Q.1) In which of the following cases a proposal can be revoked when it is made by post?

a) Before the promise post his letter of acceptance

b) Till the letter of acceptance reaches the promises

c) Till the promise receives the acknowledgment that his letter of acceptance has been delivered to the promisor

d) Proposal once made cannot be revoked

Ans: A

Revocation of proposal and acceptance- Section 5



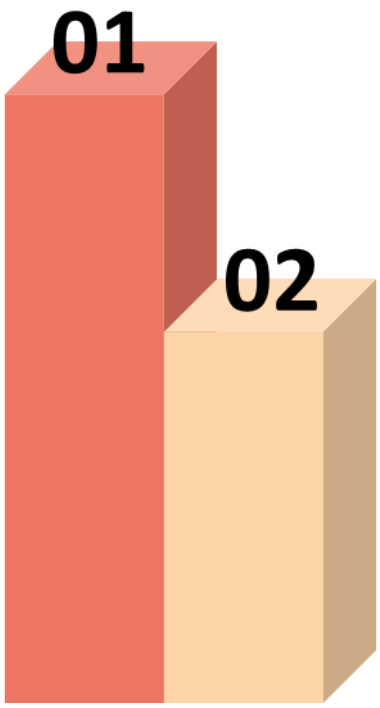
- **Section 5** of the Indian Contract Act a proposal may be **revoked** at any time **before the communication of its acceptance is complete as against the proposer,** but not afterward.



- **Ex**: If Alexa proposes, by a letter sent by post, to sell her House to Siri, in a letter sent, Alexa may **revoke her proposal at any time before** or at the moment Siri, posts her letter of acceptance, and not later.

Communication when completed- Section 4

- The **communication of an acceptance is complete:**
  - **As against the proposer,** when it **is put in a course of transmission** to him 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, 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.

Q.2) The delivery of goods by one person to another for some purpose, upon a contract that they shall, when the person is accomplished, be returned or otherwise disposed of according to the direction of the person delivering them, is a contract of

a) Guarantee

b) Bailment

c) Indemnity

d) None of these

Ans: B

Bailment- Section 148

- **Section 148** of the Indian Contract Act defined **bailment** as the delivery of goods by one person (the "**bailor**") to another (the "**bailee**") for some purpose, upon a contract that they shall,

- When the purpose is accomplished, the goods **are returned or otherwise disposed of according to the directions of the person delivering them**



New India Assurance Co Ltd Vs Delhi Development Authority
(1991) 2 PLR (Del Section) 82

Held:

- A truck kept in the parking center, upon a receipt for its safe-keeping for 24 hours, could not be returned and the owner of the center did not explain the same, so he was held liable.

Q.3) In which case fraud is committed by silence?

a) A did not disclose to B at the time of selling his car that he had stolen the car

b) A did not tell B at the time of selling wheat about its quality

c) A did not let B know the price of Silver was likely to fall at the time of selling Silver to him

d) A did not reveal to B at the time of sale that the new edition of the book had been published

Ans: A

Fraud- Section 17

- **Section 17** of the Indian Contract Act defines "**Fraud**" includes any of the following acts committed

- By a party to a contract
- With his connivance



- with **intent to deceive** another party thereto or his agent, or **induce him to enter into the contract**
- By his agent,

What is Fraud?

- False Promise
- False statement of Facts
- Any act to deceive



- Active Concealment of a Fact
- An act or omission, that is declared fraudulent, by the Law



Q.4) When the agreement is made by the creditor with the third person to give time to the principal debtor then

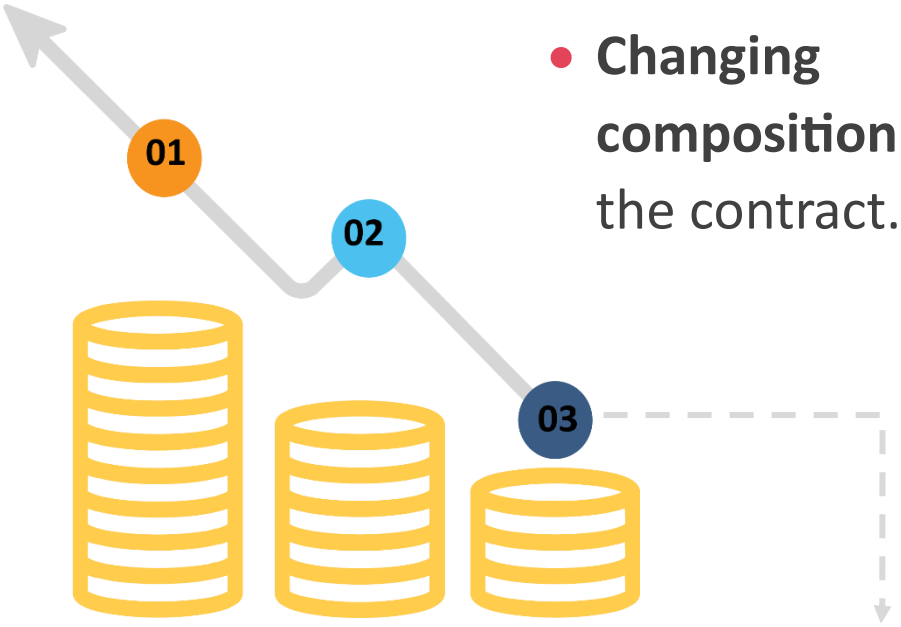
a) Discharges the surety
b) Does not discharge the surety
c) The third person is liable
d) None of these
Ans: B

Section 135 and Section 136 of ICA

- The agreement of the creditor to not sue the principal debtor has two variances:

Section 135 of ICA

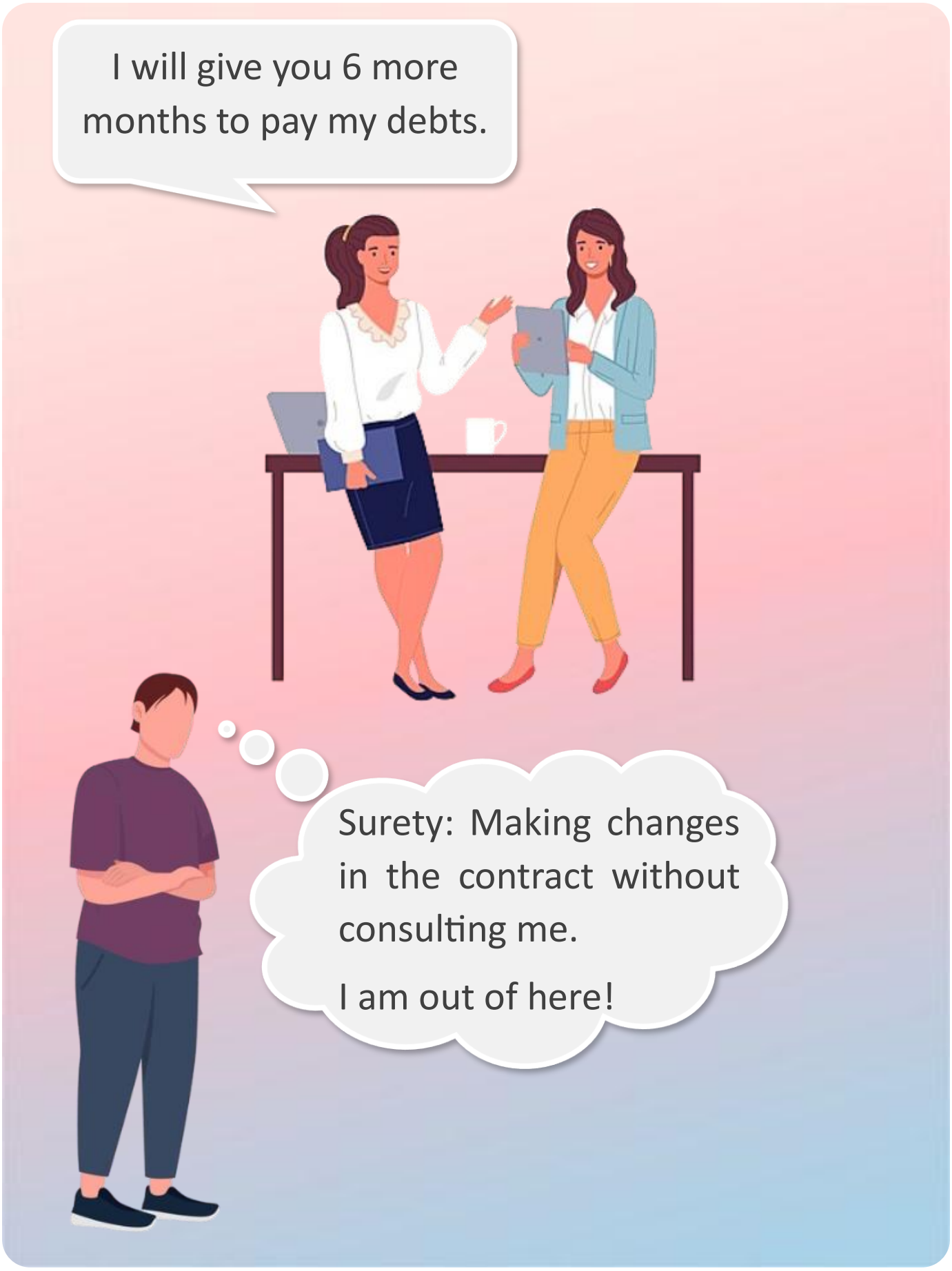
- The Contract between the **creditor** and a **principal debtor**:



- **Changing the composition** of the contract.

- Such a contract discharges the surety from any liability if the contract was made **without consultation with the surety.**

Example of Section 135 of ICA



Section 136 of ICA

01
- Contract between **creditor and third party to give time to the principal debtor.**

02
- This contract is not with the principal debtor.

03
- This contract **does not discharge the surety**.

04
- Here, the principal debtor is not making a contract with the creditor.

05
- Therefore, the liability attached to the surety from the principal debtor remains intact.



Q.5) 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

a) Discharges the surety

b) Discharges the surety unless the surety ascent to such contract

c) Does not discharge

d) None of these

Ans: B

Section 135 of ICA

- **Section 135** states that if a contract between the creditor and principal debtor **without the knowledge or consent of the surety**, then the surety gets discharged



- The contract can be for the following purpose:
  - **Composition:**
  - **Promise to give time**:

Bolton Vs Salmon
(1891) 2 Ch 48

Held:

- Composition inevitably involves a **variation of the original contract**, and therefore, the surety is discharged.

Samuel Vs Howarth
(1817) 36 E.R. 105

Held:

- The **creditor has no right to give time to the principal,** even though manifestly for the benefit of the surety, without the consent of the surety.



Q.6) Which of the following sections of the Indian Contract Act, 1872 deals with 'discharge of surety when creditor compounds with give time to, or agrees not to sue principal doctor'?

a) 134

b) 135

c) 136

d) 137

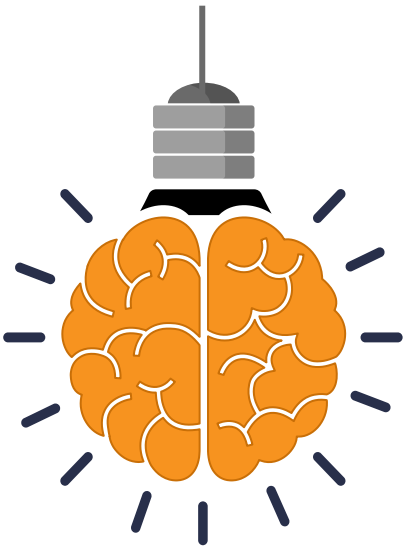
Ans: B

Section 135 of ICA

- **Section 135** states that a contract between the creditor and principal debtor without the knowledge or consent of the surety will discharge the surety from liabilities:



- **Change the composition**



- **Give more time to pay debt**



- **Promise not to sue the Principal**



- Consent of surety must not be there.
- **Composition=** variation in the contract
- The **intervention of the contract** which results in a compromise in decree does not mean the same thing as a change in composition; it does not discharge the surety.

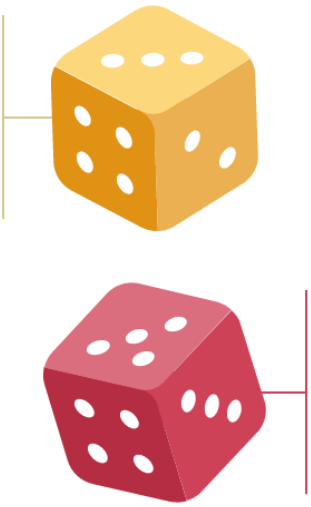
Bolton Vs Salmon
(1891) 2 Ch 48

Held:

- Composition inevitably involves a **variation of the original contract**, and therefore, the surety is discharged.

Section 134 of ICA

- **Section 134** the **surety is discharged**
- **By any contract** between the creditor and the principal debtor, by which the principal debtor is released, or

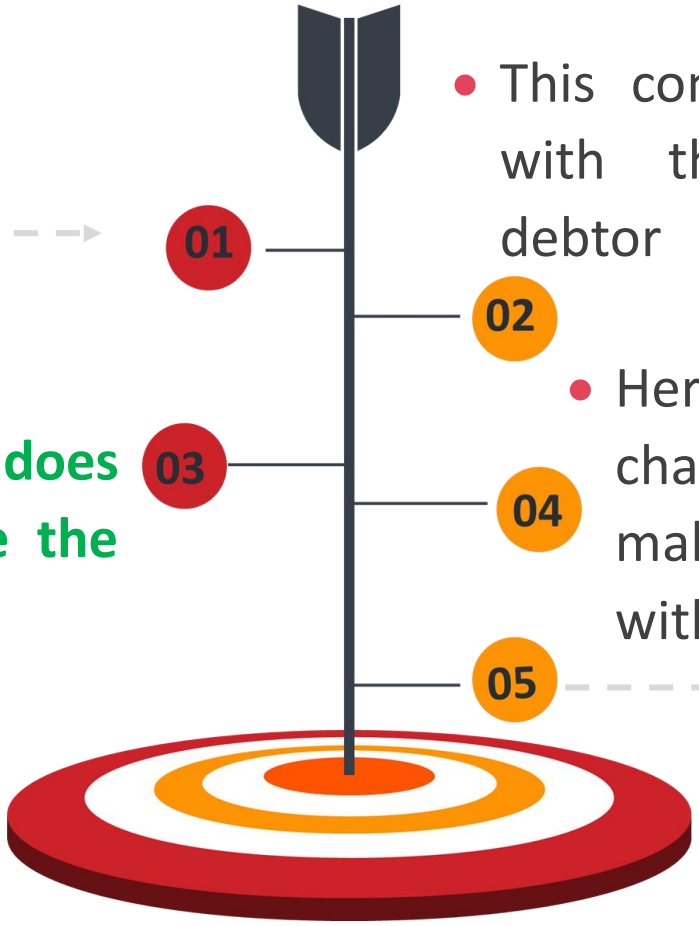


- **By an act or a mission of the creditor**, the legal consequence of which is the discharge of the principal debtor.



Section 136 of ICA

- Contract between the **creditor and third party** **to give time to the principal debtor**



- This contract is not with the principal debtor
- Here, the principal chapter is not making a contract with the creditor.
- This contract **does not discharge the surety**
- Therefore, the liability attached to the surety from the principal debtor remains intact.

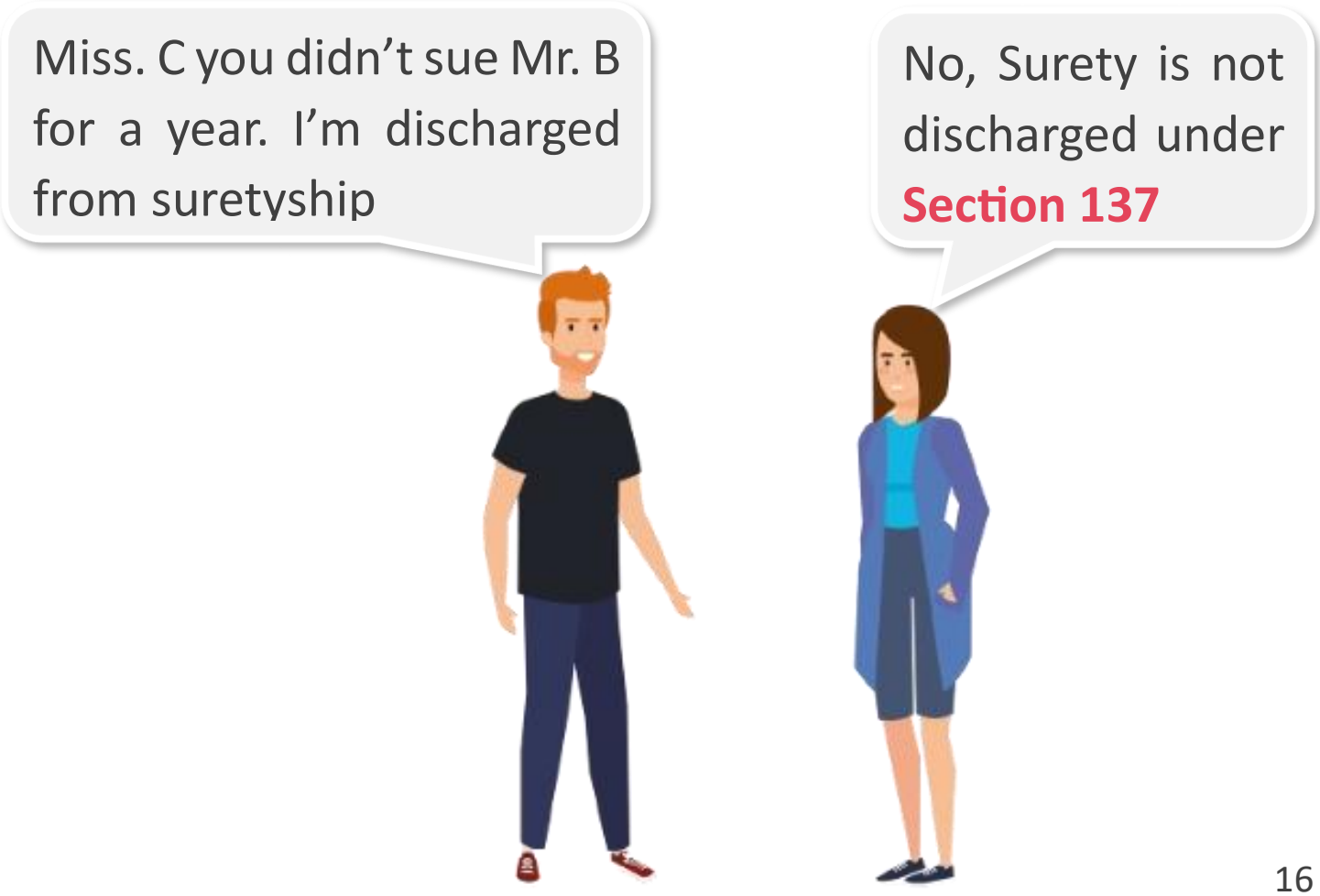
Section 137 of ICA



- **Mere forbearance on the part of the creditor** to sue the principal debtor or to enforce any other remedy against him **does not discharge the surety**.

Example of Section 137 of ICA

- If Mr. D owes Miss. C a debt guaranteed by Mr. W. The debt becomes payable. Miss. C does not sue Mr. B for a year after the debt has become payable. Then, **Mr. W is not discharged from his suretyship.**



Q.7) ‘A’ contract with ‘B’ for a fixed price to build a house for ‘B’ within the stipulated time ‘B’ supplying the necessary timber. ‘C’ guarantees A’s performance of the contract. ‘B’ homemade the supply of timber

a) ‘C’ is discharged from his surety-ship

b) ‘C’ is not discharged from his surety-ship

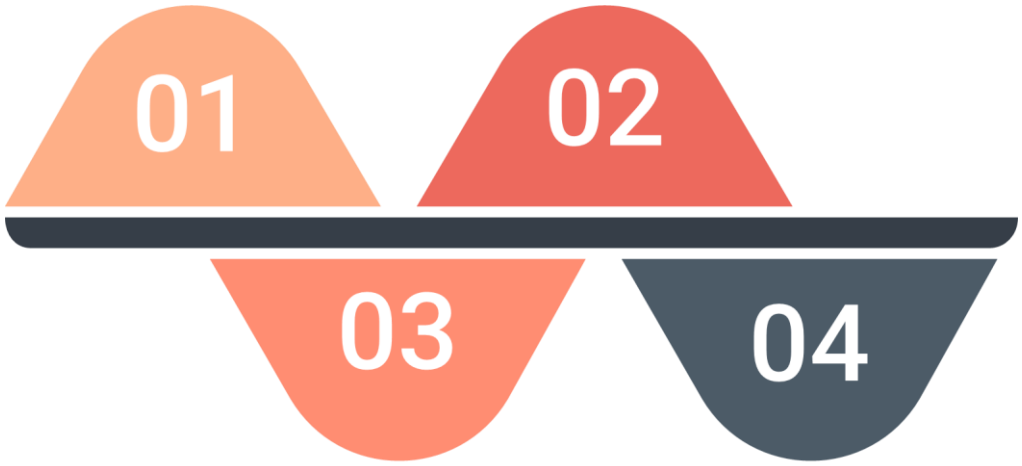
c) Depends

d) None of the above

Ans: A

Section 134 of ICA

- **Surety gets discharged from liability:**
- By any act or omission of creditor,



- **If the principal debtor is released** from the liability through a contract
- **Liability of surety is discharged too.**



- Legal consequences of the act or contract:

- When **legal consequences** of any act or omission by the creditor discharge the liability of surety

- When a contract between the creditor and the principal debtor **releases** debts.

Food for Thought!

Does the **statutory reduction** of the debts of the principal debtor discharge the liability of the surety as well?

Hint: The surety would be liable only for the reduced amount

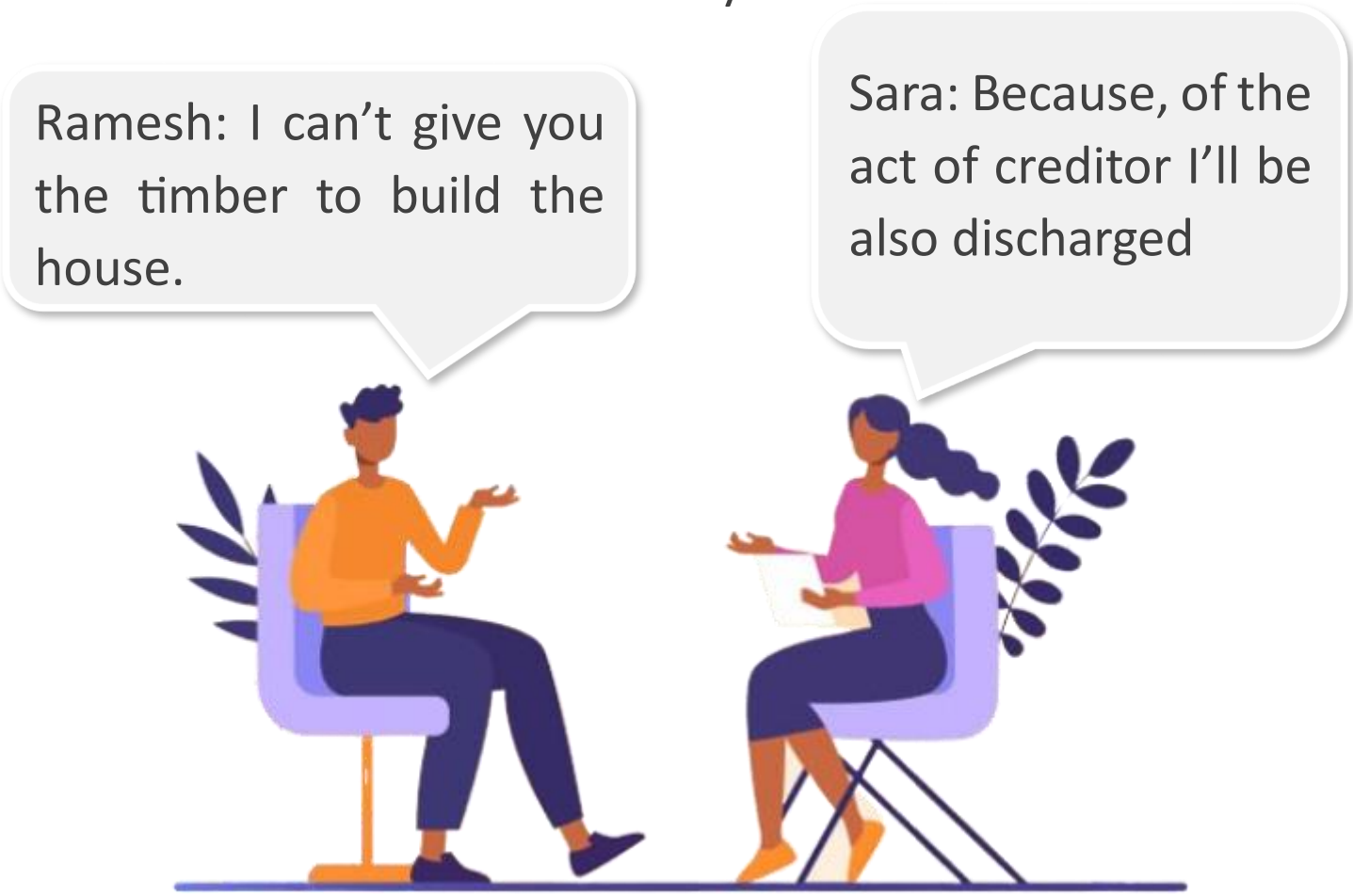


Illustration of Section 134 of ICA



Example of Section 134 of ICA

- Shreya made a contract with Ramesh. The contract was to build a house.
- For this purpose, Ramesh was to provide timber to Suresh. Sara here is the surety



- Now due to this **act of creditor**, the legal consequences are that the contract is breached.
- The **liability of the principal letter is discharged.**
- Hence, the liability of the **surety is also discharged.**

Q.8) ‘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 irrigation of A’s land, and thereby prevents him from raising the Indigo

a) C is liable for his guarantee

b) C is no longer liable on his guarantee

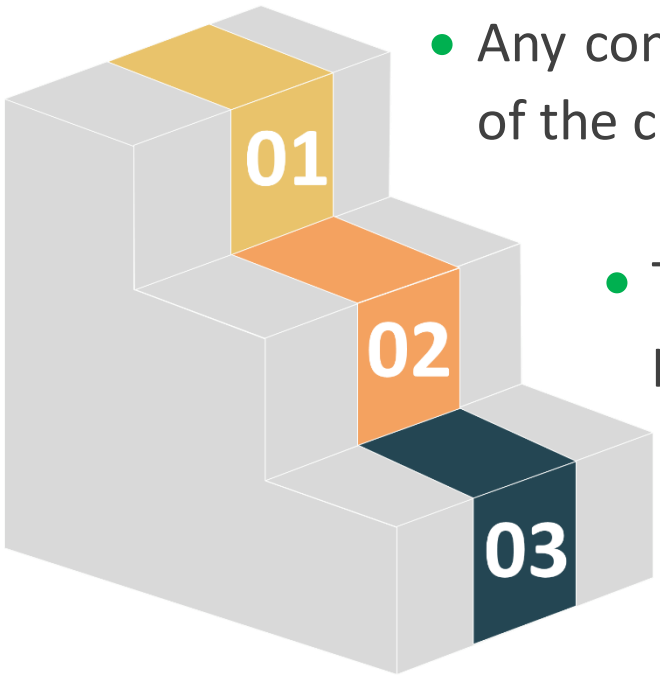
c) Depends

d) None of the above

Ans: B

Section 134 of ICA

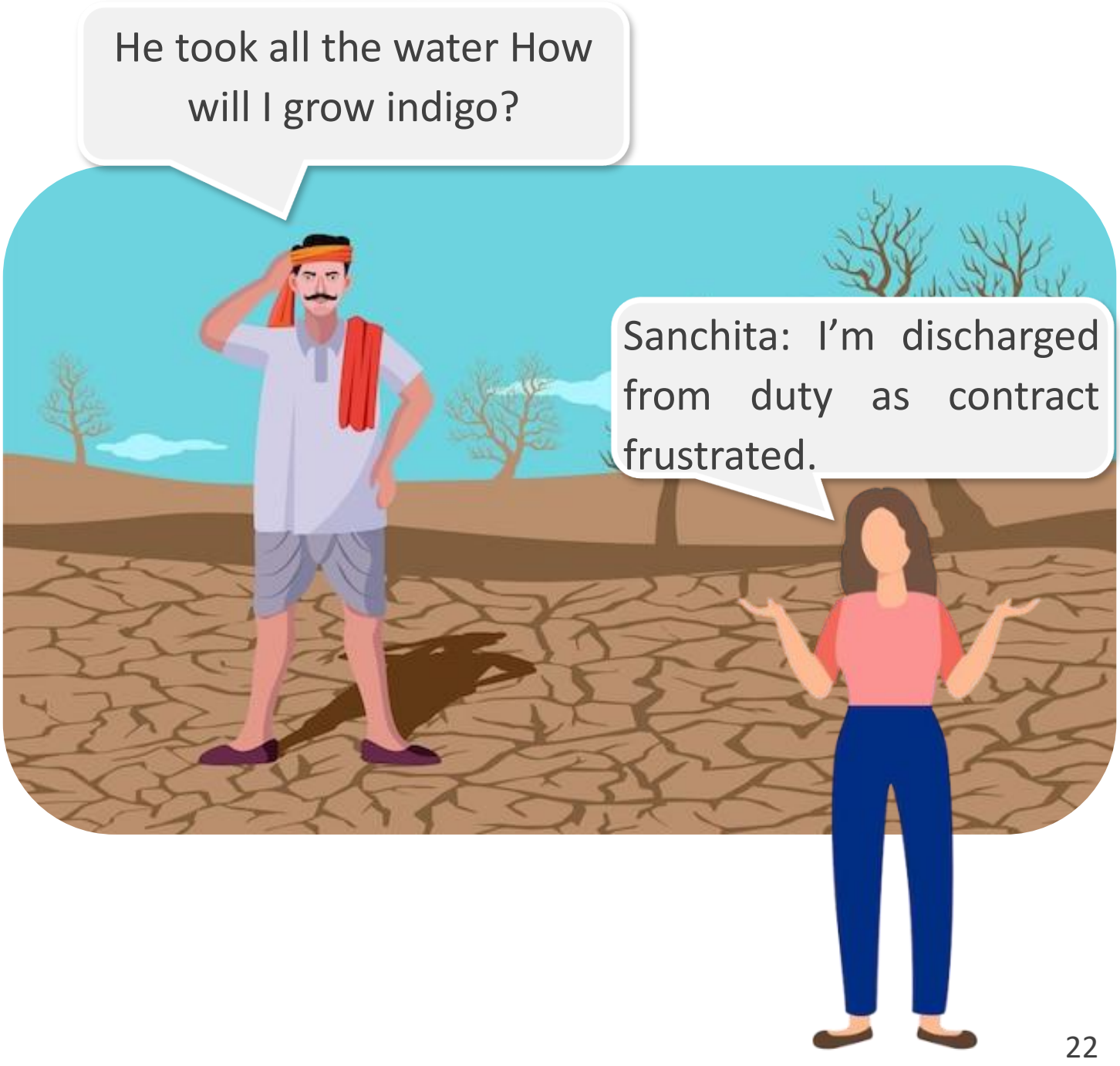
- **Surety gets discharged from the liability:**



- Any contract, or any act or omission of the creditor,
- This results in releasing the principal from the debts,
- Liability of the surety is discharged too.

Example of Section 134 of ICA

- Charuta contracted with Saloni to grow a crop of indigo on Charuta's land.
- Sanchita is the surety.
- Saloni diverts is a stream of water that is necessary for the irrigation of Charuta's land.
- The lack of water prevents her from growing Indigo.



Hewison Vs Ricketts
(1894) 63 LJQB 711

Held:

- Where the payment of the **rent due** under a lease is guaranteed and the creditor terminates the lease.

- Where the payment of **installment due** under a hire-purchase is guaranteed and the **creditor permanently determines the agreement.**

- The effect would be the release of surety also.

Q.9) ‘A’ gives a guarantee to ‘C’ for goods to be supplied by ‘C’ to ‘B’. ‘C’ supplies goods to ‘B’, and afterward ‘B’ becomes embarrassed and contracts with his creditor (including ‘C’) to assign to them his property in consideration of their releasing him from their demands. Here

a) ‘B’ is released from his debt by the contract with ‘C’, and ‘A’ is discharged from his surety-ship.

b) ‘B’ is released from his debt by the contract with ‘C’, and ‘A’ is not discharged from his surety-ship.

c) ‘B’ is not released from his debt by the contract with ‘C’, but ‘A’ is discharged from his surety-ship.

d) None of the above

Ans: A

Section 134 of ICA

- **If the principal debtor is released** from the liability
- Through contract



- By any act or omission of the creditor
- **Surety is discharged too.**

Example of Section 134 of ICA

I'll not be able to pay back for your goods. Take my property instead.

Fine, I'm taking your property. You're released from your debts.





Surety: As the Principal Debtor is released from the debts through his property, so am I.

01

- This is a new contract between the principal and the creditor to realize the debts.

02

- This contract renders the surety **free from the obligations.**

Food for Thought!

Section 134 of the Indian Contract would not apply where the release or discharge:

A. is not caused at the instance

B. is not caused by any act of the creditor

Hint: Either A or B



Q.10) When damages are fixed and calculated by both the parties

a) Exemplary Damages

b) Unliquidated Damages

c) Nominal Damages

d) Liquidated Damages

Ans: D

Section 73 of ICA



- **Section 73** of the Indian Contract Act provides for **Compensation for loss or damage caused by breach of contract.**

Hadley Vs Baxendale
(1915) ILR 38 Mad 178

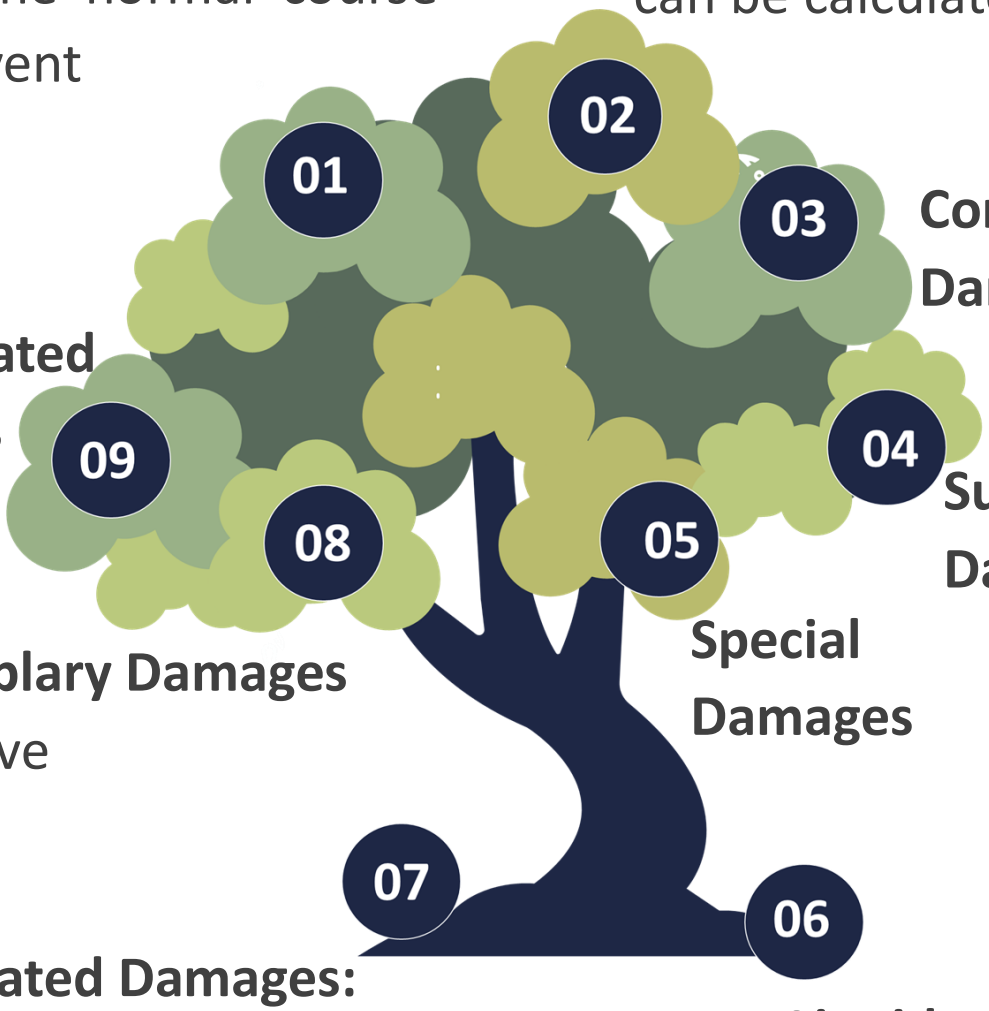
Held:

- Compensation is not given for indirect or remote loss or damage or
- Such damage must have been reasonably contemplated by both

Types of Damages

General Damages:
During the normal course of the event

Nominal Damages:
When no actual damages can be calculated



Consequential Damages

Unliquidated Damages

Substantial Damages

Special Damages

Exemplary Damages
Punitive

Aggravated Damages:
Compensate for mental stress etc.

Liquidated Damages
Agreed and Fixed