

## **Legality of Object and Consideration**

For a contract to be a valid contract two things are absolutely essential – lawful object and lawful consideration. So the Indian Contract Act gives us the parameters that make up such lawful consideration and objects of a contract. Let us take a look at the legality of object and consideration of a contract.

### **Lawful Consideration and Lawful Object**

Section 23 of the Indian Contract Act clearly states that the consideration and/or object of a contract are considered lawful consideration and/or object unless they are

- specifically forbidden by law
- of such a nature that they would defeat the purpose of the law
- are fraudulent
- involve injury to any other person or property
- the courts regard them as immoral
- Are opposed to public policy.

So lawful consideration and/or lawful object cannot contain any of the above. Let us take a more in detail look at each of them.

#### **1] Forbidden by Law**

When the object of a contract or the consideration of a contract is prohibited by law, then they are not lawful consideration or object anymore. They then become unlawful in nature. And so such a contract cannot be valid anymore.

Unlawful consideration of object includes acts that are specifically punishable by the law. This also includes those that the appropriate authorities prohibit via rules and regulations. But if the rules made by such authorities are not in tandem with the law than these will not apply.

**Example:-** A received a license from the Forest Department to cut the grass of a certain area. The authorities at the department told him he cannot pass on such interest to another person. But the Forest Act has no such statute. So A sold his interest to B and the contract was held as valid.

## **2] Consideration or Object Defeats the Provision of the Law**

This means if the contract is trying to defeat the intention of the law. If the courts find that the real intention of the parties to the agreement is to defeat the provisions of the law, it will put aside the said contract.

Example: A and B enter into an agreement, where A is the debtor, that B will not plead limitation. This, however, is done to defeat the intention of the Limitation Act, and so the courts can rule the contract as void due to unlawful object.

## **3] Fraudulent Consideration or Object**

Lawful consideration or object can never be fraudulent. Agreements entered into containing unlawful fraudulent consideration or objects are void by nature.

Example:-A decides to sell goods to B and smuggle them outside the country. This is a fraudulent transaction as so it is void. Now B cannot recover the money under the law if A does not deliver on his promise.

## **4] Defeats any Rules in Effect**

If the consideration or the object is against any rules in effect in the country for the time being, then they will not be lawful consideration or objects. And so the contract thus formed will not be valid.

## **5] When they involve Injury to another Person or Property**

In legal terms, an injury means to a criminal and harmful wrong done to another person. So if the object or the consideration of the contract does harm to another person or property, this will amount to unlawful consideration.

Example:- a contract to publish a book that is a violation of another person's copyright would be void. This is because the consideration here is unlawful and injures another person's property, i.e. his copyright.

## **6] When Consideration is Immoral**

If the object or the consideration is regarded by the court as immoral, then such object and consideration are immoral.

**Example:-** A lent money to B to obtain a divorce from her husband C. It was agreed once B obtains the divorce A would marry her. But the court passed the judgment that A cannot recover money from B since the contract is void on account of unlawful consideration.

## **7] Consideration is opposed to Public Policy**

For the good of the community, we restrict certain contracts in the name of public policy. But we do not use public policy in a wide sense in this matter. If that was the case it would curtail individual freedom of people to enter into contracts. So for the purpose of lawful consideration and object public policy is used in a limited scope. We only focus on public policy under the law.

So let us look at some agreements that are opposed to public policy

- Trading with the Enemy
- Stifling Prosecution
- Maintenance and Champerty
- An Agreement to Traffic in Public Offices
- Agreements to create Monopolies
- An agreement to brokerage marriage for rewards
- Interfering with the Courts: An agreement whose object is to induce a judicial or state officials to act corruptly and interfere with legal proceedings