

Kinds / Types of Contracts

The Indian Contract Act, 1872 classifies contracts into various types based on different criteria. These classifications help in understanding the nature and enforceability of contracts.

1. Based on Validity (Enforceability)

Contracts are classified as valid, void, voidable, illegal, and unenforceable based on their legal enforceability.

1. Valid Contract – A contract that satisfies all the essential elements of a contract (offer, acceptance, consideration, legal object, free consent, etc.) and is enforceable by law.

- Example: A agrees to sell his bike to B for ₹50,000, and B agrees.

2. Void Contract – A contract that was initially valid but becomes unenforceable by law later due to some reasons.

- Example: A contract becomes void if a new law prohibits its performance.

3. Voidable Contract – A contract that is valid but gives one party the option to cancel due to coercion, fraud, misrepresentation, or undue influence.

• Example: A contract signed under pressure can be declared voidable by the affected party.

4. Illegal Contract – A contract that involves illegal activities and is not enforceable by law.

- Example: A contract for the sale of drugs or smuggling goods.

5. Unenforceable Contract – A contract that cannot be enforced due to technical defects, such as lack of proper stamp duty or a missing written agreement when required.

- Example: A contract for property sale without registration.

2. Based on Formation (Mode of Creation)

Contracts can be classified based on how they are formed.

1. **Express Contract** – A contract where the terms are clearly stated in words (oral or written).

- Example: A written employment agreement.

2. **Implied Contract** – A contract formed through conduct or actions rather than explicit words.

- Example: Taking a bus ride (passenger agrees to pay the fare by action).

3. **Quasi-Contract** – A contract created by law to prevent unjust enrichment when no real contract exists.

• Example: If A mistakenly pays B's electricity bill, B must return the money to A.

3. Based on Performance

Contracts can also be classified based on their execution status.

1. **Executed Contract** – A contract where both parties have fulfilled their obligations.
 - Example: A buys a book from a shop and pays immediately.
2. **Executory Contract** – A contract where some obligations are yet to be performed.
 - Example: A agrees to deliver 100 bags of rice to B next month, and B agrees to pay upon delivery.
3. **Unilateral Contract** – A contract where only one party has to perform an obligation.
 - Example: A announces a ₹5,000 reward for finding his lost dog. The contract is fulfilled when someone finds the dog.
4. **Bilateral Contract** – A contract where both parties have reciprocal obligations.
 - Example: A agrees to sell his house to B, and B agrees to pay ₹50 lakh.

4. Based on Special Provisions

Some contracts are classified based on specific conditions.

1. **Contingent Contract** – A contract where the performance depends on a future uncertain event.
 - Example: An insurance contract where the company pays compensation if an accident occurs.
2. **Wagering Contract** – A contract based on a bet, where one party wins and the other loses. Such contracts are void under Indian law.
 - Example: A and B bet ₹10,000 on a cricket match.
3. **Contract of Indemnity** – A contract where one party promises to compensate for losses suffered by another party.
 - Example: An insurance company indemnifies (compensates) a policyholder for car accident damages.
4. **Contract of Guarantee** – A contract where a third party guarantees the performance of another party.
 - Example: A bank provides a loan to X, and Y guarantees repayment if X defaults.
5. **Contract of Bailment** – A contract where one party delivers goods to another for a specific purpose with a condition to return them.
 - Example: Giving clothes to a dry cleaner.
6. **Contract of Agency** – A contract where one person (agent) acts on behalf of another (principal).
 - Example: A real estate agent selling a house on behalf of the owner.