



CLASSIFICATION OF CONTRACTS

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On the basis of validity/enforceability

- Valid contracts
- Void contracts
- Voidable contracts
- Unenforceable contracts
- Illegal agreements

On the basis of mode of creation/formation

- Express contract
- Implied contract
- Quasi contract

On the basis of performance/execution

- Executed contract
- Executory contract
- Unilateral contract
- Bilateral contract

On the basis of validity/enforceability

- ▶ **Valid Contract:** A contract which satisfies all the legal requirements laid down in Section 10 of the Act, is a valid contract
- ▶ **Void Contract:** Section 2(j) provides that "a contract which ceases to be enforceable by law becomes void when it ceases to be enforceable"
- ▶ **Voidable Contract:** According to Section 2(i), "An agreement which is enforceable by law at the option of one or more of the parties, but not at the option of other or others, is a voidable contract."
- ▶ **Illegal agreement:** An agreement which is either prohibited by law or otherwise against the policy of law is an illegal agreement. Such an agreement is a nullity and is void ab initio. (from the beginning)
- ▶ **Unenforceable Contract:** An unenforceable contract is that which is valid and enforceable, but not capable of being enforced in court of law because of some technical defects such as absence of writing, registration, requisite stamp etc.

On the basis of mode of creation/formation

- ▶ **Express Contract:** An express contract is that which is made by the words spoken or written.
- ▶ **Implied Contract:** An implied contract is one which arises out of acts or conduct of the parties or out of the dealings between them (not by their express words spoken or written)
- ▶ **Quasi Contract/constructive contract:** Under certain circumstances, law itself creates legal rights and obligations against the parties. These obligations are known as quasi contracts. (it is not a real contract. created and imposed by law)

On the basis of performance/execution

- ▶ **Executed Contract:** When a contract has been completely performed, it is termed as executed contract, i.e. nothing remains to be done by either party.
- ▶ **Executory Contract:** Where both the parties to the contract have still to perform their obligations in future, the contract is termed as executory contract.
- ▶ **Unilateral Contract:** A unilateral contract is one sided contract in which only one party has to perform his promise or obligation to do.
- ▶ **Bilateral Contract:** A bilateral contract is one in which both the parties have to perform their respective promises or obligations to do



“All contracts are agreements but all agreements are not contracts.”

Difference between agreement and contract.

BASIS	AGREEMENT	CONTRACT
Definition	Every promise and every set of promises forming for each other is an agreement.	An agreement enforceable by law is a contract
Creation	Offer + Acceptance	Agreement + enforceability
Legal obligations	Social or moral agreements may not create legal obligations.	All contracts create legal obligations
Binding	Not always concluded or binding on the concerned parties.	Always concluded or binding on the concerned parties.
Concept	All agreements are not contracts because they may not possess some of the essential elements of valid contract	All contracts are agreements. Because an agreement is the beginning of a contract

Difference between void agreement and voidable contract

Basis	Void agreement	Voidable contract
Void ab initio	It is void from the very beginning.	It is valid when made and continues to remain valid till it is repudiated by the aggrieved party.
Enforceability	It cannot be enforced by any party.	It continues to be enforceable if the aggrieved party does not repudiate the contract.
Right of third party	Third party cannot acquire any right.	A third party can acquire a valid title.
Damages	As it is unenforceable non performance of contract does not arise any compensation.	The aggrieved party can claim for damages.

Difference between void agreement and illegal agreement

Basis	Void agreement	Illegal agreement
Meaning	An agreement, which lacks legal enforceability is void agreement.	An illegal agreement is void ab initio .
Prohibition by IPC	No	Yes
Penalty	Parties to void agreement are not liable for any penalty under law.	Parties to illegal agreement are penalized.
Connected agreements/collateral agreements	May not necessarily be void, they may be valid also.	All connected agreements are void.
Scope	Wide	Narrow