

Quadrant II - Notes

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Module Name: Consideration

Module No: 05

A Contract is the result of a promise which is enforceable before the court of law. However, such promise is of no value when it is not supported by consideration. Consideration is the price for the promise. Every promise must have something in return. Consideration is some value received by the promisee.

Example: A promised to sell his motorbike for Rs.25000/- to B. Motorbike is a consideration for B and Rs. 25000/- is a consideration for A.

Section 2(d) of the Indian Contract Act defines consideration as follows:

When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or to abstain from doing something, such act or abstinence or promise is called a consideration for the promise.

The following are the essential of Valid Consideration

1. At the desire of the Promisor: Consideration must be given only at the desire of the Promisor. Anything given or did by the Promisee without the request or desire of the Promisor is not a consideration. Therefore, any voluntary service is not a consideration.

Read the following cases

Durga Prasad v. Baldeo (1880) 3 All 221

Kedar Nath v. Gorie Mohammad 1886 ILR 14 Cal.64

2. By promisee or any other person: As per Indian Contract Act, consideration could be given by the promisee or any other person on behalf of the promisee. Therefore, as long as there is a consideration, the contract is valid irrespective of who paid the consideration.

Read Chinnaya v. Ramaya (1882) 4 Mad.137

3. Past, present and future

Under Indian law, consideration can be past, present or future.

4. Consideration must be real.

Consideration must be real, and it cannot be illusory. Consideration must have some value in the eye of law.

Read *White v. Bluett* (1853) 23 LJEx 36

5. Need not be adequate: what shall be the consideration is left to the parties. Parties are free to fix the consideration. Therefore, consideration could be low or high, and the contract will not be vitiated because of the adequacy of consideration.

Read the following cases

1. *De la Bere v. Pearson* (1908) 1 KB 280.
2. *Radha Rani v. Ramdas* AIR 1941Pat.282
3. *Ramachandra Chintaman v. Kalu Raju* (1878) ILR 2 Bom 362