

# A Critical Analysis of Void Agreement Under Indian Contract Act and Navigating Its Implications

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## ABSTRACT

This research paper goes into the complexities of contract law, with a primary focus on Void Agreements under the Indian Contract Act of 1872. It covers the idea, legal context, and effects of void agreements, as well as how to navigate legal challenges and current legislative modifications. This study attempts to give a nuanced knowledge of void agreements and their repercussions on contractual relationships by conducting a complete examination of literature, case studies, and comparative studies with international contract law.

The introduction of the article provides a summary of the Indian Contracts Act of 1872, as well as the basic definitions and features of Contracts, Void Agreements, and so on. The study design focuses on providing a concise description of the research purpose, objectives, methodology, research questions, scope, and limits. The Review of Literature analyses and describes the various websites, articles, and blogs that were used in this research to delve into the various perspectives and aspects of the main topic. It includes the key contents of each website, as well as the possible conclusion and key findings.

Beginning with a review of contract law in India, it dives into the fundamentals of valid contracts, types of contracts, and invalid agreements, illuminating their definition, features, and major legal clauses. This research provides practical insights into contract nullification, restitution, and the impact on concerned parties by thoroughly examining numerous grounds for voidability and conducting individual case analyses. Furthermore, it addresses legal issues related to void agreements and offers a comparison analysis with foreign contract law frameworks. This study intends to contribute to a more sophisticated understanding of void agreements and their implications in contractual partnerships by reviewing recent legislative revisions and making relevant proposals for future legal reforms.

The conclusion highlights the research's primary results and ideas, as well as all of the subsections written throughout the study. The report concludes with some recommendations for future legislative revisions regarding void agreements based on the research findings. The last section, which includes the bibliography and references, gives a list of all sources cited throughout the work, using the relevant citation style requirements.

## INTRODUCTION TO CONTRACTS AND AGREEMENTS UNDER THE INDIAN CONTRACTS ACT OF 1872:

### (A) Definition of Contract:

A contract is an agreement between two or more parties to do or not perform a certain act. To be quite exact, a contract is a legally binding agreement. Contracts create legal obligations between parties, granting specific rights to one party and imposing duties on the other.<sup>1</sup>

### (B) Importance of Contracts:

Contracts play a significant part in India's legal circumstances, acting as the foundation for commercial and other transactions. They offer clarity and security by defining the rights and duties of transaction participants, promoting trust, and enabling exchanges. Contracts manage a wide range of agreements, from commercial transactions to employment contracts, guaranteeing fairness and protecting the interests of both individuals and organizations. Contracts are critical tools for risk management, dispute resolution, and rights enforcement in a fast-changing economy, and they contribute greatly to the stability and prosperity of India's economic environment.

### (C) Definition of Agreement and Legal Obligation:

According to Section 2© of the Contract Act, an agreement includes any promise or combination of promises that serve as compensation for one another. The term "promise" refers to an approved proposition or offer. For example, Ramesh offers to sell his television to Shyam for Rs. 8,000. Shyam accepts the offer. It becomes a promise and is seen as an agreement between Ramesh and Shyam. An agreement is formed when one side makes an offer and the other accepts it. Thus, Agreement equals Offer + Acceptance.

According to the preceding logic, an agreement requires at least two parties: one making an offer and the other accepting it. Individuals cannot agree with themselves. Another key factor relates to an agreement that requires the parties to share a common understanding of the subject matter. They must agree in the same meaning. This is also known as consensus-ad-idem. Assume A has two residences, one in South Delhi and the other in North Delhi. He proposes to sell his North Delhi property to B, who believes he is purchasing the South Delhi house. There is no sense of mental identity here.

To be considered a contract, an agreement must create a Legally binding obligation. Contracts exclude obligations that are not legally enforceable. Social, moral, or religious agreements do not impose any legal obligations. An agreement to take lunch or go to a picnic is not considered a contract as it does not generate a legally binding obligation. These agreements are social in nature and not intended to form legal relationships. Consequently, they do not result in contracts. Business agreements often assume a legal connection between the parties involved.

An agreement to sell a scooter for Rs. 8,000 constitutes a contract as it creates legally binding obligations. In this agreement, if either party defaults, an action for breach of contract can be pursued in court if all necessary conditions are met. The agreement has the necessary elements of a legitimate contract.<sup>2</sup>

### (D) Introduction To the Indian Contract Act,1872:

Contract law is the most essential aspect of Indian commercial law. The contract law establishes the circumstances under which a party's commitment is enforceable and outlines remedies for non-performance of his /her promise.

<sup>1</sup> <https://umeschandracollege.ac.in/pdf/study-material/business-law/Indian%20Contract%20Act.pdf>, (last visited, 9 March, 2024).

<sup>2</sup> <https://umeschandracollege.ac.in/pdf/study-material/business-law/Indian%20Contract%20Act.pdf>, (last visited, 9 March, 2024).

The Indian Contract Act, of 1872 contains the broad principles of contract law and specific provisions such as bailment, pledge, indemnification, guarantee, and agency.

According to Section 2(h) of the Act, an agreement enforceable by law is considered a contract.

**(E) Differentiation between Agreements & Contracts:**

	An agreement is formed when a proposition is accepted by the recipient after proper deliberation.	When an agreement is legally enforceable, it becomes a contract.
	Offer and Acceptance	Agreement and Enforceability
	Section 2(e) under the Indian Contract Act, 1872	Section 2(h) under the Indian Contract Act, 1872
	Not necessarily	Usually written and registered
	Does not create a legal obligation	It creates a legal obligation
	Every agreement need not be a contract	All contracts are agreements
	Wide	Narrow

**RESEARCH DESIGN**

**(A) Research Aim:** The purpose of this research is to evaluate void agreements under the Indian Contract Act, 1872, and their impact on contractual relationships.

**(B) Research Objectives:** This study aims to examine the legal framework of void agreements, identify reasons for voidability, analyse individual examples, and assess the ramifications for parties concerned.

**(C) Research Methodology:** The research paper is based on the doctrinal method of research as it includes a thorough assessment of various research papers, articles and blogs published by students, professor, legal professionals and scholars, case studies and is as well based on numerous comparative studies, and analysis of current legislative changes.

**(D) Research Questions:** The research aims to answer the following questions:

1. What are the basic definitions and overview of Contracts, its importance, Agreements, Legal Obligation and overview of Indian Contract Act of 1872?
2. What is the difference between a Contract and an Agreement?
3. What constitutes a void agreement under the Indian Contract Act of 1872?
4. What are the essentials for an agreement to be considered void under the legislation?
5. What are the implications of void agreements including legal challenges and effect on the parties involved?
6. What recent developments and legal modifications have impacted the treatment of void agreements?

**(E) Scope and Limitation:** This study analyses void agreements under the Indian Contract Act, 1872, focusing on legal issues. Access to specific case documents is limited, and legislation may change after the research is completed.

## REVIEW OF LITERATURE

1. The study analyses the theme and aspects of one of the most important contract-binding laws, the Indian Contract Act of 1872. This may also be viewed as a study material that focuses on numerous key parts that fall under the umbrella of the notion of Contracts as a whole. Beginning with the most fundamental definitions of contracts in general, elaborating on their relevance, the main elements that combine to make a contract, acceptance, consideration, agreement, legal duty, and the basic distinction between contract and agreement.

It goes on to describe how contracts are classified. The study goes on to make a more in-depth distinction between void and voidable contracts. The article proceeds by defining unlawful contracts. The major component that cannot be overlooked is the section of the document that describes the basics of a contract in detail, using extensive illustrations.

It goes on to clarify that a legitimate contract requires both a lawful offer and a lawful acceptance of that offer. An offer is sometimes known as a 'proposal'. The terms 'proposal' and 'offer' are synonyms and used interchangeably. It also clarifies that an offer might be either 'explicit offer' or 'implied offer'. It then elaborates on people's ability to participate in contracts. It concludes by explaining the many ways to terminate a contract.<sup>3</sup>

2. The paper published and available on the online forum by J.K. Shah Online is as focussed on the elaboration of the Indian Contract Act, 1872. The presentation opens with a brief introduction to the Indian Contract Act of 1872. It goes on to elaborate on essential legal terminologies such as proposition, acceptance, agreement, invalid agreement, contract, voidable contract, and so on. This greatly aided me in developing my fundamentals and laying the groundwork for my research paper, providing me with a clearer concept and thought process. It made a significant point that an agreement can consist of both a social and a legal obligation. Its main finding includes that- Every contract is an agreement, but every agreement is not a contract.

It expands on the fundamental definitions of an agreement and a contract. It expands on the elements of a contract under Section 10 of the Indian Contract Act of 1872. It expanded on the definition of offer and the numerous sorts of offers.

It provided a very important illustration of the difference between an offer and an invitation to offer. It also explored in full the key principles and components of an agreement. Sections 4 and 5 go into detail on the communication of offer and acceptance, as well as revocation. It further stated that a contract made over the phone might be legitimate.

The paper's secondary section focuses on Consideration (quid pro quo) under the Indian Contract Act and Quasi-contracts.

The final section discusses breach of contract and its remedies under Sections 73-75.<sup>4</sup>

3. The study was published by Dr. Manish Yadav, an Assistant Professor of Law at Maharashtra National Law University in Nagpur. Mr. Anirudh Chaturvedi has submitted "Analysis of Void Agreements Under Indian Contract Act" to the SCRIBD online portal.

The document's primary findings include the following summary, which Under the Indian Contract Act, void agreements are those that law courts cannot enforce. Section 2(g) defines an invalid agreement as one that is legally unenforceable. Void agreements occur when any of the elements listed in Section 10 of

<sup>3</sup> <https://umeschandracollege.ac.in/pdf/study-material/business-law/Indian%20Contract%20Act.pdf>, (last visited, 9 March, 2024).

<sup>4</sup> <https://www.jkshahclasses.com/announcement/IndianContractAct1872.pdf>, (last visited, 9 March, 2024).

the Act are not met, such as a lack of free assent, competency to contract, legitimate compensation, or object. Certain sorts of agreements are also deemed null and unlawful, such as those that prohibit marriage, trade, or legal procedures. Agreements without consideration are typically invalid unless they are in writing, registered, or promise to pay a time-barred obligation.<sup>5</sup>

4. Ms. Shivani Sharma, Assistant Professor at the Sardar Patel Subharti Institute of Law in Meerut, authored the essay, which is now available on SlideShare. The article, titled ‘Void Agreements’, was published on September 18, 2019. It focuses on the numerous laws governing and regulating void agreements in India as a key subject or issue.

The paper starts by elaborating on the topic of Void Agreements initially and later diving deep into various elements of it through thread-by-thread explanation. It classified void agreements into two major categories: agreements never valid and agreements valid once, which comprised the first portion of the text. It goes on to describe the Void-ab-initio agreements, including a detailed overview of the relevant decisions and regulations.

The latter section of the study focuses mostly on Impossible Agreements, an important notion of frustration in ICA 1872. It summarizes that a contract is considered to be frustrated if its execution is impossible owing to no fault of either party and is caused by unforeseeable and unforeseen events, as in the well-known Taylor v. Cardwell case. It finishes by discussing the numerous aspects of the Doctrine of Frustration.<sup>6</sup>

5. The article titled- ‘Validity of a contract, voidable contract and void agreement as given under Indian Contract Act, 1872’, published by Sharmin Godrej Irani and Published on January 30, 2021 by Bhumika Indulia mainly elaborates and primarily focusses on -The Indian Contract Act of 1872 that outlines and distinguishes between contracts, invalid agreements, and voidable contracts, highlighting the prerequisites for enforcement. Sections 24-30 discuss void agreements, but invalid ab initio agreements are irreversible. The Act’s provisions include collateral transactions and exceptions, as well as handling faults and initial impossibility.

Contingent contracts are null and invalid if the events become impossible. In contrast to unilateral pledges, voidable contracts allow one party to enforce them at their choice. Finally, the Act emphasizes the importance of mutual enforceability, emphasizing reciprocity and duty in commercial agreements, so establishing a comprehensive framework for contractual interactions in India.

The research concludes that the consequences of void ab initio agreements differ from those of void agreements. Void refers to agreements that are not enforceable, whereas contracts that become void are unenforceable contracts. Similarly, contracts that become invalid are essentially legitimate contracts that have become unenforceable owing to factors such as subsequent impossibility, or there is Section 32 of the Act dealing with contingent contracts becoming void if the occurrence becomes impossible. Whereas void agreements are essentially the pre-existence of something that is later determined to be invalid. Voidable contracts lack mutuality; however, this was due to the inclusion of a negative factor during the negotiation process.<sup>7</sup>

6. Sandhya Prabhakaran’s paper, titled ‘Void Agreements under Chapter II of the Indian Contract Act, 1872’, is published on the E-Journal of Legal Service India. It begins with the fundamental definition of

<sup>5</sup><https://www.scribd.com/presentation/519204690/agreement-declared-to-be-void>, (last visited, 9 March, 2024).

<sup>6</sup><https://www.slideshare.net/shivi2022/void-agreements-173234460>, (last visited, 9 March, 2024).

<sup>7</sup><https://www.scconline.com/blog/post/2021/01/30/validity-of-a-contract-voidable-contract-and-void-agreement-as-given-under-indian-contract-act-1872/>, (last visited, 10 March, 2024).

void, which implies having no legal force. When entering into any contract, certain conditions must be met in order for it to be legally binding.

It elaborates on the many fundamentals of a contract before going on to describe several portions of The Indian Contract Act of 1872, namely portions 24-30, in depth, including judicial interpretation, legislation, pertinent case examples, and possible exceptions.

It finds that few agreements cannot be lawfully executed and are consequently ruled invalid under the Indian Contract Act of 1872. Exceptions are guaranteed to exist anywhere, including in invalid agreements. Any agreement (excluding exclusions) that falls under sections 24 to 30 of the Indian Contract Act, 1872, is declared null and invalid.<sup>8</sup>

7. iPleaders released an article titled ‘Void Agreements Under the Indian Contract Act, 1872’ on December 31, 2019.

The article begins with a basic introduction to the concept, then moves on to agreements with unlawful consideration or objects, and finally agreements without consideration. If the agreement is based on natural love and affection, the individual has already done something freely for the promise. Restriction on marriage and trade: Are the general principles in India and England similar? Exclusions to Section 27: Statutory exclusions Sale of Goodwill, Partnership Act, under court interpretation. Trade combinations include sole or exclusive dealing arrangements. Restriction on personnel, conclusion, and references.

The essay closes with -After extensively analysing the primary portions connected to void agreements, it is clear that the agreements deemed invalid, as well as the exceptions to them, are done only to defend the rights and interests of the general public. The constraints are critical since agreements and contracts are the most regularly utilized legal tools and, directly or indirectly, impact the majority of our social relationships.<sup>9</sup>

8. Sujoy’s work titled ‘Historical Background of Indian Contract Act 1872’ examines the evolution of the Act throughout India’s history.

It closes by analysing the evolution of the contract through many historical periods spanning from the Roman period to the Muslim period to the Hindu period and then to legal punishments in order to conclude that, notwithstanding the technicalities and modes and forms of punishment. Even if the applicability of the law varies, the underlying principle of all laws remains the same: minors cannot contract, consent must be given by both parties in the same manner and sense, and certain people are prohibited from contracting, such as intoxicated people and the elderly.

It can be concluded that Britishers attempted to codify the law in order to achieve uniformity, but they also attempted to incorporate the personal laws of various religious groups unless they contradicted the main law, as they recognized that the underlying principle for personal law is similar to that of the contract act. So, over time, the contract law has been revised and interpreted differently in different communities, but the essential principles have remained constant, and no attempt has been made to change them.<sup>10</sup>

<sup>8</sup> <https://www.legalserviceindia.com/legal/article-5372-void-agreements-under-chapter-ii-of-the-indian-contract-act-1872.html>, (last visited, 10 March, 2024).

<sup>9</sup> <https://blog.iplayers.in/void-agreements/#Conclusion>, (last visited, 10 March, 2024).

<sup>10</sup> <https://www.legalserviceindia.com/legal/article-7749-historical-background-of-indian-contract-act-1872.html>, (last visited, 10 March, 2024).

## OVERVIEW OF THE INDIAN CONTRACT ACT, 1872:

### (A) Background & Definitions of Contract:

The Indian Contract Act includes contractual rights provided to Indian people. It confers rights, responsibilities, and obligations on contractual parties to assist them in properly concluding business, ranging from regular life transactions to documenting the businesses of multinational corporations.

The Indian Contract Act of 1872 was enacted on April 25, 1872, and went into effect on September 1, 1872.

The core of the India Contract Act is built after English common law. The Indian Contract Act of 1872 is the foundation of Indian contract law, based on English common law ideas. It was enacted during British rule with the intent of regulating contractual ties throughout the Indian subcontinent.

A contract, as defined by the Act, is any legally binding agreement, including both written and oral agreements. It defines key terms like as offer, acceptance, consideration, and purpose to form legal connections, creating the framework for enforceable contracts. Furthermore, the Act establishes regulations for the formulation, performance, and violation of contracts, assuring fairness and predictability in economic transactions. Overall, it creates the legal framework required to facilitate transactions and settle disputes in India.<sup>11</sup>

### (B) Essentials of a Valid Contract:

The Indian Contract Act of 1872 defines and outlines the Essentials of a Contract, either explicitly or by interpretation by various Indian courts. Section 10 of the contract lists numerous requirements for legitimate contracts, such as free consent, the parties' competency, lawful compensation, and so on.

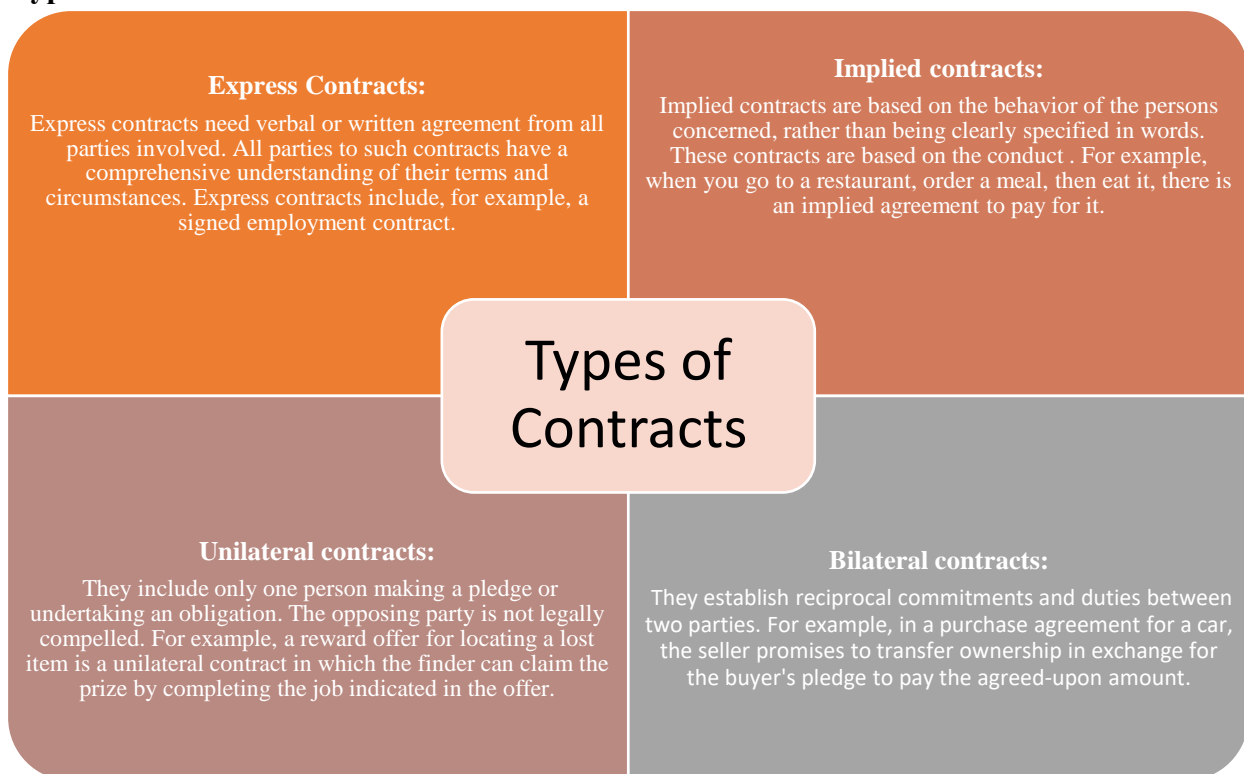
- 1. Two Parties:** A legitimate contract requires at least two parties, either legal entities or individuals. For example, a selling transaction requires both a buyer and a seller. Attempting to form a contract with oneself is impossible since there is no differentiation between the proposing and accepting parties. In the case of State of Gujarat versus Ramanlal S & Co., the court determined that a transaction between business partners did not constitute a sale since both parties were joint proprietors rather than independent purchasers and sellers.
- 2. Legal Obligations:** For a contract to be legitimate, both parties must aim to form a legally binding connection. Social or domestic agreements, such as those between family or neighbours, lack this aim and cannot be enforced in court.
- 3. Case-special Contracts:** Some contracts, such as insurance or immovable property, may require special criteria for legality. Insurance contracts, for example, usually require written documentation, whereas immovable property transactions may require registration.
- 4. Clarity and certainty of meaning:** They are essential for a legitimate contract. Ambiguous or ambiguous phrases, such as “a desirable amount,” invalidate a contract since they lack a clear meaning. For example, an agreement to pay “a desirable amount” for a home lacks confidence about the final price.
- 5. Agreements Must Be Performable:** Contracts must include enforceable agreements. Agreements involving impossible undertakings, such as bringing a deceased person back to life, are declared void. Even if all other elements are satisfied, an agreement must be reasonably attainable in order to be enforceable.

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<sup>11</sup> <https://unacademy.com/content/ca-foundation/study-material/business-correspondence/the-indian-contract-act-1872-a-comprehensive-guide/#:~:text=The%20act%20was%20enacted%20in,amended%20several%20times%20since%20then.,> (last visited, 10 March, 2024).

6. **Free permission:** For a contract to be valid, all parties concerned must provide their free and true permission. Consent must be provided free of compulsion, deception, or undue influence. If assent is gained under coercion or fraud, the contract is voidable.
7. **Competency of the Parties:** A contract requires all parties to be competent to enter into it. This implies they must be of legal age, mentally healthy, and not disqualified under the law. Minors, the mentally handicapped, and those barred by particular legal prohibitions, for example, are not permitted to engage into contracts.
8. **Consideration:** A legitimate contract requires consideration, where each party receives something of value in return for their pledge. This trade, known as quid pro quo, may be monetary or non-monetary. For example, in a selling transaction, the seller agrees to transfer ownership of an item in exchange for money from the purchaser.
9. **Lawful Consideration:** Contracts require lawful consideration. Unlawful factors, such as those that are prohibited by law, involve deception, cause harm to others, or violate public policy, render the contract invalid. Section 23 of the Indian Contract Act specifies factors that would render consideration illegal and hence nullify the contract.<sup>12</sup>

**(C) Types of Contracts:**



**VOID AGREEMENTS CONCEPT AND LEGAL FRAMEWORK:**

**(A) Definition & Characteristics:**

A void agreement under the Indian Contract Act of 1872 is one that is regarded null and invalid from the start, which means it has no legal effect. Such agreements lack the necessary ingredients of a legitimate

<sup>12</sup> <https://www.toppr.com/guides/business-laws/indian-contract-act-1872-part-i/essentials-of-a-contract/>, (last visited, 10 March, 2024).



contract, making them unenforceable in court. Void agreements are distinguished by their intrinsic illegality, impossibility, or absence of free assent. The characteristics of void agreements include:

**Absence of Legal Effect:** Void agreements are seen as having no legal validity or enforceability from the start.

**Inherent Illegality:** These are activities or goals that are illegal by law, such as agreements to commit a crime or avoid taxes.

**Impossibility of Performance:** Void agreements may contain duties or responsibilities that are impossible to carry out, such as promises to accomplish superhuman feats.

**Lack of Free permission:** They can occur as a consequence of force, undue persuasion, fraud, or error, leaving one or more parties without their voluntary permission.

**(B) Important sections related to Void agreements under Indian Contract Act, 1872:**

Several articles of the Indian Contract Act of 1872 define the legal framework regulating invalid agreements.

**Section 2(g)** defines invalid agreements as those that are unenforceable by law.

**Section 10** specifies the necessary characteristics of a legitimate contract and indicates that agreements that do not meet these requirements are invalid.

**Section 20** addresses agreements established without free consent and makes them voidable at the choice of the injured party.

**Section 24** declares agreements null and unenforceable if they contain illegal consideration or purposes.

**Section 25** states that agreements without consideration are unenforceable unless they meet specified conditions.

**Section 26** makes agreements in constraint of marriage, trade, and judicial procedures unenforceable.

**Section 27** addresses agreements in restriction of commerce and renders them invalid, if they are unreasonable.<sup>13</sup>

**(C) Difference between Void and Voidable Contracts:**

Basis Of Comparison	Void Contracts	Voidable Contracts
<b>Validity</b>	Void contracts are intrinsically invalid and have no legal effect	Voidable contracts are originally legitimate but may be invalidated at the discretion of one of the parties.
<b>Legal Implications</b>	Void contracts cannot be approved or validated, and any activities conducted under them are deemed null and void.	Voidable contracts may become enforceable if the offended party chooses to confirm them.
<b>Grounds of Invalidity</b>	Void contracts lack crucial features of a legitimate contract, such as legality and free assent.	Voidable contracts are faulty owing to reasons such as coercion, undue influence, fraud, or error, but they can still be legitimate if these flaws are corrected or waived.

<sup>13</sup> <https://www.indiacode.nic.in/bitstream/123456789/2187/2/A187209.pdf>, (last visited, 10 March, 2024).

<p><b>Timeframe for Action</b></p>	<p>Void contracts can be contested at any moment since they lack legal validity from the start.</p>	<p>Voidable contracts must be contested within a reasonable period once the aggrieved party learns of the grounds for voidability.</p> <p>14</p>
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**VARIOUS GROUNDS FOR VOIDABILITY:**

Several grounds for the voidability of an agreement under the Indian Contract Act of 1872 include:

**Coercion (Section 15):** If an agreement is obtained through coercion, such as committing or threatening to commit a prohibited act or unlawfully detaining property, the agreement may be voidable at the discretion of the coerced party.

**Undue Influence (Section 16):** A contract is voidable if one party utilizes their position to gain an undue advantage over the other. This might include relationships based on trust, confidence, or dependency.

**Fraud (Section 17):** If a party wilfully deceives or conceals significant information to encourage another party to engage into the agreement, the contract may be voidable at the aggrieved party’s discretion.

**Misrepresentation (Section 18):** refers to a false statement of fact made by one party to induce the other to engage into a contract. If the falsified statement is material and causes the contract, it may render the contract invalid.

**Mistakes (Sections 20 and 21):** can invalidate a contract if both parties make a factual or legal error that is critical to the agreement. However, if the error is unilateral or known by the other party, the contract may not be voidable.

**Agreements without Free Consent (Section 19):** states that any agreement without the parties’ voluntary consent is voidable. Free consent indicates that the permission was gained without force, undue influence, fraud, deception, or error.

**Agreements in Restraint of Marriage (Section 26):** Marriage Restraint Agreements (Section 26) are invalid. However, agreements restricting the right to marry to a fair extent may be acceptable.

**Agreements in Restraint of Trade (Section 27):** Section 27 prohibits unjustified impediments on commerce. Agreements that are reasonable and essential to preserve the parties’ interests may be lawful. These reasons give legal redress for parties who entered into agreements under circumstances that invalidate the contract’s consent or fairness.<sup>15</sup>

**SPECIFIC CASE LAWS AND EXAMPLES RELATED TO VOID AGREEMENTS:**

Here are three prominent examples involving invalid agreements under the Indian Contract Act of 1872:

- **Mohori Bibee v. Dharmodas Ghose (1903)**

The Mohori Bibee vs Dharmodas Ghose case stands as a pivotal legal precedent in India. In this case, Dharmodas Ghose, being a minor, had pledged his property to Brahma Dutta. However, upon seeking to annul the contract, the court sided with Ghose, deeming the agreement void ab initio due to his minor status. The court dismissed the application of estoppel, noting that Dutta's agent was aware of Ghose's minority.

<sup>14</sup> <https://cleartax.in/s/difference-between-void-and-voidable-contract>, , (last visited, 10 March, 2024).

<sup>15</sup> <https://www.investopedia.com/terms/v/voidable-contract.asp#:~:text=A%20voidable%20contract%20is%20a,Undue%20influence%20or%20duress>, , (last visited, 10 March, 2024).

Sections 64 and 65 of the Indian Contract Act were found irrelevant due to the incompetence of the parties caused by Ghose's minority. Moreover, the case delved into the issue of restitution concerning benefits obtained by minors, distinguishing between goods and money. Ultimately, the court's ruling underscored that contracts involving minors are void ab initio, safeguarding them from liabilities exceeding their contractual capacity.<sup>16</sup>

- **Pearce v. Brooks (1866)**

The case involved a prostitute leasing a carriage from a coachbuilder on a hire purchase basis for the purpose of attracting clients. However, she failed to make the second payment and returned the carriage in a damaged state. The coachbuilder, aware of her profession, sued for non-payment and damages. The key contention revolved around whether the coachbuilder, knowing the carriage's intended use, could recover under the contract. The court ruled in favor of the defendant, emphasizing that supplying goods for an immoral purpose, with knowledge thereof, barred recovery under the principle *ex turpi causa non oritur actio*. The court distinguished between supplying necessities and facilitating illegal activities, holding that the coachbuilder's awareness of the immoral purpose precluded any claim for payment. Thus, the plaintiff's claim was dismissed.<sup>17</sup>

- **Gherulal Parakh v. Mahadeodas Maiya (1959)**

The Gherulal Parakh vs Mahadeodas Maiya Case elucidated the interpretation of the term "forbidden by law" as outlined in section 23 of the Indian Contract Act. It clarified that this term does not equate to "void," indicating that not all void agreements are necessarily forbidden by law. The case underscored the voidness of wagering agreements under section 30 of the Indian Contract Act, defining wager as a form of gambling where money or valuables are risked on uncertain events. The bench, comprising Hon'ble Justices K. Subbarao, Syed Jafar Imam, and A.K. Sarkar, examined relevant provisions including sections 23, 30, and 69 of the Indian Contract Act, 1872, along with the Indian Partnership Act, 1932.

The dispute arose from a partnership agreement for wheat trade, where the appellant and respondent disagreed over liability sharing after incurring losses. The court emphasized that for an agreement to be void, both parties must share a mutual mistake of fact, and earnest money cannot be forfeited if the underlying contract is void. Ultimately, the court upheld that while wagers are void under section 30, they are not inherently forbidden by law under section 23, thus denying the appellant's claim and dismissing the appeal. The decision was supported by references to relevant legal precedents including *The State of Bombay v. R.M.D. Chamarbaugwala* and *Bhagwant Genuji Girme v. Gangabisan Ramgopal*.<sup>18</sup>

### Exceptions:

- **Nash v. Inman (1908)**

The scenario entails a tailor providing 13 waistcoats and similar items to an undergraduate student who was a minor at the time. Subsequently, the student declined to pay for the goods, prompting the tailor to initiate legal action seeking payment. The key issues revolve around whether the supplied goods qualify as "necessaries," and if not, whether the contract is legally enforceable. Additionally, the responsibility

<sup>16</sup> <https://lawbhoomi.com/mohori-bibee-vs-dharmodas-ghose/#:~:text=Mohori%20Bibee%20vs%20Dharmodas%20Ghose%20Summary,-The%20case%20of&text=The%20court%20rejected%20the%20application,dueto%20Dharmodas's%20minor%20status>, (last visited, 15 March, 2024).

<sup>17</sup> <https://www.lawteacher.net/cases/pearce-v-brooks.php#:~:text=Decision%20%2F%20Outcome&text=It%20was%20part%20of%20the,thing%20as%20an%20illegal%20purpose>, (last visited, 16 March, 2024).

<sup>18</sup> <https://lawplanet.in/gherulal-parakh-vs-mahadeodas-maiya-case-summary-1959-sc/>, (Last visited, 16 March, 2024).

lies in determining whether the goods supplied were genuinely necessary for the minor, placing the burden of proof on the plaintiff to demonstrate their essential nature and relevance to the minor's life circumstances at the time of sale.

The court elucidated that necessities encompass goods or services suitable to the minor's condition in life and actual requirements, necessitating proof of both suitability and necessity. In English Law, an incompetent individual is obliged to compensate for necessities received by paying a reasonable price, with recovery actions for services directed against the individual's estate rather than the individual themselves.<sup>19</sup>

## IMPLICATIONS AND CONSEQUENCES OF VOID AGREEMENTS:

### (A) Nullity of Contracts:

**Description:** When an agreement is deemed invalid, it is regarded null and void from the start, which means it is handled as if it never occurred. The contract has no legal effect from the start, and neither party is obligated to complete their commitments under the agreement.

**Implications:** The parties are released of their contractual responsibilities.

Any activities made under the void agreement are considered invalid.

Parties may pursue legal action to recover any losses incurred as a result of the invalid agreement.

**Example:** If a contract is void owing to illegality, such as an agreement to participate in unlawful activities, neither party may enforce the conditions, and any money or products transferred must be refunded.

### (B) Restitution and Remedies:

**Description:** When a contract is deemed unlawful, the parties may be entitled to restitution, which entails returning them to their pre-contractual positions. This might involve repaying any benefits or payment obtained under the invalid agreement.

**Implications:** Restitution tries to rectify any undue gain caused by an invalid agreement.

Depending on the circumstances, parties may seek further remedies, such as damages or specific performance, as appropriate.

**Example:** If one party paid money to the other under an invalid contract, restitution may include repaying the cash to the paying party in order to restore them to their previous financial position.

### (C) Impact on Parties Involved:

**Description:** Void agreements can have serious repercussions for the persons concerned, altering their rights, duties, and financial situations.

**Implications:** Parties may face damages or lose advantages from the defective agreement. The parties' reputation and trustworthiness may suffer, especially if the invalid agreement includes unlawful or immoral behaviour. Void agreements may result in legal challenges and litigation to address concerns raised by the agreement's nullity.

**Example:** If a contract for the sale of goods is found void owing to fraud, the buyer may lose the money paid for the items, while the seller may face legal repercussions for their fraudulent activities.

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<sup>19</sup> <https://indiancaselaw.in/nash-v-inman/>, (last visited, 16 March, 2024).

**RECENT DEVELOPMENTS AND LEGISLATIVE AMENDMENTS:****(A) Changes in the Indian Contract Act, 1872:**

- Recent modifications to the Indian Contract Act seek to update and clarify many parts of Indian contract law in order to correspond with current business practices and legal norms.
- These revisions may include adjustments to definitions, contract formation requirements, capacity, legality, and other contract-related components.
- Furthermore, modifications may add new provisions or change existing ones to reflect growing challenges, technology improvements, or changing business practices.
- Amendments, for example, might cover electronic contracts, e-signatures, online transactions, and other digital contract formulation and enforcement issues.
- The modifications made to the Indian Contract Act reflect the Indian government's attempts to improve ease of doing business, provide legal clarity, and encourage efficient contract administration and dispute resolution.

**(B) Impact on the Treatment of Void Agreements:**

- Changes to the Indian Contract Act can have a substantial influence on the treatment of void agreements because they clarify or change the reasons for voidability, the implications of void agreements, and the remedies available to parties.
- Amendments may include new reasons for voidability or exceptions to void agreements, giving parties additional legal protections or avenues of remedy.
- Furthermore, revisions can improve the enforceability of contracts, reinforce contractual duties, and encourage fair and equitable decisions in disputes regarding invalid agreements.
- Amendments to the Indian Contract Act help to provide legal clarity, transparency, and predictability for enterprises and individuals involved in contractual interactions by correcting ambiguities, gaps, or flaws in the legal framework regulating contracts.
- Overall, recent advancements and legislative revisions to the Indian Contract Act seek to modernize contract law, stimulate economic growth, and strengthen India's competitiveness in the global economy.

**CONCLUSION & KEY FINDINGS:**

Finally, this research study examined different aspects of contract law, with a specific emphasis on void agreements under the Indian Contract Act of 1872 and their comparison to international contract law norms. Beginning with an introduction of the significance and terminology of contracts and agreements, the article delves into the complexities of the Indian Contract Act, its provisions, and the many forms of contracts. It gave a full examination of void agreements, including their definition, features, and reasons for voidability, as well as particular examples of their application.

Furthermore, the implications and repercussions of void agreements were carefully investigated, with a focus on contract nullity, restitution and remedy principles, and the influence on the concerned parties. Notably, current developments and legislative adjustments to the Indian Contract Act were examined, providing insight into changes that may alter the treatment of void agreements in India's legal environment. In summarizing the primary results, it is clear that void agreements serve an important function in contract law, protecting parties from engaging into agreements that lack fundamental characteristics or violate public policy. Future legal reform recommendations include continued efforts to clarify and update

contract law so that it may adapt to changing business practices and technology breakthroughs while preserving fairness and equity in contractual interactions.

Overall, this study advances our understanding of void agreements and their repercussions, offering useful insights for legal practitioners, politicians, and enterprises involved in contractual transactions. By addressing the intricacies and limitations of contract law, this article emphasizes the significance of explicit and enforceable agreements in creating confidence and facilitating trade in a worldwide economy.

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