

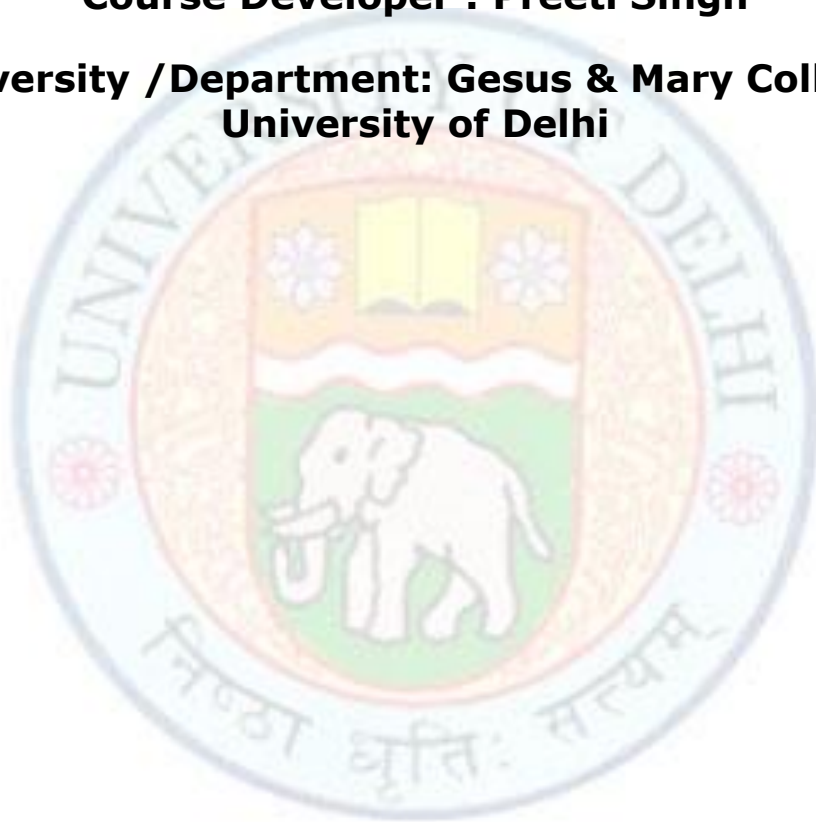
# **1 (G) Void Agreements**

**Subject : Commerce**

**Lesson : Void Agreements**

**Course Developer : Preeti Singh**

**University /Department: Gesus & Mary College,  
University of Delhi**



# 1 (G) Void Agreements

## Table of Contents

- Chapter 1 (G) Void Agreements
  - The scope of the Unit is given below:
  - 7.1 What is a Void Agreement?
  - 7.2 Agreement by Minor or a Person of Unsound Mind
  - 7.3 Agreement Made Without Consideration
  - 7.4 Agreement in Restraint of Marriage
  - 7.5 Agreements in Restraint of Trade
    - 7.5.1 Statutory Exceptions
    - 7.5.2 Exceptions under Judicial Interpretations
  - 7.6 Agreements in Restraint of Legal Proceedings
    - 7.6.1 Exceptions to Restraint in Legal Proceedings (Section 28)
  - 7.7 Agreements with Uncertain Meaning
  - 7.8 Wagering Agreements
    - 7.8.2 Exceptions
    - 7.8.4 Contracts of Insurance and Wagering Agreements
  - 7.9 Agreements to Do Impossible Acts
  - Check Your Progress
  - Summary
  - Glossary
  - References



# 1 (G) Void Agreements

The scope of the Unit is given below:

- 7.1 What is a Void Agreement?
- 7.2 Agreement by a minor or persons of unsound mind
- 7.3 Agreements without consideration
- 7.4 Agreements in Restraint of Marriage
- 7.5 Agreements in Restraint of Trade
- 7.6 Agreements in Restraint of Legal Proceedings
- 7.7 Agreements with Uncertain Meaning
- 7.8 Wagering Agreements
- 7.9 Agreements to do Impossible Acts



# 1 (G) Void Agreements

## 7.1 What is a Void Agreement?

Section 2 (g) of the Indian Contract Act, states "that a void agreement is one which is not enforceable by law. A void agreement does not create rights, obligations or duties. It does not give rise to any legal consequences. Such agreements are void ab initio". The courts can only enforce those agreements that according to Section 10 fulfill the conditions of the Indian Contract Act. It should not be declared void by any law in the country. There is a difference between void agreements and void contracts.

### Void Agreement

- A void agreement is not valid.
- The agreement is not enforceable by law.
- It is void from the very beginning of the making of the agreement.
- The following agreements are expressly declared as void by the Indian Contract Act:



**Figure 1.1 Contract**

- Agreement by a minor or a person of unsound mind.[Sec(11)]
  - Agreement of which the consideration or object is unlawful[Sec(23)]
  - Agreement made under a bilateral mistake of fact material to the agreement[Sec(20)]
  - Agreement of which the consideration or object is unlawful in part and the illegal part can not be separated from the legal part [Sec(24)]
  - Agreement made. without consideration.[Sec(25)]
  - Agreement in restraint of marriage [Sec(26)]
  - Agreement in restraint of trade [Sec(27)]
  - Agreement in restraint of legal proceedings[Sec(28)]
  - Agreement the meaning of which is uncertain [Sec(29)]
  - Agreement by way of wager [Sec(30)]
  - Agreement contingent on impossible events [Sec(36)]
  - Agreement to do impossible acts [Sec(56)]
- 
- A Void contract is valid when it is entered into but after it is formed due to some limitation it becomes non enforceable.
  - A Void contract is enforceable by law but due to impossibility or illegality it becomes unenforceable at a later date.
  - A void contract remains valid until its validity stops functioning.

# 1 (G) Void Agreements

## 7.2 Agreement by Minor or a Person of Unsound Mind

A minor can be defined as a person who has not completed his or her 18 years of age. The laws act as the guardian of minors and protect their rights, as it is believed that their mental facilities are not as mature as those of a person above 18 years of age. A minor does not have the capacity to judge whether an agreement should be entered into or what would be his obligations to the contract. Therefore an agreement with a minor involving his obligations and the other contracting party who requires enforcement of those obligations is deemed as void.



**Figure 7.2 Minor**

A person of unsound mind does not have the mental powers or mental condition under his or her own control. Any agreement entered into by a person of unsound mind is void

<b>Illustration</b>
Madhu made an agreement to buy a house for Rs 80,00000 with Sonu who was 11 years of age. The agreement is void
<b>Illustration</b>
Singla is in depression. He makes an agreement to marry Shanti. This is a void agreement.

# 1 (G) Void Agreements

## 7.3 Agreement Made Without Consideration

An agreement made without consideration is void, except in the following cases:

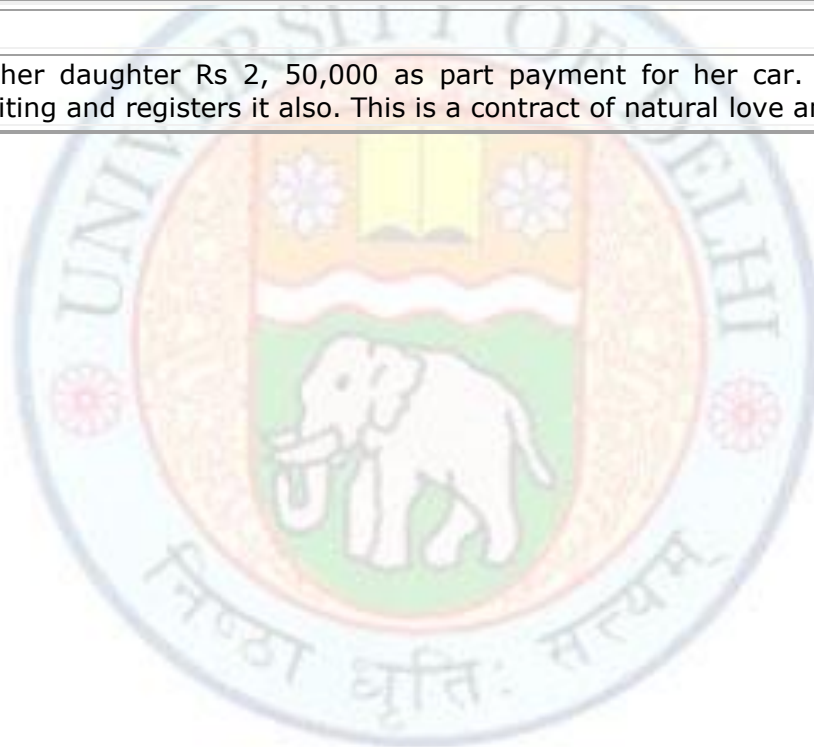
- is registered and is in writing under the law enforceable at the time of registration (of documents) and is amongst near relations due to natural love and affection between parties.
- Promise to compensate another person for anything voluntarily done by him.
- In case of time barred debt.

### Illustration

Sukrita promises to give Nirmay Rs. 20,000. There was no consideration and they were not related to each other. This is not a valid agreement.

### Illustration

Sunita gives her daughter Rs 2, 50,000 as part payment for her car. She gives this promise in writing and registers it also. This is a contract of natural love and affection.



# 1 (G) Void Agreements

## 7.4 Agreement in Restraint of Marriage

According to Section 26, an agreement that is in restraint of marriage is void. However, this rule does not apply to restraint of a minor from marriage.

The law does not allow any restriction on the freedom of a person's choice or freedom in selecting a marriage partner.



**Figure 7.4 Marriage endowment Plan**

### **Illustration**

Lata agrees to marry Rahul because her parents did not allow her to marry Kiefer, a foreigner, who is a German gentleman. This is a restriction on choice of marriage and is a void agreement.

The agreement is void if the restraint to marry another is partial or general. From this it follows that an agreement to marry a certain person or not to marry at all or to marry for a particular period of time is a void agreement. However a promise to marry a certain person is a valid contract and does not depict any restraint in marriage.

### **Illustration**

Anika wants to marry Gautam and no one else but Gautam. This is a choice and there is no restraint in marriage. This is a valid contract of marriage.

# 1 (G) Void Agreements

## 7.5 Agreements in Restraint of Trade

Any agreement that restrains a person from following a lawful profession, trade or business is void according to section 27 of the Indian Contract Act. Restraints on skill or talent or work of a person are void contracts. The constitution (Article 19) states that it is the fundamental right of a person to be at a liberty to work and not deprive himself of his fruits of labour by entering into a restraining contract.



**Figure 7.5 Bank Insurance**

The effect of agreements in restraint of trade is that they are always void whether they are partial or general, qualified or unqualified; whether they are for a limited period or extend over a particular area of work. However there are certain statutory exemptions.

### Case Law 1

#### **Madhub Chander V Raj Coomar (1874) 148 LR 76**

In this case two people Madhub and Raj were neighbouring shopkeepers. They were rivals. Raj agreed to pay Madhu an amount of money for closing his business located near his shop. Madhub closed his business. Raj refused to pay the agreed amount. The court held that the agreement was void.

### Statutory and Judicial Interpretation- Exceptions

There are certain statutory or judicial exceptions to the rule that restraint of trade is void.

In the following cases restraints will not affect the validity of an agreement:

#### **Statutory Exceptions:**

- Sale of goodwill.
- Exceptions under Partnership Act.

#### **Exceptions under Judicial Interpretation:**

- Trade combinations
- Sole dealing agreements and
- Restraints on employees.



# 1 (G) Void Agreements

## 7.5.1 Statutory Exceptions

**(a) Sale of goodwill:** The seller of a business can put some restrictions on himself. He may agree not to continue with the same products in business or restrict the area of operation. The restrictions have to be reasonable. They are applied to protect the buyer of the business.



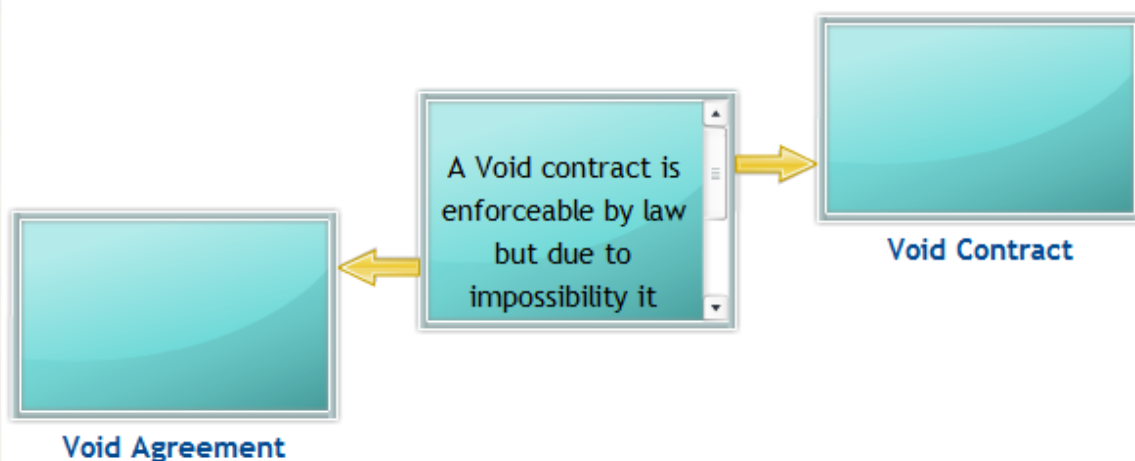
Figure 7.6 Claim Settlement

### Illustration

Shanti sold her drycleaning business in Sarva priya Vihar to Sushant. She agreed not to do similar business in the same area for 15 years as a condition of the sale. This is not a reasonable restriction and it can be contested in a court.

### Check Your Progress

#### Difference between Void Agreement & Void Contract



Click Start to display a void agreement & void contract. Click an arrow to segregate it under an appropriate box skill.

# 1 (G) Void Agreements

**(b) Exceptions under the Partnership Act:** The following exceptions pertain to the Indian Partnership Act under restraint of trade. These restraints are required to carry out business or trade. They do not affect the validity of the agreement.

- **Continuing partner:** A person is not allowed to carry out any other business while he is continuing as a partner of a firm.
- **Outgoing partner:** A partner may agree not to do business that was similar to the business of the firm in which he had been a partner. He may agree not to conduct business in a particular area or during a specified period of time. However the restraint should be reasonable for the agreement to be valid.
- **Dissolution of firm:** When a firm is dissolved some or all the partners may be restrained from doing the same business so that none of the partners are under any disadvantage.
- **Sale of goodwill of firm:** A partner may be restrained from doing business in the same area or within a specified period as the partnership firm. The agreement will be valid if the restrictions are reasonable.

## 7.5.2 Exceptions under Judicial Interpretations

**(a) Trade Combinations:** A combination of trade organizations for monopolizing trade is against public interest and void but trade combinations that are formed for regulating business, fixing prices, creating quality in products, standardization and market timings are not void agreements. If however, these combinations have unreasonable restrictions on members the combinations will be null and void. There are several judicial cases.

### Case Law 2

**Bhola Nath Shankar Das v Lachmi Narayan  
(1931) All L. J. 84,**

An association of traders' restricted dealing with outsiders, providing several penalties as restrictions. The legality of this decision was challenged on the ground that the combination had the aim of creating monopoly. However, the court stated that the agreement was valid as every trader was allowed to carry on business according to his choice.

### Illustration

Kalu, Shamu, Shashi and Prateek decided to avoid competition and create a monopoly house of wool for exports from a small town in Punjab. Their agreement to combine is a trade combination which creates monopoly. It is against public interest. Hence, it is void.

### Illustration

Kavi, Kali, Anupriya and Kanupriya decide to fix a uniform rate for selling their accessories at an exhibition to divide the profits amongst themselves. This agreement is valid because it is nether a restraint of trade nor is it against public policy.

**(b) Sole dealing agreements:** Manufacturers usually appoint a distributor or an agent for selling goods in a particular area. The agent stocks only goods of that particular organization as a part of the agreement between them. As long as there is a fair and reasonable agreement between the two parties it is an understanding of terms of business and advantages to both the parties to increase their business. However, if it is detrimental to the interest of one of the parties it becomes objectionable and such agreements become unenforceable

# 1 (G) Void Agreements

## Case Law 3

### Shaikh Kalu v Ram Sharan Bhagat (1908) 8 C. W., 388.

In Shaikh Kalu v Ram Sharan Bhagat<sup>82</sup>. A seller of combs entered into a contract to sell to another person and to his heirs all the combs produced and not to sell them to anyone else This was considered to be a void agreement as it was oppressive and was with the intention of creating a monopoly.

## Illustration

Sita agrees to supply uniforms to a school and the school promises not to buy goods from any other person for a fixed period of time. This is a valid agreement.

## Illustration

Ram enters into an agreement with Shyam to supply mosquito nets to his hostel. Shyam was to give this product all his life to the hostel and to no other parties. This is a void agreement because it restricts the right of a person to do business with other parties all his life. If the agreement of supply was for a fixed period it would be reasonable.

## Check your Progress

### Consideration

00 : 57 : 03

1. Sanjay promises to give Anuj Rs. 1,00,000. There was no consideration and they were not related to each other. This is a valid agreement

- True
- False

Skip

This is a rapid fire interactivity. You will be asked a series of questions. Answer these by clicking the radio buttons from the choices provided. Good luck!

## 1 (G) Void Agreements

**(c) Restraints upon employees:** Some employers prevent their employees from working in other organization while in employment with them. The employee can be restrained from carrying on business which is in competition with the employers company, or a servant can be restrained by his master from divulging secrets of his business. There are many forms of restrains between the employer and employee. As long as these are reasonable, depending on the facts and circumstances of the case the agreement will not be void because it is justified as it protects the employer's goodwill.

### Case Law 4

**Deshpande v Arvind Mills Ltd  
In. (Air 1946 Bom. 423)**

A person took employment as weaving master for three years and agreed not to take a similar assignment anywhere in the world for three years. This was considered to be a valid agreement.

In restraints upon employees it is implied that a former employee should not use the trade secret of his master while competing in future possible contracts. However, restriction should be reasonable and after the expiry of period of service, restraints will be void.

### Illustration

Manu was restrained by his employer not to divulge his trade secrets to his competitors as he was sure that he would get the contract to build a new airport. This is a valid agreement as it is a reasonable restraint of terms of service.

### Illustration

Manju was working in Taj Palace Hotel as a manager. She was restrained by the hotel from offering her services to other hotels while in service. This is a valid agreement as it is reasonable and fair. It is part of the service agreement.

# 1 (G) Void Agreements

## 7.6 Agreements in Restraint of Legal Proceedings

Every person has a right to take recourse to legal proceedings in a court of law when there is a conflict with another person. If a party is restricted to use this right the agreement will be void (Section 28).

Two types of agreements restraining another person from legal proceedings are void.



**Figure 7.8 Arbitration**

These are the following:

- Agreements restricting parties from enforcing the legal rights under the contract.
- Agreements limiting the time within which a party can enforce contractual rights.

**(a) Agreements on Legal Proceedings:** Any agreement which restricts a person from enforcing his right in the court is void.

### **Illustration**

Sita sold 1000 parker pens to Geeta for Rs. 300 each. She has a right to receive the payment from Geeta, otherwise she has the right to file a suit in the court to get the payment.

If Sita makes an agreement with Geeta that she will never go to court for receiving the payment even if she is not paid, the agreement is void.

Restraint on legal proceeding should be complete and not partial for making the agreement void.

# 1 (G) Void Agreements

## Check your Progress

**Restraint of Trade** 00 : 07 : 02

2. Sanjay and Manoj are businessmen. They were rivals. Sanjay agreed to pay Manoj an amount of money for closing his business. Manoj closed his business. Sanjay refused to

\* o \* d \* \* r \* \* m e \* t

Type the appropriate letters in the asterisk cells and click Submit to verify your answer.

**(b) Limitation of time:** An agreement is declared void when parties restrict the time within which an appeal can be made. The period of limitation prescribed by law is three years from the date of breach. If there is a clause that a party cannot go to court after two years for recourse to a law, the agreement becomes void as it is not in accordance with the law of limitations.

### Illustration

Braj supplied material to Dhanuj. They may an agreement that if Braj does not receive the payment for the material supplied, he can go to court within two years for suing the other party. Otherwise he will not have a right to go to court. This is a void agreement.

### **7.6.1 Exceptions to Restraint in Legal Proceedings (Section 28)**

In the following two cases the agreement is not void even when it is in restraint to legal proceedings.

#### **When a reference is made to future disputes for arbitration.**

### Illustration

Leela entered into an agreement with Mila for supplying 14 computers every month for six months for Rs. 35,000 per computer. It was agreed that both parties would have a right to go in for arbitration if there was any dispute regarding the price or quality of the computers. This is a valid agreement.

# 1 (G) Void Agreements


When a reference is made of existing disputes for arbitration:

## Illustration

Reeta makes an agreement with Sunny to sell a watch for Rs. 5,000. Sunny refuses to pay the price on delivery as promised earlier. Both the parties agree to go in for arbitration. This is a valid agreement.

## Check your Progress

**Statutory Exceptions**

00:31:05  

Nitin, Aman, Ravi and Raj decided to avoid competition and create a monopoly house of CD for exports from a small town in UP. Their agreement

-----

A B C D E F G H I J K L M N O P Q R S T  
U V W X Y Z 0 1 2 3 4 5 6 7 8 9

Select the letter and number to answer the question. Alternatively, you can also type the answer in the given box and click the Guess the Answer button.

# 1 (G) Void Agreements

## 7.7 Agreements with Uncertain Meaning

An Agreement whose meanings are not clear, so that there is uncertainty creating confusion between people is a void agreement.

Section 29 states that "an agreement, the meaning of which is not certain or capable of being made certain is void".

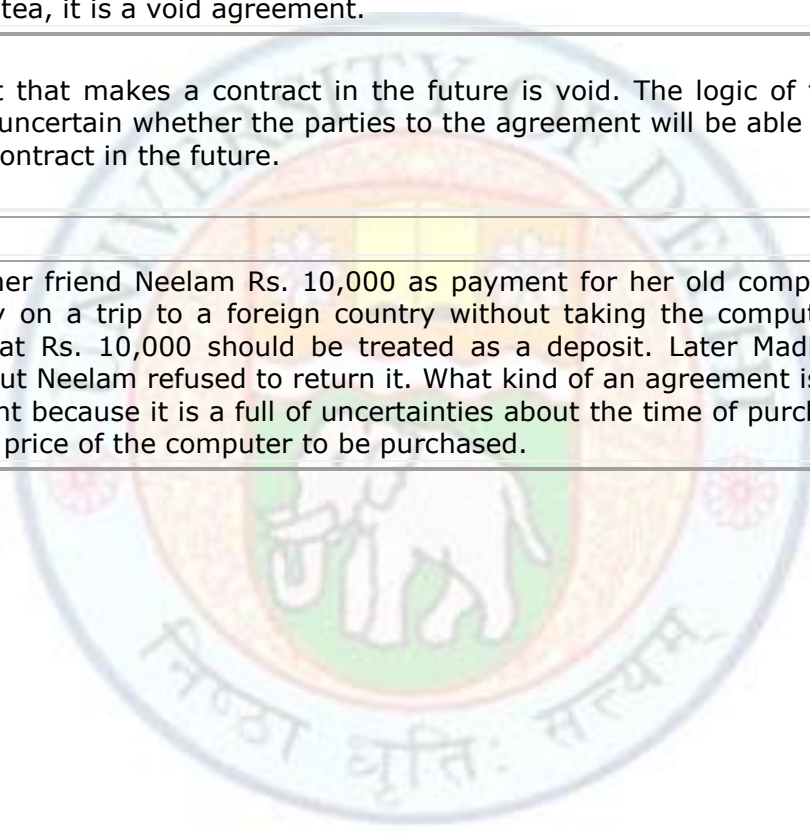
### Illustration

Kamal agrees with Aditya to send 100 tea packets for Rs. 50,000 to his landlord. Kamal sends green tea because Aditya had not specified any brand. However, it was unacceptable to the landlord, who refused payment stating that he had ask for some other tea. Since this was an uncertain agreement which did not state either the quantity or the kind of tea, it is a void agreement.

An agreement that makes a contract in the future is void. The logic of this is that the agreement is uncertain whether the parties to the agreement will be able to agree to the terms of the contract in the future.

### Illustration

Madhu gave her friend Neelam Rs. 10,000 as payment for her old computer. However, he went away on a trip to a foreign country without taking the computer, making an agreement that Rs. 10,000 should be treated as a deposit. Later Madhu wanted her money back but Neelam refused to return it. What kind of an agreement is this? This is a void agreement because it is a full of uncertainties about the time of purchase and about the value and price of the computer to be purchased.





# 1 (G) Void Agreements

## 7.8 Wagering Agreements

A wager is explained by Sir William Anson "as a promise to give money or money's worth on determining or ascertaining an uncertain event. In a wagering contract it is necessary that each party should either lose or win depending on a certain event". Therefore, the event is uncertain and affect both the parties; if only one of the parties is affected it is not a wagering contract. Wagering agreements have the following essential features;



**Figure 7.10 Wagering Agreements**

**(a) Uncertain event:** A wagering agreement is dependent on an uncertain event that may or may not happen. It pertains to the happening of some future event. It can also be dependent on some past event whose result is not known. An example is an agreement depending on the possibility of may be of a possible winner of a cricket team of a match that is still to happen.

**(b) Mutual loss or gain:** In a wager agreement both the parties have an equal chance to win or lose. The gain / loss may or may not be equal but it is necessary that both have the chance. If only one of the parties can only win but there is no possibility of its losing and the other party does not have the same possibility it will not be a wager agreement.

**(c) The event is beyond the influence of the parties:** Wagering agreements can not be influenced by any of the parties to the agreement. If one of the parties knows the outcome of the event, the agreement is not a wager.

## 1 (G) Void Agreements

### Check your Progress

#### Restraint of Legal Proceedings

1. Under ..... of Indian contract act every person has a right to take recourse to legal proceedings in a court of law when there is a conflict with another person.

Submit

Next

Type the appropriate letters in the spaces with asterisks and click the Submit button to view the feedback.

#### Illustration

Meenu, Rajiv, Suraj and Veena decided to run a 5 Kilometers Cycle race. Leena promised to give the winner Rs. 5,000. Meenu won and got the prize money. This is a wagering agreement.

**(d) No other interest in the event:** The parties to a wagering agreement should only have the interest in winning or losing. If any of the parties has any other interest in the agreement it will not be called a wagering agreement.

#### Illustration

Rekha promises to pay Sikha Rs. 7,500 if it rains on Thursday. Sikha will pay Rekha Rs. 7,500 if does not rain on Thursday, this is a wagering agreement.

# 1 (G) Void Agreements

## **7.8.1 Consequences of Wagering Agreements**

Wagering agreements have the following legal position under Section 30 of the Contract Act;



**Figure 7.11 Wagering**

1. Wagering agreements are void and unenforceable but they are not forbidden by law. However, money cannot be recovered from a loser in a wagering agreement.
2. Wagering agreements are not illegal. Therefore collateral transactions are valid and enforceable in a court of law. Therefore, if money is borrowed in a collateral transaction, it is payable.
3. In India in Maharashtra and Gujarat wager agreements are considered to be illegal. Therefore, no money can be recovered from either party.
4. If two parties have entered into a wagering agreement and have deposited money with a third person, the winning / losing party can recover only its own share of the stake money.

## **7.8.2 Exceptions**

There are certain exceptions to the rule that wagers are void.

- 1. Horse racing:** If an agreement is made for contributing towards prize money or moment of the value of Rs. 500 or more to the winner of a horse race, it is not void.
- 2. Crossword competition:** Competitions relating to application of skill or intelligence are not wagering agreements but if prizes are given on the basis of a chance factor, the agreement is void.

## **7.8.3 Special Transactions**

**a. Lottery:** A lottery is a wagering agreement because the chances of gain or loss are equal depending on a future event, but the prize money cannot be recovered through a court of law. Lotteries are void and illegal but the rule does not apply to state authorized lotteries.

**b. Speculation:** A speculative transaction is like a wagering agreement because it is based on the intention of settlement of price differences and not on the actual delivery of a product. This is void and illegal. If delivery of the goods is taken, it will be an ordinary commercial transaction and a valid agreement.

# 1 (G) Void Agreements

## 7.8.4 Contracts of Insurance and Wagering Agreements

A wagering agreement is quite similar to that of contracts of insurance but wagering agreements are void and contracts of insurance are not void. The following differences can be noted between wagering agreements and insurance contracts.

**(e) Interest in winning / losing:** In a wagering agreement the parties do not have any interest in the agreement except that of being rewarded or losing. The contract of insurance protects the insurable interest of the insured person.



**Figure 7.12 Wagering agreements and Insurance contracts**

**(f) Chance factor:** In a wagering agreement there is an equal chance of gain / loss. In insurance, the insured person gets compensation after a certain time period or on the happening of certain event.

**(g) Calculation:** A wagering agreement is not calculated scientifically. It is a gamble and it is void. An insurance premium is scientifically calculated and based on scientific principle.

**(h) Usefulness:** A wagering agreement is an unhealthy practice. It is void. Insurance contributes to social benefits and to the welfare of the society.

# 1 (G) Void Agreements

## 7.9 Agreements to Do Impossible Acts

An agreement to do an impossible act is void according to Section 56. An agreement, which is made to perform some impossible act, is void ab initio. If the promisor has the knowledge that the agreement is impossible he must pay compensation to the promisee for losses due to non fulfillment of the promise.

### Illustration

An agreement to take tourists to Canada and bring them back to India in 15 hours is an impossible task. The agreement is void.

When a person promises to do an act that is legal and subsequently promises to do certain illegal acts, then the first part of the agreement is valid but the second is void.

### 7.9.1 Restitution

When a contract is void no party is required to perform it but if a party has received a benefit, it must restore it or compensate the other party. This rule is based on the principle of justice and equity that no person should be allowed to get a benefit at the expense of another

Check Your Progress

**Future Contract**

00 : 00 : 00

Time's up.

Type the appropriate letters in the asterisk cells and click Submit to verify your answer.

# 1 (G) Void Agreements

## Match the following

1. Match the pairs by clicking on an item in the left column and then clicking on an item in the right column.

### Match the following

Wagering agreement

Valid when reasonable

Wagering agreement

Valid contract

Insurance contract

Mutual chance of gain / loss

In Maharashtra and Gujrat

Restraint in legal proceedings

Agreements restricting rights

Valid for regulating business

Trade combination

Is a void agreement

Attempt the questions and scroll down to click the Submit button for results.



## 1 (G) Void Agreements

**Practical Problem**

Malti makes an agreement with Monty to sell the entire manufacture of babies garments produced in her unit to him in the winter season of the year 2007-2008. In November, when the

Will he succeed?

Yes

No

Read the question carefully, then answer the questions by clicking the appropriate option.

**Practical Problem**

Anil agrees to lend money to Romey for making a payment on his dues in a wagering transaction with Shankar.

Can Anil recover the money lent by him?

Yes

No

Read the question carefully, then answer the questions by clicking the appropriate option.

## 1 (G) Void Agreements

**Practical Problem**

Geeta agrees to buy a car for Rs 300000 from Pankaj if it runs 22 kilometers per litre of petrol. If the car runs less than that she will pay only Rs. 1,00,000. The car fails its test. Pankaj

Will he recover the amount?

Yes

No

Read the question carefully, then answer the questions by clicking the appropriate option.

**Practical Problem**

Suman and Sunayna enter into a wagering agreement and deposit Rs 5,00,000 each with Shruti. They instruct Shruti to give the total sum of money to the winner. Suman wins. She sues Shruti

Can the amounts be recovered?

Yes

No

Read the question carefully, then answer the questions by clicking the appropriate option.



## 1 (G) Void Agreements

**Practical Problem**

Manu and Mani are partners selling plasma televisions in a firm. They enter into a wagering agreement with Shobha. They lose and Shobha wins. Mani gives the money to which both Manu

Can Mani claim the money paid by her on behalf of Manu?

Yes

No

Read the question carefully, then answer the questions by clicking the appropriate option.

**Practical Problem**

Amar promises to buy seven coffee tins after fifteen days from Jagat and then deliver them to Anurag. Jagat delivers the coffee tins and Amar send them to Anurag. However Anurag refuses

It is void agreement?

Yes

No

Read the question carefully, then answer the questions by clicking the appropriate option.

## 1 (G) Void Agreements

**Practical Problem**

Bansi appoints an officer in her firm on the condition that if he leaves her, he would not join another company of the same type in the same area for at least five years.

Is this restraint valid?

Yes

No

Read the question carefully, then answer the questions by clicking the appropriate option.

**Practical Problem**

Poonam promised that she would marry only Anuj and no one else and if she does not keep her word she would pay him Rs. 10,00,000. Poonam marries Deepak. Anuj claims Rs. 10,00,000 but

What is the legal position?

Anuj can claim

Anuj cannot claim

Read the question carefully, then answer the questions by clicking the appropriate option.

# 1 (G) Void Agreements

## Summary

### Void Agreements

A Void agreement is not enforceable by law (Section 2g).

#### The Following Agreements are Void

- Agreements with minor or a person of unsound mind.
- Agreements made without consideration.
- Agreements in Restraint of Marriage.
- Agreements in Restraint of Trade.
- Agreements in Restraint of Legal Proceedings.
- Agreements with Uncertain Meaning.
- Wagering Agreements.
- Agreements to do Impossible Acts.

#### Agreements in Restraint of Marriage

- Freedom in marriage is encouraged. Therefore any agreement restraining it is void.
- This law does not apply to a minor. An agreement restraining a minor is valid.

#### Agreements in Restraint of Trade Mind

- Restraint of trade, partial or complete, is void, but there are the following exceptions to the rule.
- Sale of goodwill, partner's agreements, trade combinations and service agreements.
- Partners agreements are valid even if it in restraint of trade in the following cases:
  - Continuing partners are restrained from doing other business
  - After dissolution of partnership one or more partners may be asked not do the same business
  - Retiring partners are restrained for a period of time to do similar business in the same locality or area of operation.
- Trade combinations to regulate business are valid but combinations for creating a monopoly are negative and the agreements are void.

#### Agreements in Restraint of Legal Proceedings.

- When people are restrained from going to a court of law for recourse in case of non-fulfillment of the terms of the agreement it is a restraint on the fundamental right of a person. The agreement is void.
- However, agreements on arbitration of a dispute are valid.

#### Agreements with Uncertain Meaning

An agreement whose meaning is not clear and when the court cannot with certainty find out its correct meaning because of its uncertain terms regarding, date, quality or time of the contract is void.

#### Agreements in Restraint of Legal Proceedings.

- Wagering agreements are a promise to pay money or moneys worth on the happening of a certain event. The event and the result are unknown to both the parties. These are void agreements.
- There are certain exceptions: prize money for horse racing or games of skill like crossword puzzles that are valid agreements.
- Special transactions like lotteries are void and illegal except when they are authorized State run lotteries.
- Speculative trading is void except when it is done for commercial dealings such as buying of stocks and shares.
- Insurance contracts are not wagering agreements. Although they appear to be

## 1 (G) Void Agreements

similar, there are lots of distinctions between them. Insurance contracts are valid contracts.

### **Agreements to do Impossible Acts**

An agreement to do an impossible act is void ab initio.



# 1 (G) Void Agreements

## Glossary

---

**Glossary of Legal Terms**

Type the keyword to view the glossary terms.



# 1 (G) Void Agreements

## References

- Singh A (2008) *Law of Contract*, Ninth Edition , Pages 253-301. Eastern Book Company, Lucknow
- Bansal G.L. (2006) *Business and Corporate Laws*, Pages 61-72 Excel Books, New Delhi,.
- Pathak H.S (2006) *Mulla The Indian Contract Act*, Pages 34 to 44 Lexis Nexis Butterworth, New Delhi,
- Chadha P.R. (2001) *Business Law*, Pages 107-12 Galgotia Publishing Company, New Delhi

**For more information refer the following websites :**

<http://www.reportbd.com/articles/42/1/Void-Contract/Page1.html>

<http://www.llinksllaw.com/shangchuan/2008421145012.pdf>

<http://www.encyclo.co.uk/define/Void%20contract>

[http://www.hba.org.my/articles/bhag\\_singh/2007/void\\_contracts.htm](http://www.hba.org.my/articles/bhag_singh/2007/void_contracts.htm)

