Unit I: Nature, Formation, and Consideration

1. The "Plain English" Intro

A contract is essentially a legally binding promise between two or more people that the court will actually enforce. While every contract starts as an agreement, an agreement only becomes a contract if it carries the weight of legal obligation.

2. Day-to-Day Analogy

Imagine you tell a friend, "I'll give you my old phone if you buy me dinner." Your friend says "Yes." If he buys you dinner and you refuse to give him the phone, he could (theoretically) sue you because you made a specific **Offer**, he gave **Acceptance**, and the dinner was the **Consideration** (the price paid).

3. The Legal Backbone

Section (Indian Contract Act, 1872)	What it says in Simple Terms
Section 2(a)	**Proposal/Offer**: When you tell someone what you are willing to do in exchange for something else.
Section 2(b)	**Acceptance**: When the other person says "Yes" to exactly what you offered.
Section 2(d)	**Consideration**: The "Price" of the promise; it's what each person gives to the other.
Section 2(h)	**Contract**: An agreement that the law recognizes and will enforce.
Section 10	**Enforceability**: The master list of what makes an agreement a real contract (Free consent, capacity, etc.).

4. The "Checklist" (Essentials of a Valid Contract)

To prove a contract exists in court, you must check these boxes:

- **Proper Offer and Acceptance**: A clear proposal and an unqualified "Yes."
- **Intention to Create Legal Relationship**: You must actually mean for the law to get involved (not just a casual social plan).
- **Lawful Consideration**: Something of value must be exchanged, and it cannot be illegal.
- **Capacity**: Both parties must be of sound mind and of legal age (18+).
- **Free Consent**: No one was forced, tricked, or pressured into signing.

5. Landmark Case Laws (The Story Method)

Carlill v. Carbolic Smoke Ball Co.

- **The Conflict**: A company advertised a £100 reward to anyone who got the flu after using their smoke ball. Mrs. **Carlill** used it and still got sick. The company refused to pay, claiming the ad was just "marketing puff" and not a real offer to her specifically.
- **The Verdict**: The Court ruled it was a **General Offer** to the whole world. By using the product as directed, she accepted the offer. The company had to pay.

Harvey v. Facey

- **The Conflict**: **Harvey** telegraphed **Facey**, "Will you sell us Bumper Hall Pen? Telegraph lowest cash price." **Facey** replied, "Lowest price £900." **Harvey** replied, "We agree to buy for £900." **Facey** then refused to sell.
- **The Verdict**: The court held there was no contract. **Facey** was only providing information (Invitation to Treat), not making an offer to sell.

Chinnaya v. Ramaya

- **The Conflict**: An old lady gave her property to her daughter (**Ramaya**) on the condition that **Ramaya** pay an annuity to the lady's sister (**Chinnaya**). **Ramaya** agreed but later stopped paying, claiming she received no "consideration" directly from her aunt (**Chinnaya**).
- **The Verdict**: The court ruled that under Indian Law, consideration can move from a **third party** (the mother). **Ramaya** was legally bound to pay.

6. Comparison Table: Offer vs. Invitation to Treat

Feature	Offer	Invitation to Treat (Offer to Make an Offer)
Intent	Intent to be legally bound immediately.	Intent to circulate information or negotiate.

Result	Becomes a contract the moment it is accepted.	Cannot be accepted; only triggers an offer.
Example	"I will sell you *this* car for 5 Lakhs."	A price tag on a shirt in a shop window.

7. Visual Flowchart Description

1. **Offeror** sends a clear **Proposal** to the **Offeree**.
2. **Offeree** receives the proposal (**Communication**).
3. **Offeree** sends back an **Absolute and Unqualified Acceptance**.
4. **Agreement** is formed.
5. Check for **Consideration** and **Legal Intent**.
6. **Binding Contract** is created.

8. Exam "Golden Key"

Latin Maxim: *Ex nudo pacto non oritur actio* (Out of a bare promise, no right of action can arise). Use this to explain **Nudum Pactum**—a promise without consideration is not a contract and cannot be sued upon.