

TYPES OF AGREEMENTS

Void agreements: “An agreement not enforceable by law is said to be void”. A void agreement has no legal significance from the beginning. No contract comes out from a void agreement ie it is void *ab initio*. The following agreements are examples of void agreements:-

- a) Agreement without consideration
- b) Agreement with persons like minors (sec.11)
- c) Agreement made without consideration (sec.25)
- d) Uncertain agreement (sec.29)
- e) Impossible agreements (sec.56) etc.

Illegal agreements: - An agreement which is either prohibited by law or otherwise against the policy of law is an Illegal agreement. All illegal agreements are null and void but void agreements are not illegal. All collateral transaction to an illegal agreement are also illegal.

CLASSIFICATION OF CONTRACTS

Contracts made by the parties can be classified into different types on the following bases.

1. Formation of Contract
2. Performance of Contract
3. Extend of validity of Contract

A. **On the basis of Formation:**-On this basis, contracts may be grouped into three

- a. **Express contract:** - These are the contracts, which are entered into between the parties, by words spoken or written. For example, A writes to B , “ I am willing to sell my Car to you for Rs. 2,00,000.” B accepts A’s offer by another letter. This is an express contract.
- b. **Implied contract:** - Implied contracts are formed on the basis of implied promises on the part of parties. When the proposal or acceptance is made otherwise than in words, the contract formed is called implied contract. Thus in implied contract, making an offer and giving acceptance to it is manifested by the act on the part of party. For example, X gets into a public bus, and then he enters into an implied contract with the authorities of the bus that he wishes to travel in the bus.
- c. **Quasi contracts:**-In certain circumstances law itself creates legal rights and obligations against the parties. These obligations are known as quasi contracts. It is also known as constructive contract. For example, the finder of lost goods is under an obligation to find out the owner and return the goods. Section 68 to 72 of Indian Contract Act deal with the cases of quasi contracts.

B. **On the basis of Performance:**- It includes

- a. **Executed Contract:**-Executed contract is one that has been performed. If both parties of a contract have performed their respective obligations, contract is known as executed contract. For example, A sells a Car to B for Rs. 1,00,000. B pays the price. This is an executed contract.
- b. **Executory contract** :-An executor contract is one in which both the parties have not yet performed their obligations either wholly or partly. For example, A makes an agreement for buying a car from a car dealer and has made payment. The car has been delivered, but the ownership is yet to be transferred.

C. On the basis of extend of Validity:- On this basis contract may be classified as under

a. **Valid contract:-** Contract is said to be valid if it satisfies all conditions required for its enforceability. In other words an agreement enforceable by law is a valid contract. For example, If A offers B to sell his car for Rs. 2,00,000 B agree to buy the car for this price, then it is a valid contract.

b. **Void Contract:** A contract which ceases to be enforceable by law become void. No party has right to claim it in the court of law. A void contract not necessarily be unlawful but it has no legal effects. A contract with alien friend becomes subsequently void when alien friend become alien enemy.

c. **Voidable contract:-** According to sec.2(i) “ An agreement which is enforceable by law at the option of one or more parties, but not at the option of other or others is a voidable contract.” Generally a contract becomes voidable when the consent of one of the parties to the contract is obtained by coercion, undue influence or misrepresentation. For example, if the consent of the party was caused by coercion the contract is enforceable at the option of the party whose consent was not free.

d. **Illegal contracts:** - The contract is said to be illegal, if its object is illegal. A contract arising out of an illegal agreement is illegal ab initio . For example, an agreement to commit murder is an illegal one.

e. **Unenforceable contract:** - It is a contract, which is valid, but not capable of being enforced in a court of law because of some technical defects. Technical reasons affecting validity of contract may be that contract is not in writing or is not registered or has no adequate stamp duty on it etc. For example, A make out promissory note in favour of B for Rs. 1000, It has stamp duty of Rs. 5 only. But as per law it must have stamp duty of Rs. 10, such promissory note is invalid. But if stamp duty is raised up to required level it may be allowed to be enforced.

Distinction between void and illegal agreements:

Base	Void agreement	Voidable contract
Definition	Agreement not enforceable by law	Agreement which is enforceable by law at the option of one party.
Cause	An agreement become void if it lacks any one of the essentials of a valid contract	An agreement becomes voidable if the consent of one of the party had not been free.
Time	Void agreement is void ab initio	Voidable contract become void only when it is declared to be so by an aggrieved party.
Right	The defects of a void agreement are incurable	The defects in the case of a voidable agreement are curable and may be condoned.