity against consequences of lawful acts.



*Illustrations.*

(a.) A buys goods from B, knowing that he is an agent for their sale, but not knowing who is the principal. B's principal is the person entitled to claim from A the price of the goods, and A cannot, in a suit by the principal, set-off against that claim a debt due to himself from B.

(b.) A being B's agent with authority to receive money on his behalf, receives from C a sum of money due to B. C is discharged of his obligation to pay the sum in question to B.

227. When an agent does more than he is authorized to do, and when agent exceeds the part of what he does which is within his authority can be separated from the part which is beyond his authority, so much only of what he does as is within his authority is binding as between him and his principal.

*Illustration.*

A being owner of a ship and cargo, authorizes B to procure an insurance for 4,000 rupees on the ship. B procures a policy for 4,000 rupees on the ship, and another for the like sum on the cargo. A is bound to pay the premium for the policy on the ship, but not the premium for the policy on the cargo.

228. Where an agent does more than he is authorized to do, and what authority is not separated of his authority cannot be separated from what is within it, the principal is not bound to recognize the transaction.

*Illustration.*

A authorizes B to buy 500 sheep for him. B buys 500 sheep and 200 lambs for one sum of 6,000 rupees. A may repudiate the whole transaction.

229. Any notice given to or information obtained by the agent, provided it be given or obtained in the course of the business transacted by him for the principal, shall, as between the principal and third parties, have the same legal consequence as if it had been given to or obtained by the principal.

*Illustrations.*

(a.) A is employed by B to buy from C certain goods of which C is the apparent owner, and buys them accordingly. In the course of the treaty for the sale A learns that the goods really belonged to D, but B is ignorant of that fact. B is not entitled to set-off a debt owing to him from C against the price of the goods.

(b.) A is employed by B to buy from C goods of which C is the apparent owner. A was, before he was so employed, a servant of C, and then learnt that the goods really belonged to D, but B is ignorant of that fact. In spite of the knowledge of his agent, B may set-off against the price of the goods a debt owing to him from C.

230. In the absence of any contract to the contrary, an agent cannot personally enforce contracts entered into by him on behalf of his principal, nor is he personally bound by them.

Such a contract shall be presumed to exist in the following cases:—

- (1.) Where the contract is made by an agent for the sale or purchase of goods for a merchant resident abroad.
- (2.) Where the agent does not disclose the name of his principal.
- (3.) Where the principal, though disclosed, cannot be sued.

231. If an agent makes a contract with a person who neither knows, nor has reason to suspect, that he is an agent, his principal may require the performance of the contract, but the other contracting party has the same rights as against the principal as he would have had as against the agent if the agent had been principal.

Rights of parties to a contract made by agent not disclosed.

If the principal discloses himself before the contract is completed, the other contracting party may refuse to fulfil the contract, if he can show that, if he had known who was the principal in the contract, or if he had known that the agent was not a principal, he would not have entered into the contract.

232. Where one man makes a contract with another, neither knowing nor having reasonable ground to suspect that the other is an agent, the principal, if he requires the performance of the engagement, can only obtain it, subject to the rights and obligations subsisting between the agent and the other party to the contract.

Performance of contract with agent supposed to be principal.

*Illustration.*

A, who owes 500 rupees to B, sells 1,000 rupees' worth of rice to B. A is acting as agent for C in the transaction, but B has no knowledge nor reasonable ground of suspicion that such is the case. C cannot compel B to take the rice without allowing him to set-off A's debt.

233. In cases where the agent is personally liable, a person dealing with him may hold either him or his principal, or both of them, liable.

Principal's liability where agent personally liable.

*Illustration.*

A enters into a contract with B to sell him 100 bales of cotton, and afterwards discovers that B was acting as agent for C. A may sue either B or C, or both, for the price of the cotton.

234. When a person who has made a contract with an agent induces the agent to act upon the belief that the principal only will be held liable, or induces the principal to act upon the belief that the agent only will be held liable he cannot afterwards hold liable the agent or principal respectively.

235. A person untruly representing himself to be the authorized agent of another, and thereby inducing a third person to deal with him as such agent, is liable, if his supposed employer does not ratify his acts, to make compensation to the other in respect of any loss or damage which he has incurred by so dealing.

236. A person, with whom a contract has been entered into in the character of agent, is not entitled to require the performance of it, if he was in reality acting not as agent but on his own account.

Person falsely contracting as agent, not entitled to performance.

237. When an agent has without authority done acts or incurred obligations to third persons on behalf of his principal, the principal is bound by such acts or obligations if he had by his words or conduct induced such



persons to believe that such acts and obligations were within the scope of the agent's authority.

*Illustrations.*

(a.) A consigns goods to B for sale, and gives him instructions not to sell under a fixed price. C, being ignorant of B's instructions, enters into a contract with B to buy the goods at a price lower than the reserved price. A is bound by the contract.

(b.) A entrusts B with negotiable instruments endorsed in blank. B sells them to C in violation of private orders from A. The sale is good.

238. Misrepresentations made, or frauds committed, by agents acting in the course of their business for their principals, have the same effect on agreements made by such agents as if they had been made or committed by the principals; but misrepresentations made, and frauds committed, by agents, in matters, which do not fall within their authority, do not affect their principals.

*Illustrations.*

(a.) A, being B's agent for the sale of goods, induces C to buy them by a misrepresentation which he was not authorized to make by B. The contract is voidable as between B and C at the option of C.

(b.) A, the Captain of B's ship, signs bills of lading without having received on board the goods mentioned therein. The bills of lading are void as between B and the pretended consignee.

CHAPTER IX.  
OF PARTNERSHIP.

239. Partnership is the relation which subsists between persons who have agreed to combine their property, labour, or skill in some business, and to share the profits thereof between them.

Persons who have entered into partnership with one another are called collectively a firm.

*Illustrations.*

(a.) A and B buy 100 bales of cotton, which they agree to sell for their joint account; A and B are partners in respect of such cotton.

(b.) A and B buy 100 bales of cotton, agreeing to share it between them. A and B are not partners.

(c.) A agrees with B, a goldsmith, to buy and furnish gold to B to be worked up by him and sold, and that they shall share in the resulting profit or loss. A and B are partners.

(d.) A and B agree to work together as carpenters, but that A shall receive all profits, and shall pay wages to B. A and B are not partners.

(e.) A and B are joint owners of a ship. This circumstance does not make them partners.

240. A loan to a person engaged or about to engage in any trade or undertaking upon a contract with such person that the lender shall receive interest at a rate varying with the profits, or that he shall receive a share of the profits, does not, of itself, constitute the lender a partner or render him responsible as such.

241. In the absence of any contract to the contrary, property left by a retiring partner or the representative of a deceased partner to be used in the business, is to be considered a loan within the meaning of the last preceding section.

242. No contract for the remuneration of a servant or agent of any person engaged in any trade or undertaking by a share of the profits of such trade or undertaking shall, of itself, render such servant or agent responsible as a partner therein nor give him the rights of a partner.

243. No person being a widow or child of a deceased partner of a trader and receiving by way of annuity a proportion of the profits made by such trader in his business, shall, by reason only of such receipt, be deemed to be a partner of such trader, or be subject to any liabilities incurred by him.

244. No person receiving by way of annuity or otherwise a portion of the profits of any business in consideration of the sale by him of the good-will of such business, shall by reason only of such receipt, be deemed to be a partner of the person carrying on such business, or be subject to his liabilities.

245. A person who has, by words spoken or written, or by his conduct, led another to believe that he is a partner in a particular firm is responsible to him as a partner in such firm.

246. Any one consenting to allow himself to be represented as a partner is liable as such to third persons who, on the faith thereof, give credit to the partnership.

247. A person who is under the age of majority, according to the laws to which he is subject, may be admitted to the benefits of partnership, but cannot be made personally liable for any obligation of the firm; but the share of such minor in the property of the firm is liable for the obligations of the firm.

248. A person who has been admitted to the benefits of partnership under the age of majority, becomes, on attaining that age, liable for all obligations incurred by the partnership since he was so admitted, unless he gives public notice within a reasonable time of his repudiation of the partnership.

249. Every partner is liable for all debts and obligations incurred in the usual course of business by or on behalf of the partnership while he is a partner; but a person who is admitted as a partner into an existing firm does not thereby become liable to the creditors of such firm for any thing done before he became a partner.

250. Every partner is liable to make compensation to third persons in respect of loss or damage arising from the neglect or fraud of any partner in the management of the business of the firm.



251. Each partner who does any act necessary for or usually done in carrying on the business of such a partnership as that of which he is a member, binds his co-partners to the same extent as if he were their agent duly appointed for that purpose.

Partner's power to bind co-partners.

*Exception.*—If it has been agreed between the partners that any restriction shall be placed upon the power of any one of them, no act done in contravention of such agreement shall bind the firm with respect to persons having notice of such agreement.

*Illustrations.*

(a) A and B trade in partnership—A residing in England and B in India. A draws a bill of exchange in the name of the firm. B has no notice of the bill, nor is he at all interested in the transaction. The firm is liable on the bill, provided the holder did not know of the fraud.

(b) A, being one of a firm of solicitors and attorneys draws a bill of exchange in the name of the firm without authority. The other partners are not liable on the bill.

(c) A and B carry on business in partnership as bankers; a sum of money is received by A on behalf of the firm. A does not inform B of such payment, and afterwards A appropriates the money to his own use. The partnership is liable to make good the money.

(d) A and B are partners. A, with the intention of cheating B, goes to a shop and purchases articles on behalf of the firm such as might be used in the ordinary course of the partnership business, and converts them to his own separate use, there being no collusion between him and the seller. The firm is liable for the price of the goods.

252. Where partners have by contract regulated and defined as between themselves their rights and obligations; such contract can be annulled or altered only by consent of all of them, which consent must either be expressed or be implied from a uniform course of dealing.

Annulment of contract defining partners' rights and obligations.

*Illustration.*

A, B and C intending to enter into partnership execute written articles of agreement, by which it is stipulated that the net profits arising from the partnership business shall be equally divided between them. Afterwards they carry on the partnership business for many years, A, receiving one-half of the net profits, and the other half being divided equally between B and C. All parties know of and acquiesce in this arrangement. This course of dealing supersedes the provision in the articles as to the division of profits.

253. In the absence of any contract to the contrary, the relations of the partners to each other are determined by the following rules:—

General rule determining partner's mutual relations.

(1.) All partners are joint owners of all property originally brought into the partnership stock, or bought with money belonging to the partnership, or acquired for purposes of the partnership business. All such property is called partnership property. The share of each partner in the partnership property is the value of his original contribution, increased or diminished by his share of profit or loss.

(2.) All partners are entitled to share equally in the profits of the partnership business, and must contribute equally towards the losses sustained by the partnership.

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- (3.) Each partner has a right to take part in the management of the partnership business.
- (4.) Each partner is bound to attend diligently to the business of the partnership, and is not entitled to any remuneration for acting in such business.
- (5.) When differences arise as to ordinary matters connected with the partnership business, the decision shall be according to the majority of the partners; but no change in the nature of the business of the partnership can be made, except with the consent of all the partners.
- (6.) No person can introduce a new partner into a firm without the consent of all the partners.
- (7.) If from any cause whatsoever, any member of a partnership ceases to be so, the partnership is dissolved as between all the other members.
- (8.) Unless the partnership has been entered into for a fixed term, any partner may retire from it at any time.
- (9.) Where a partnership has been entered into for a fixed term, no partner can during such term retire, except with the consent of all the partners, nor can he be expelled by his partners for any cause whatever, except by order of Court.
- (10.) Partnerships, whether entered into for a fixed term or not, are dissolved by the death of any partner.

254. At the suit of a partner the Court may when Court may dissolve the partnership solve partnership. in the following cases:—

- (1.) When a partner becomes of unsound mind.
- (2.) When a partner other than the person suing has been adjudicated an insolvent under any law relating to insolvent debtors.
- (3.) When a partner other than the person suing has done any act by which the whole interest of such partner is legally transferred to a third person.
- (4.) When any partner becomes incapable of performing his part of the partnership contract.
- (5.) When a partner other than the person suing is guilty of gross misconduct in the affairs of the partnership or towards his partners
- (6.) When the business can only be carried on at a loss.

255. A partnership is in all cases dissolved by its business being prohibited by law.

256. If a partnership entered into for a fixed term be continued after such term has expired, the rights and obligations of the partners will, in the absence of any agreement to the contrary, remain the same as they were at the expiration

Dissolution of partnership by prohibition of business.

Application of original terms to partnership continued under them.



of the term, so far as such rights and obligations can be applied to a partnership dissolvable at the will of any partner.

257. Partners are bound to carry on the business of the partnership for the greatest common advantage, to be just and faithful to each other, and to render true accounts and full information of all things affecting the partnership to any partner or his legal representatives.

258. A partner must account to the firm for any benefit derived from a transaction affecting partnership.

*Illustrations.*

(a.) A, B, and C are partners in trade. C, without the knowledge of A and B, obtains for his own sole benefit a lease of the house in which the partnership business is carried on. A and B are entitled to participate, if they please, in the benefit of the lease.

(b.) A, B, and C carry on business together in partnership as merchants, trading between Bombay and London. D, a merchant in London, to whom they make their consignments, secretly allows C a share of the commission which he receives upon such consignments, in consideration of C's using his influence to obtain the consignments for him. C is liable to account to the firm for the money so received by him.

259. If a partner, without the knowledge and consent of the other partners, carries on any business competing or interfering with that of the firm, he must account to the firm for all profits made in such business, and must make compensation to the firm for any loss occasioned thereby.

260. Every person introduced as a partner into a pre-existing firm, is subject to all the obligations incurred by the firm before he was introduced.

261. A continuing guarantee, given either to a firm or to a third person, in respect of the transactions of a firm, is, in the absence of agreement to the contrary, revoked as to future transactions by any change in the constitution of the firm, to which, or in respect of the transactions of which, such guarantee was given.

262. The estate of a partner who has died is not liable in respect of any obligation incurred by the firm after his death in the absence of agreement to the contrary.

263. Where there are joint debts due from the partnership, and also separate debts due from any partner, the partnership property must be applied in the first instance in payment of the debts of the firm, and if there is any surplus, then the share of each partner must be paid to him or applied in payment of his separate debts. The separate property of any partner must be applied first in the payment of his separate debts, and the surplus (if any) in the payment of the debts of the firm.

264. After a dissolution of partnership, the rights and obligations of the partners continue in all things necessary for winding up the business of the partnership.

265. Persons dealing with a firm will not be affected by a dissolution of which no public notice has been given, unless they had themselves notice of such dissolution.

266. In the absence of any contract to the contrary, after the termination of a partnership, each partner or his representatives may apply to the Court to wind up the business of the firm, to provide for the payment of its debts, and to distribute the surplus according to the shares of the partners respectively.

*Explanation.*—The Court in this section means a Court not inferior to the Court of a District Judge within the local limits of whose jurisdiction the place or principal place of business of the firm is situated.

267. Extraordinary partnerships, such as partnerships with limited liability, incorporated partnerships, and joint-stock companies, shall be regulated by the law now in force in India relating thereto, until further provision shall be made in that behalf.

SCHEDULE.

ENACTMENTS REPEALED.

*Statutes.*

No. and year of Statute Act.	TITLE.	Extent of repeal.
Stat. 29 Car. 2, cap. 3.	An Act for prevention of Frauds and Perjuries . . . .	Sections 1, 2, 3, 4, and 17.
Stat. 11 & 12 Vic., cap. 21.	To consolidate and amend the law relating to insolvent debtors in India.	Section 42.



## SCHEDULE—continued,

## ENACTMENTS REPEALED—continued.

No. and year of Act.	TITLE.	Extent of repeal.
Act XIII. of 1840 . . .	An Act for the amendment of the law regarding factors by extending to the territories of the East India Company, in cases governed by the English law, the provisions of the Stat. 4 Geo. iv. c. 83, as altered and amended by the Stat. 6 Geo. iv. c. 91.	The whole.
Act XIV. of 1840 . . . .	An Act for rendering a written memorandum necessary to the validity of certain promises and engagements by extending to the territories of the East India Company, in cases governed by English law, the provisions of Stat. 9 Geo. iv. cap. 14.	The whole, except section 4.
Act XXI. of 1848 . . . .	An Act for avoiding Wagers.	
Act V. of 1866 . . . . .	An Act to provide a summary procedure on bills of exchange, and to amend in certain respects the commercial law of British India.	Section 10.
Act XV. of 1866 . . . .	An Act to amend the law of Partnership in India.	The whole.

*Bombay Act.*

No. and year of Act.	TITLE.	Extent of repeal.
Act III. of 1865 . . . .	An Act to amend Act XXI. of 1848 (for avoiding wagers).	The whole.

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