

# Principles of the Law of Contract

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## **ABSTRACT:**

Contractual agreements are based on the principles of contract law, which also set out the parties' respective rights and duties. As contracts are a vital part of business and legal interactions, it is crucial for people and firms engaged in different transactions to understand these concepts. The main ideas and principles that govern the creation, interpretation, and enforcement of contracts are highlighted in this abstract, which gives a general overview of the law of contracts. The concept of consideration, which calls for an exchange of something of value between the parties, is the next topic covered in the abstract. It illustrates how consideration guarantees that each party gains something or loses something, resulting in a legally binding obligation. The notion of contractual ability is further explored in the abstract, which emphasises the significance of parties having the legal power to engage into a contract. It highlights exclusions that may be voidable or unenforceable, such as contracts with minors or those who lack mental capacity. Additionally, the abstract talks about the idea of contractual terms, defining explicit and implicit terms. It emphasises the meaning of phrases and the importance of them being precise, unambiguous, and not against public policy.

## **KEYWORDS:**

Agreements, Contracts, Commercial Agreements, Consensus.

## **I. INTRODUCTION**

Contractual agreements are based on the law of contracts, which also controls the parties' rights, duties, and capacity to enforce agreements. Contracts are enforceable agreements between parties that specify the terms and circumstances on which they commit to carry out specified tasks or provide particular products or services. The rules and concepts that govern the creation, interpretation, and enforcement of contracts are laid down in the field of civil law known as the law of contracts. These guidelines provide parties a framework for contracting with assurance, knowing that their rights and responsibilities would be safeguarded and upheld by the law [1], [2].

The fundamentals of contract law include a number of important components. The notion of mutual consent, or offer and acceptance, comes first. This concept mandates that both parties freely and voluntarily provide and accept the terms and conditions of a contract. A clear and unambiguous offer, an acceptance of that offer, and the exchange of consideration (something of value) between the parties are necessary elements of a binding contract. The purpose to establish legal connections is another crucial factor. According to this rule, parties must really want to be bound by the terms of the agreement. It makes sure that agreements established in social or domestic contexts are not immediately assumed to have the goal of creating legal connections, although commercial agreements are often assumed to have that intention [3], [4].

Another important concept is contractual capacity. It states that parties who engage into a contract must be of legal age. This implies that individuals must be of legal age, mental capacity, and authority to comprehend and carry out the duties specified in the contract. The notion of legality, which mandates that contracts must be made for legal reasons, is also recognised by contract law. Contracts that violate the law or the public interest are deemed unlawful and unenforceable. The privity of contract concept further establishes that only parties to a contract may enforce its provisions and reap the benefits of its rights and duties. This implies that the terms of the contract normally cannot be enforced by other parties who are not parties to the deal.

Last but not least, the freedom of contract concept permits parties to bargain and decide the parameters of their agreement as they see proper, subject to legal constraints. It encourages independence and adaptability in contractual arrangements. For people and organisations entering into commercial agreements, understanding and

implementing the principles of contract law is crucial. These guidelines provide a foundation for the law that supports contractual agreements' fairness, clarity, and enforceability. The parties may enter into agreements with confidence knowing that their rights and duties will be safeguarded and enforced by the law by adhering to these principles.

## II. DISCUSSION

Have you entered into a contract this week or today? If you haven't studied contract law at all, your response could be "no," as it might make you think of lengthy, intricate documents for commercial transactions, loan agreements, home sales, and other transactions. However, contracts may be found in far more ordinary situations, like purchasing a bag of chips or taking the bus, therefore the legal principles governing them are straightforward. However, this fundamental rule of ordinary contracts, which will take up a considerable portion of this book, applies to a wide range of circumstances, from simple purchases to significant business transactions. The cases that established this rule also covered a broad range of topics [5], [6].

Note: Although the specific topic of contracts pertaining to the sale of land falls under this broad framework of contract law, it is also covered by additional land-specific legislation, which is beyond the purview of this book. Things growing in, flowing through, and linked to land are also included under the term "land," such as homes and other structures. Ordinary individuals enter into contracts in routine circumstances, often many times every day. Purchases of magazines, parking cars, grocery shopping for the family, and participation in contests are a few examples. The majority of these things go pretty easily without anybody being aware that a contract was even created. Usually, the possibility of a contract does not come up until there is a conflict.

### **Why is a law of contracts necessary?**

Most individuals typically keep the bulk of their pledges out of moral obligation. Conflicts between interests do, however, sometimes exist, and in such cases, a formal structure of some kind is required to settle the issues and try to avoid unfairness. Although it is simple to conceive a scenario in which a party to a contract has a purpose to engage in dishonest behaviour, issues may also occur when two or more parties have sincere but divergent opinions of a given circumstance. For instance, parties may have communicated using identical terms yet having very different interpretations of an agreement. Equally, a plan could have been reached peacefully, but a later disagreement coloured someone's perception of the circumstances [7], [8].

It would be great, at least in principle, if disagreements over contracts could be resolved by considering the intentions of individuals concerned. Because most agreements are not in writing and because it is evident that a court cannot read minds, English law searches for an objective measure of agreement. In order to determine if there are any obvious symptoms of a contract, it makes an effort to observe the interactions and communications between the parties as though through the eyes of a typical reasonable person [9], [10].

### **Are all commitments legally enforceable?**

No. It would not constitute a breach of contract if a buddy forgets to bring a CD they promised to bring for you to listen to. Although the friend's promise is made sincerely, seriously, and with the goal that it be enforceable, it was probably not the friend's intention that it would result in a binding legal contract that could be enforced in court. Thankfully, the law shares this perspective since the promise may not really include all of the components that are thought to constitute a contract.

Making social arrangements between two family members or a group of friends is an obvious example, but we'll talk more about this later. The sort of promise that the law will often uphold is one where there is something to benefit for both parties, such as products for money, goods for goods, or an exchange of services, but other less evident agreements may be upheld. A court will thus seek for a promise made for another promise in contract law rather than a gratuitous (or one-sided) commitment.

### **A contract's format**

A contract may take any form, with a few restrictions (such as the sale of property). It may be expressed verbally or in writing, and it can be followed by anything from a simple handshake to a formal ceremony. It can also be stated as a casual comment. Although this is not always the case and is most definitely not a legal norm, it is often

the case that the type of agreement is suggested by the amount of money involved in the contract. A transaction to acquire gold bullion would not typically happen the same way as a newspaper purchase, however!

### **A foundation for contract law**

Whether on behalf of the owner of a huge corporation or a customer purchasing a bar of chocolate, the law of contracts seeks to guarantee that these agreements are established fairly and to enforce them. The principles of contract law are based on fairness and reasonableness, and on top of them, Parliament has created legislation when matters are of public interest. Cases have been adjudicated in court according to these principles.

The laws that govern contracts today were formed by the law when problems involving violated, unclear, or nonexistent contracts were brought before the courts. As more laws are established, often in an effort to protect consumers who may otherwise be at a disadvantage in negotiating agreements, the situation is steadily changing. The Sale of Goods Act of 1979 (as modified) and the Unfair Terms in Consumer Contracts Regulations of 1994 are two examples. The idea that contract law is a branch of case law still holds true.

The law of contracts generally does not confer rights or impose obligations, unlike certain other areas of law. It functions by restricting the duties that individuals may impose on one another and on themselves, while maintaining a broad right to contract. The *Felthouse v. Bindley* case from 1862 demonstrates that responsibilities cannot be placed on a third party. In one instance, an uncle suggested purchasing his nephew's horse. In a letter to the nephew, the uncle said that he would presume the horse belonged to him if he did not hear anything to the contrary. Without the nephew's involvement, it was determined that this could not amount to a contract since a person cannot be forced into a contract in this manner, even if they are delighted with it. What precisely is required to create a legal contract, then? This topic will be covered in more detail in the next chapters of the book, which will also examine how courts resolve disputes that may develop after a contract has been made.

### **Establishing a contract**

#### **Is there consensus?**

The key need for a legally enforceable contract is that the parties must agree on the terms of the agreement. *Consensus ad idem*, or a consensus of opinion, is what we mean when we state that there should be no more criteria needed for a pure theorist. The challenge is locating proof of this agreement. It is comparable to persuading a teacher or an examiner of your legal (or other) expertise. Your knowledge must be supported by evidence in a predetermined manner. A pattern of establishing evidence of agreement has emerged via case law, and it calls for the parties to have interacted in some form, with one party making an offer and the other accepting it. Most of the time, this is not too challenging, but there are a few challenging and unusual circumstances, as will be shown in Chapter 2.

#### **The advantage acquired or 'bargained'**

We might theoretically have some incredibly one-sided agreements if offer and acceptance were the only prerequisites. We have an offer from me and an acceptance from you if I offer to give you a gift of £20 next week and you accept this. I will have breached my word if I provide nothing at all the next week. Is this a matter that the law ought to regulate? The law is quite stringent about not routinely enforcing one-sided commitments since it feels that when individuals breach such promises, it seriously undermines morality.

However, if an agreement has been negotiated and both parties have made a discernible contribution for instance, by exchanging money for goods—then the agreement will be upheld by the law. It's not necessary to actually hand up the items; instead, a commitment to pay might be made in return for the pledge to do so. Another need for creating a contract is the trade, which is referred to as consideration.

#### **The desire to be obligated by the contract**

The parties must really desire to be bound by any agreement they make as a third criterion. As a vendor is unlikely to plan to give away products without genuinely expecting money, this probably goes without saying in a shopping situation. On the other hand, if I agree to buy my friend's drink in exchange for his purchasing my lunch, I won't really sue him if he simply purchases his own meal. The law demands a component of legal purpose when making a contract in order to differentiate between serious contracts and social agreements.

## Capacity

Whether the parties have the legal standing necessary to enter into a binding agreement is another aspect of a contract's validity to take into account. Normally, a child's agreement to sell one of his toys at a playground would not be legally enforceable. Legal ability to enter into a contract is required by law, and people above the age of 18 are often considered to have this capacity. The ability to contract is an additional formation criterion that is explored in this section of the book. Normally, there will be a binding contract if all four of these conditions are met.

The freedom of contract principle, which is the basic idea that people have the liberty to enter into legally binding agreements and generate responsibilities between themselves, forms the foundation of contract law. Contract law offers a framework for parties to deliberately and mutually agree upon rights and duties, supporting the smooth operation of business dealings and private agreements. The following crucial elements serve as the cornerstone of contract law:

According to contract law, there must be a written agreement between the parties. An offer and an acceptance often result in an agreement, indicating the parties' consent to the conditions of the contract. **Intention to Establish Legal Relations:** A contract must have an intention to establish legal relations between the parties in order for it to be upheld. This indicates that they want their agreement to be legally enforceable and binding. Unless there is proof to the contrary, this is usually assumed to be the aim of contracts. In return for the other party's performance, each party offers or promises to deliver something of value known as consideration. It is a crucial component of a contract and represents the trade that was agreed upon and serves as its foundation.

According to contract law, all parties must be able to legally enter into a contract. They must, therefore, be capable of understanding the terms of the contract and being bound by its duties. Some people may have limited or restricted competence to engage into contracts, such as children or those who are mentally unable. A contract may be subject to formalities, such as written agreements or special legal requirements, even though many contracts may be made informally or by action. Depending on the particulars of the contract and the relevant legislation, these requirements change.

Contracts must not violate public policy. They shouldn't encourage fraud, engage in unlawful activity, or jeopardise significant community interests. Contracts that are thought to violate public policy could not be valid or enforceable. The framework provided by contract law enables parties to make voluntarily agreements and to uphold their rights and duties. It strives to safeguard the freedom of contract idea while simultaneously guaranteeing justice, shielding weak parties, and preserving social order. Although different countries may have different laws and guidelines for contracts, the fundamental ideas of agreement, purpose, consideration, capacity, and legality continue to be the cornerstones of contract law.

### III. CONCLUSION

In conclusion, the rules of contract law provide a framework for making sure that agreements made for commercial and personal use are fair, predictable, and enforceable. The creation, interpretation, and enforcement of contracts which are crucial for enabling business dealings and relationships are governed by these principles. According to the agreement principle, a contract must be founded on a voluntary and mutual agreement between the parties. It makes ensuring that offers and acceptances are made in contracts with the goal of establishing binding legal obligations. This rule fosters transparency and predictability in contractual agreements while preserving the parties' right to contract freely. The exchange of anything of value between parties serves as the foundation for a contract, according to the concept of consideration. It makes sure that in exchange for the other party's promise, each party gives something of value or fulfils a commitment. The existence of consideration demonstrates the parties' desire to be bound by the terms of the contract and is necessary for its enforcement. The distinction between social or domestic agreements and those meant to have legal repercussions is made by the notion of purpose to form legal connections. It acknowledges that not all agreements made between parties are meant to have legal force. This rule guards against parties unintentionally creating legally enforceable agreements in social or informal situations.

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