

B.Com Hons. (Part 2 Paper-4)
Prof. (Dr.) Reyazuddin,
Chief Co-ordinator of Commerce and
Management,
Nalanda Open University, Patna.

Topic:--Consideration

CONSIDERATION

The life blood of every contract.



Introduction

- Section 2(d) of the Indian contract act 1872 defines consideration as follows: “when at the desire of the promises 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 to called a consideration for the promise”.
- Consideration is the price for which the promise of the other is bought, and the promise thus given for value is enforceable.

- An act- means doing of something.
- An abstinence- promising not to do something.
- A promise- the promise of each party is the consideration for each other

- It is 'quid pro quo' i.e. something in return.
- It is the price of promise.

X agrees to sell his TV set to Y for RS. 8000. TV set is the consideration of Y and RS. 8000 is the consideration of X.

Consideration in English law

- Consideration is an English common law concept within the law of contract, and is a necessity for simple contracts (but not for special contracts by deed). The concept of consideration has been adopted by other common law jurisdictions, including the US.
- Consideration can be anything of value (such as an goods, money, services, or promises of any of these), which each party gives as a quid pro quo to support their side of the bargain. Mutual promises constitute consideration for each other. If only one party offers consideration, the agreement is a "bare promise" and is unenforceable.

Essentials of valid consideration

- Consideration must move at the desire of the promisor.
- Consideration may move at the desire of the promisor.
- Consideration must be lawful.
- A contract must be supported by consideration.
- Stranger to the contract can not sue.
- Consideration may be past, present, future.
- There must be mutuality.
- Consideration must be competent and real.
- Consideration need not be adequate.

Types of consideration

- Present consideration
- Past consideration
- Future consideration

No consideration, no contract

- Agreement made on account of Natural love & affection [sec 25(1)]
- Agreement made to Compensation for past voluntary services [sec25(2)]
- Agreement to pay Time- barred debt [sec25(3)]
- Completed gifts [sec 25]
- In case of contract of Agency [sec 185]
- Contribution to charity

Thank

you

