



THE DOCTRINE OF CONSIDERATION: A KEY PILLAR OF THE INDIAN CONTRACT ACT, 1872

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INTRODUCTION

In the realm of contract law, the concept of consideration stands as a fundamental pillar that supports the validity and enforceability of agreements. The Indian Contract Act, 1872, which governs the formation and execution of contracts in India, places significant emphasis on this doctrine. Understanding consideration is crucial for anyone navigating the legal landscape of contracts, whether they are business professionals, legal practitioners, or everyday individuals entering into agreements. This article delves into the meaning, origin, nature, and judicial interpretations of consideration, shedding light on its vital role in the Indian legal framework. The phrase “**Quid pro quo**”, which is Latin for “something for something” or “this for that,” is often used to describe an exchange of goods, services, money, or anything else with perceived value. It encapsulates the basic principle of **promise for promise** in contract law. For example, “I offered to mow Sarah’s yard if she agreed to feed my cat while I was away” is a typical quid pro quo.

ORIGIN OF CONSIDERATION UNDER THE INDIAN CONTRACT ACT

The concept of consideration has its roots in **English common law**, where it was established as a fundamental principle of contract formation. The Indian Contract Act, 1872, was influenced by these principles but also adapted to the unique socio-economic context of India. The Act recognizes that consideration is not merely a formality but a crucial element that ensures fairness and reciprocity in contractual relationships.

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LEGAL PROVISIONS IN RELATION TO CONSIDERATION

The Indian Contract Act, 1872, outlines the legal framework for contracts in India. **Section 2(d)** of the Act defines consideration as:

“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, abstinence, or promise is termed as **consideration** to the promise. This definition encapsulates the essence of consideration, emphasizing that it is a reciprocal exchange that forms the basis of a contractual relationship.

MEANING AND DEFINITION OF CONSIDERATION

At its core, **consideration** refers to something of value that is exchanged between parties in a contract. It can take various forms, including money, services, goods, or even a promise to refrain from certain actions. The key aspect of consideration is that it must be something tangible or intangible that is recognized by law as having value. Without consideration, a contract may be deemed void or unenforceable, as it lacks the necessary element of mutual benefit.

The Core of the Definition

- *At the Desire of the Promisor*

Consideration must move from the desire of the promisor, meaning the promisor has a genuine intention behind the contract. For instance, in the case of a car sale, A decides on the consideration, and B cannot dictate it. If B does, it would likely form a counter-offer.

- *Promisee or Any Other Person*

This point differentiates Indian law from English law. In **Indian law**, **privity of consideration** is absent—meaning a stranger to the contract can enforce a promise. In English law, only the parties to the contract can sue.

Case Law: Chinnaya v. Ramayya (1882)

The Madras High Court held that in an agreement where consideration was furnished by a third party (the plaintiff's sister), the plaintiff could enforce the contract since under Indian law, consideration may be given by the promisee or anyone acting on their behalf.

- ***Has Done, Abstained, or Promised to Do Something***

The consideration can take different forms:

- a. **Past consideration:** Something done before the promise was made.
- b. **Present consideration:** Something done at the time the promise is made.
- c. **Future consideration:** A promise to do something in the future.

Something: The consideration can be anything of value: an act, abstinence, or a promise. However, it must not be illusory or without substance. If nothing is done or promised, it cannot be counted as valid consideration.

NATURE OF CONSIDERATION

Consideration possesses several distinctive characteristics:

1. **Bilateral:** There must be a mutual exchange between parties. Each party provides something of value to the other, creating mutual obligations.
2. **Lawful:** The consideration must be lawful, and agreements based on illegal considerations are void.
3. **Adequate:** While the law does not require consideration to be of equal value, it must be legally sufficient. The court generally does not assess the adequacy of consideration.
4. **Past, Present, or Future:** Consideration can be based on past, present, or future acts, but past consideration is valid only if it was given at the request of the promisor.

ESSENTIAL ELEMENTS OF CONSIDERATION

For consideration to be valid, it must meet certain essential criteria:

- **Must Move at the Desire of the Promisor:** The consideration must be provided at the request of the promisor, establishing a clear link between the promise and the consideration.
- **Must Be Real and Not Illusory:** The consideration must be real and capable of being performed. An illusory promise, lacking substance, cannot constitute valid consideration.
- **Must Be Sufficient:** While the law does not require consideration to be adequate, it must be sufficient in the eyes of the law.
- **Must Be Lawful:** As previously mentioned, consideration must not be illegal or against public policy.

JUDICIAL INTERPRETATION OF CONSIDERATION

Indian courts have played a pivotal role in interpreting the doctrine of consideration. Landmark judgments have clarified various aspects of consideration, reinforcing its importance in contract law. For example:

- In **Chinnappa v. State of Karnataka**, the Supreme Court emphasized that consideration must be lawful and not against public policy.
- In **Balfour v. Balfour**, the court highlighted the necessity of consideration in establishing enforceable agreements.

These judicial interpretations have helped shape the understanding of consideration, ensuring that it remains a dynamic and relevant aspect of contract law in India.

CONCLUSION

The doctrine of consideration is undeniably a cornerstone of the **Indian Contract Act, 1872**. It embodies the principles of reciprocity and fairness that underpin contractual relationships. By requiring that something of value be exchanged between parties, consideration ensures that contracts are not mere formalities but binding agreements reflecting the intentions of the parties involved. As we navigate the complexities of modern contracts, a solid understanding of

consideration will empower individuals and businesses to engage in meaningful and enforceable agreements, fostering trust and cooperation in the marketplace.

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