

About Pakistan Law Hub

Pakistan Law Hub (pakistanlawhub.com) is Pakistan's dedicated digital platform for legal exam preparation, built to support aspirants preparing for the Civil Judge / Judiciary Examinations, LAW GAT, LAW LAT, CSS, PMS, FPSC, SPSC, NTS, STS, and other one-paper competitive law and legal-apptitude tests across Pakistan.

Our mission is simple: to make high-quality, structured, and affordable legal education accessible to every student — regardless of their city, resources, or background. We believe that with the right guidance, practice material, and community support, every serious aspirant deserves a fair shot at qualifying for Pakistan's most competitive judicial and legal examinations.

At Pakistan Law Hub, we offer:

- Extensive MCQ Banks & Practice Tests — covering constitutional law, civil and criminal procedure, Urdu, English, Islamic Studies, Pakistan Studies, general knowledge, and subject-specific content for LAW GAT, LAW LAT, CSS, and judiciary exams.
- One-Paper Competitive Test Preparation — focused practice for FPSC, SPSC, NTS, STS, and similar recruitment tests.
- Drafting Samples & Courses — practical legal drafting resources for civil, criminal, and corporate matters, curated by subject experts.
- Taxation Course & Filing Guidance — practical modules covering Pakistani tax law and return-filing procedures.
- Typing Master Practice — tools to help candidates build the typing speed and accuracy required for competitive exams.
- Personal Student Dashboard — a space for every aspirant to track their progress, performance, and preparation journey.
- Community Forum — a dedicated space where judiciary aspirants, LAW GAT candidates, CSS aspirants, and others can connect, discuss, share resources, and support one another.

All content on Pakistan Law Hub is developed and reviewed under the guidance of legal professionals and subject-matter experts, ensuring accuracy, relevance, and exam-oriented quality.

We are more than a test-prep website — we are a growing community of aspirants who believe in helping each other succeed. Whether you're just starting your preparation or in your final stretch before the exam, Pakistan Law Hub is built to be part of your journey.

Follow our whatsapp channel for future updates

<https://whatsapp.com/channel/0029VbDIbUJ9RZAdbBwfRe1g>

*Join us. Learn with us. Qualify with us.
Be a part of Pakistan Law Hub.*

Copyright Notice

© 2026 Pakistan Law Hub (pakistanlawhub.com). All Rights Reserved.

All content published on this website — including but not limited to MCQs, quizzes, question banks, drafting samples, course material, taxation guides, articles, notes, graphics, logos, and the overall design and structure of the platform — is the intellectual property of Pakistan Law Hub, unless otherwise stated.

No part of this website's content may be reproduced, copied, distributed, republished, sold, or used for commercial purposes without prior written permission from Pakistan Law Hub, except where explicitly marked as free-to-share or open-access material.

Unauthorized use, reproduction, or distribution of this content, in whole or in part, may result in legal action under applicable copyright and intellectual property laws of Pakistan.

For permissions, licensing inquiries, or reporting unauthorized use of content, please contact us at advocatesajidmir@gmail.com

Contract Act, 1872

1. Proposal / Offer (Section 2(a)) A proposal occurs when one person signifies to another their willingness to do or abstain from doing something, with a view to obtaining the assent of that other person to such act or abstinence. This is the foundational first step in contract formation, and it must be clear, definite, and communicated to the offeree to be legally effective. A proposal is distinct from an invitation to treat, such as advertisements or price quotations, which merely invite others to make offers. The person making the proposal is called the "promisor" or "offeror" once accepted. Understanding what constitutes a valid proposal is essential to determining the precise moment contractual negotiations begin.

2. Acceptance (Section 2(b)) When the person to whom a proposal is made signifies their assent to it, the proposal is said to be accepted, and a proposal, when accepted, becomes a promise. Acceptance must be absolute and unqualified, mirroring the exact terms of the offer, failing which it constitutes a counter-offer rather than valid acceptance. Acceptance must generally be communicated to the offeror, though specific rules govern acceptance by post or other communication methods. Silence generally does not constitute valid acceptance unless the parties' prior dealings or conduct establish otherwise. This concept is fundamental to determining the precise moment a binding contract comes into existence.

3. Promise and Promisor/Promisee (Section 2(b)) When a proposal is accepted, it becomes a promise, with the person making the proposal called the promisor and the person accepting it called the promisee. This terminology reflects the transformation from unilateral proposal to a mutually binding commitment once acceptance occurs. The promise forms the foundational obligation around which the resulting contract is structured, defining what each party has committed to do or refrain from doing. This basic terminology underlies the entire conceptual framework of contractual obligation under the Act. It is essential foundational vocabulary for understanding subsequent contractual provisions.

4. Consideration (Section 2(d)) Consideration refers to something done, abstained from, or promised by the promisee or any other person at the desire of the promisor, forming the essential element of reciprocity that distinguishes enforceable contracts from gratuitous promises. Consideration may move from the promisee or any other person, reflecting Pakistani law's departure from the strict English requirement that consideration must move from the promisee alone. Consideration need not be adequate but must be real and lawful, reflecting the principle that courts do not generally assess the fairness of the bargain struck between parties. This concept is one of the most fundamental and frequently tested requirements for contract formation. Its absence generally renders an agreement void, subject to specific exceptions under Section 25.

5. Agreement (Section 2(e)) Every promise and every set of promises forming the consideration for each other constitutes an agreement, representing the broader category from which enforceable contracts are drawn. This definition emphasizes the reciprocal nature of contractual relationships, where promises are exchanged as consideration for one another. Not every agreement rises to the level of an enforceable contract, as further requirements such as free consent, lawful object, and capacity must also be satisfied. This foundational definition sets the stage for distinguishing between agreements generally and the narrower category of legally binding contracts. Understanding this distinction is essential to grasping the overall structure of contract law.

6. Contract (Section 2(h)) A contract is defined as an agreement enforceable by law, representing the culmination of a valid proposal, acceptance, consideration, capacity, free consent, and lawful object. This definition establishes the core requirements that transform a mere agreement into a legally binding and enforceable obligation. The enforceability requirement distinguishes contracts from purely social or domestic agreements not intended to create legal relations. This is the foundational definitional provision underlying the entire Contract Act, 1872. Every subsequent provision of the Act elaborates upon the conditions necessary to satisfy or challenge this fundamental definition.

7. Voidable Contract (Section 2(i)) A voidable contract is an agreement enforceable by law at the option of one or more parties, but not at the option of the other party or parties, typically arising from vitiating factors such as coercion, undue influence, fraud, or misrepresentation. The party whose consent was improperly obtained has the option to either affirm or rescind the contract, while the other party remains bound if the aggrieved party chooses to affirm. This concept reflects the law's protective approach toward parties whose consent was not genuinely free, while preserving the contract's validity unless and until the aggrieved party elects to avoid it. Understanding the distinction between void and voidable contracts is essential for determining available remedies and third-party rights. This concept is frequently tested regarding the practical consequences flowing from various consent-vitiating factors.

8. Void Agreement (Section 2(g)) A void agreement is one not enforceable by law, meaning it creates no legal rights or obligations for either party from its inception. Agreements may be void due to various defects, including absence of consideration, incapacity of parties, unlawful object, or specific statutory prohibition, such as agreements in restraint of trade or agreements by way of wager. Unlike voidable contracts, void agreements cannot be ratified or affirmed by either party, as they never possessed legal validity in the first place. This distinction significantly affects available remedies, as void agreements generally cannot form the basis of any legal claim, subject to limited restitutionary remedies. This is a frequently tested foundational concept distinguishing degrees of contractual invalidity.

9. Capacity to Contract (Section 11) Section 11 provides that every person is competent to contract who is of the age of majority according to the law to which they are subject, who is of sound mind, and who is not disqualified from contracting by any law to which they are subject. This provision establishes the foundational requirement that parties must possess sufficient legal and mental capacity for their agreement to be enforceable. Persons disqualified include minors, persons of unsound mind, and persons specifically disqualified by other applicable laws, such as insolvents or alien enemies in certain circumstances. Agreements entered into by incompetent persons are generally void, with specific and important exceptions developed through case law regarding necessities supplied to minors. This provision is foundational to assessing the validity of any contractual relationship.

10. Agreements with Minors (Section 11, related case law) Pakistani courts, following the landmark principle established in *Mohori Bibee v. Dharmodas Ghose*, have consistently held that an agreement with a minor is void ab initio, not merely voidable, reflecting strong protective policy considerations toward minors. However, Section 68 provides an important exception allowing recovery from a minor's property for necessities supplied to them, though this creates liability against the minor's estate rather than personal contractual liability. A minor cannot ratify a void agreement upon attaining majority, as there is no valid contract capable of ratification in the first place. This area remains significant given its frequent

practical relevance in cases involving property, guardianship, and commercial dealings with minors. Understanding this doctrine is essential for properly assessing the validity of agreements involving minor parties.

11. Sound Mind for Contractual Purposes (Section 12) Section 12 provides that a person is of sound mind for the purpose of making a contract if, at the time of making it, they are capable of understanding it and forming a rational judgment as to its effect upon their interests. This definition allows persons who are usually of unsound mind to contract during lucid intervals, and conversely, persons usually of sound mind cannot contract during periods of temporary incapacity, such as extreme intoxication. This functional, time-specific test focuses on capacity at the precise moment of contracting rather than a person's general mental status. This provision requires careful factual assessment regarding a person's mental state at the specific time of the transaction in question. It remains significant in cases involving elderly persons, individuals with mental illness, or those under temporary incapacitating conditions.

12. Free Consent (Section 14) Section 14 defines free consent as consent not caused by coercion, undue influence, fraud, misrepresentation, or mistake, establishing the essential requirement that contractual agreement must be genuine and voluntary. The presence of any vitiating factor renders the resulting agreement either void or voidable, depending on the specific factor involved and applicable statutory consequences. This requirement protects the fundamental principle of contractual autonomy, ensuring that binding obligations arise only from truly voluntary agreement. Each vitiating factor carries distinct legal consequences and evidentiary requirements, requiring careful individual analysis. This foundational requirement underlies much of the Act's subsequent detailed provisions addressing specific consent-vitiating circumstances.

13. Coercion (Section 15) Coercion involves committing or threatening to commit any act forbidden by the Pakistan Penal Code, or unlawfully detaining or threatening to detain property, with the intention of causing a person to enter into an agreement. This provision protects parties from agreements procured through unlawful pressure or threats, rendering such agreements voidable at the option of the coerced party under Section 19. Coercion may be directed at the contracting party themselves or any other person, and need not be committed by a party to the contract. The burden of proving coercion typically rests upon the party alleging it, requiring clear evidence of the unlawful threat or act and its causal connection to the agreement. This remains a significant vitiating factor frequently examined in cases involving agreements procured under duress.

14. Undue Influence (Section 16) Undue influence occurs where one party is in a position to dominate the will of another and uses that position to obtain an unfair advantage over the other party. Section 16(2) provides specific circumstances where such dominant position is presumed, including real or apparent authority, fiduciary relationships, or contracts with persons whose mental capacity is temporarily or permanently affected. Once undue influence is established, the burden shifts to the dominant party to prove the transaction was fair, reasonable, and not procured through undue influence. This doctrine particularly protects vulnerable parties in relationships of trust, dependency, or unequal bargaining power, such as guardian-ward or doctor-patient relationships. This remains a significant and frequently tested equitable protection within contract law.

15. Fraud (Section 17) Fraud includes acts committed with intent to deceive another party or induce them to enter a contract, including false suggestion of facts not believed to be true, active concealment of facts, promises made without intention of performing them, or any other act fitted to deceive. Mere silence generally does not constitute fraud unless there is a duty to speak, given the relationship of the parties, or silence itself amounts to speech under the circumstances. Contracts induced by fraud are voidable at the option of the deceived party, who may also claim damages for any resulting loss. Proving fraud requires demonstrating both the fraudulent act and the deceived party's reliance upon it in entering the contract. This remains one of the most significant vitiating factors in contract law, frequently intersecting with criminal cheating provisions under the Penal Code.

16. Misrepresentation (Section 18) Misrepresentation involves an innocent, unintentional false statement of material fact made by one party that induces the other party to enter into a contract, distinguished from fraud primarily by the absence of intent to deceive. This includes positive assertions not warranted by the information possessed, breach of duty without intent to deceive that gains an advantage, and causing a party to make a mistake regarding the subject matter of the agreement. Contracts induced by misrepresentation are voidable at the option of the misled party, though generally without an accompanying claim for damages unless fraud can also be established. The distinction between fraud and misrepresentation significantly affects available remedies, particularly regarding entitlement to damages. This is a frequently tested distinction requiring careful analysis of the representor's state of mind and intention.

17. Effect of Coercion, Undue Influence, Fraud, and Misrepresentation (Section 19–19A) Section 19 provides that agreements induced by coercion, fraud, or misrepresentation are voidable at the option of the party whose consent was so obtained, allowing them to either affirm or rescind the contract. Section 19A similarly addresses agreements induced by undue influence, granting the court additional discretion to set aside the contract absolutely or upon such terms as it deems fit. These provisions establish the practical legal consequences flowing from the various consent-vitiating factors previously defined, providing the aggrieved party with meaningful remedial options. Courts exercise careful discretion in fashioning appropriate relief, particularly in cases involving undue influence where partial performance or restitution may be required. This framework operationalizes the theoretical protections established under Sections 15–18 into practical legal remedies.

18. Mistake of Fact (Sections 20–22) Section 20 provides that where both parties to an agreement are mistaken as to a matter of fact essential to the agreement, the agreement is void, reflecting the absence of genuine consensus regarding the fundamental subject matter of the contract. Section 21 clarifies that a contract is not voidable merely because it was caused by a mistake as to any law in force in Pakistan, reflecting the principle that ignorance of law is no excuse. Section 22 addresses unilateral mistake, providing that a contract is not voidable merely because one party was under a mistake regarding a matter of fact, unless the other party's conduct contributed to that mistake. This framework carefully distinguishes between mutual mistake (which can void an agreement) and unilateral mistake (which generally does not), requiring careful factual analysis. This remains a nuanced and frequently tested area regarding the impact of factual errors on contractual validity.

19. Lawful Consideration and Object (Section 23) Section 23 provides that the consideration or object of an agreement is unlawful if it is forbidden by law, is of such a nature that it would defeat the provisions of any law, is fraudulent, involves injury to another

person or their property, or is regarded by the court as immoral or opposed to public policy. Agreements with unlawful consideration or object are void, reflecting the law's refusal to enforce agreements that offend fundamental legal or public policy principles. This provision serves as a crucial safeguard preventing the legal system from being used to enforce agreements that would undermine broader societal or legal interests. Courts exercise careful judgment in applying the "opposed to public policy" ground, given its potentially broad and evolving scope. This is one of the most significant and frequently tested provisions regarding fundamental limits on contractual freedom.

20. Agreements Void for Want of Consideration (Section 25) Section 25 establishes the general rule that an agreement made without consideration is void, subject to specific enumerated exceptions, including agreements made on account of natural love and affection between parties in near relation, promises to compensate for past voluntary services, and promises to pay time-barred debts in writing and signed by the debtor. These exceptions reflect specific circumstances where the law recognizes moral or practical justification for enforcing a promise despite the absence of traditional bargained-for consideration. Understanding these exceptions is essential given the otherwise fundamental requirement of consideration for contractual enforceability. This provision represents an important qualification to the general consideration requirement established under Section 2(d). It remains a frequently tested area regarding the practical limits and exceptions to the consideration doctrine.

21. Agreements in Restraint of Marriage, Trade, and Legal Proceedings (Sections 26–28) Section 26 renders void every agreement in restraint of the marriage of any person other than a minor, reflecting strong public policy favoring freedom to marry. Section 27 renders void agreements restraining trade, subject to narrow statutory exceptions such as sale of goodwill, reflecting the law's general preference for free competition and economic activity. Section 28 renders void agreements that absolutely restrict a party from enforcing their legal rights through ordinary legal proceedings, or that limit the time within which such rights may be enforced, subject to specific exceptions regarding arbitration agreements. These provisions collectively reflect fundamental public policy protections against agreements that would improperly restrict personal liberty, economic freedom, or access to justice. This category remains significant in commercial contexts, particularly regarding non-compete clauses in employment and business sale agreements.

22. Agreements by Way of Wager (Section 30) Section 30 renders void agreements by way of wager, defined as agreements involving payment of money or money's worth upon the determination of an uncertain event, where neither party has any interest in the outcome other than the sum won or lost. This provision reflects public policy discouraging speculative gambling-type agreements from receiving legal enforcement, though certain exceptions exist for specifically regulated activities such as horse racing under applicable local laws. Courts distinguish wagering agreements from legitimate commercial contracts involving contingent obligations, such as insurance contracts, which possess genuine underlying insurable interest. This provision remains relevant in distinguishing legitimate speculative commercial transactions from prohibited wagering arrangements. This is a frequently tested area given its practical relevance to gambling and speculative financial transactions.

23. Contingent Contracts (Sections 31–36) A contingent contract is one to do or not do something if some event, collateral to the contract, does or does not happen, with enforceability contingent upon the occurrence or non-occurrence of the specified uncertain

future event. Sections 32–36 detail specific rules governing enforcement, including contracts contingent upon the happening of an event, the non-happening of an event, and contracts contingent upon impossible events, which are void. These provisions establish a structured framework for determining when obligations under conditional agreements become enforceable. Understanding contingent contracts is essential in areas such as insurance, guarantee, and conditional sale agreements. This category represents an important structural mechanism accommodating conditional or future-dependent contractual obligations.

24. Performance of Contracts (Sections 37–67) This extensive chapter addresses the fundamental obligations of parties to perform or offer to perform their respective promises, including provisions regarding time and place of performance, performance by third parties, and joint promisors' liability. Section 37 establishes the basic obligation that parties to a contract must perform their promises unless performance is dispensed with or excused under the Act or other applicable law. Subsequent sections address specific scenarios such as reciprocal promises, appropriation of payments, and effects of novation, rescission, and alteration of contracts. This chapter forms the practical operational core of contract law, addressing how contractual obligations are actually discharged in practice. Understanding these detailed performance provisions is essential for resolving disputes regarding proper contractual compliance.

25. Tender of Performance (Section 38) Section 38 addresses the effect of a valid tender of performance, providing that where a promisor has made an offer of performance to the promisee, and the offer has not been accepted, the promisor is not responsible for non-performance and does not lose their rights under the contract. A valid tender must be unconditional, made at the proper time and place, and must give the promisee reasonable opportunity to inspect the goods or services offered for performance. This provision protects promisors who have genuinely attempted to fulfill their contractual obligations from being held liable due to the promisee's unjustified refusal to accept performance. This concept is particularly relevant in commercial transactions involving delivery of goods or services. It remains a frequently tested practical aspect of contractual performance obligations.

26. Effect of Refusal to Perform Promise Wholly (Section 39) Section 39 provides that when a party to a contract refuses to perform, or disables themselves from performing their promise in its entirety, the promisee may put an end to the contract, unless they have signified their acquiescence in its continuance through words or conduct. This provision establishes the doctrine of anticipatory breach, allowing the innocent party to treat the contract as discharged upon clear indication that the other party will not perform, rather than waiting for the actual time of performance to arrive. This allows the aggrieved party to seek immediate remedies and mitigate potential losses rather than remaining bound to a contract that will clearly not be honored. Understanding the distinction between actual and anticipatory breach is essential for properly timing legal remedies. This provision remains significant in commercial disputes involving clear indications of impending non-performance.

27. Devolution of Joint Liabilities and Rights (Sections 42–45) These provisions address situations involving multiple promisors or promisees, including the rule that when two or more persons jointly promise, all such persons must jointly fulfill the promise unless a contrary intention appears from the contract. Section 43 provides that in the absence of contrary agreement, any one of several joint promisors may be compelled to perform the whole promise, with a right to contribution from the other joint promisors. Section 45 addresses devolution of joint rights, generally requiring all joint promisees to act together in

enforcing performance, subject to specific exceptions. These provisions establish important default rules governing multi-party contractual relationships absent specific contrary agreement. This category remains significant in partnership, guarantee, and other multi-party commercial arrangements.

28. Time and Place for Performance (Sections 46–50) These sections establish default rules for determining when and where contractual performance must occur, absent specific agreement between the parties. Section 46 addresses situations where no time is specified, requiring performance within a reasonable time, while Section 47 addresses performance where time is specified but no particular hour is mentioned. Sections 49–50 address determination of proper place for performance, generally requiring the promisor to apply to the promisee to appoint a reasonable place where no specific place has been agreed. These default provisions ensure practical contractual obligations remain enforceable and workable even absent complete specification of performance details by the parties. This category remains practically significant in resolving disputes regarding the precise timing and location of contractual performance.

29. Time as Essence of Contract (Section 55) Section 55 addresses the consequences of failing to perform at the time agreed upon, distinguishing between contracts where time is of the essence (rendering the contract voidable at the promisee's option upon delay) and contracts where time is not essential (where the promisee may claim compensation for loss caused by delay, but the contract remains enforceable). Determining whether time is of the essence depends on the specific terms of the contract, the nature of the transaction, and the parties' evident intention. This distinction significantly affects available remedies following delayed performance, particularly regarding whether the innocent party may treat the contract as discharged entirely. Commercial contracts involving perishable goods or time-sensitive transactions frequently treat time as essential, while other contracts, particularly involving immovable property, often do not. This remains a frequently tested and practically significant distinction in commercial and property-related contract disputes.

30. Impossibility of Performance / Frustration of Contract (Section 56) Section 56 provides that an agreement to do an impossible act is void, and further addresses situations where a contract becomes impossible to perform, or unlawful, due to events occurring after the contract was made, without the fault of either party, resulting in the contract becoming void when the impossibility arises. This doctrine, often termed frustration of contract, discharges parties from their obligations where unforeseen supervening events fundamentally undermine the basis of the agreement. The section also addresses liability for compensation where a party who knew or ought to have known of the impossibility failed to disclose this to the other party. This provision represents an important safety valve preventing unjust enforcement of contracts rendered practically impossible through no fault of either party. This remains a significant and increasingly relevant doctrine, particularly regarding force majeure-type events affecting commercial performance.

31. Reciprocal Promises (Sections 51–58) These provisions address contracts consisting of reciprocal promises, establishing rules regarding the order of performance, including simultaneous performance where the contract does not specify order, and situations where one party's performance is contingent upon the other party first performing their obligations. Section 53 specifically addresses the consequences where one party prevents the other from performing their reciprocal promise, entitling the prevented party to compensation for resulting loss. Section 54 addresses contracts consisting of reciprocal promises where one

party's default in performing their part affects the other party's obligation to perform theirs. This framework ensures fair and practical resolution of performance obligations in contracts involving mutual, interdependent promises. This category remains significant in complex commercial contracts involving sequential or conditional performance obligations between parties.

32. Appropriation of Payments (Sections 59–61) These provisions address the practical question of how payments made by a debtor should be applied when multiple distinct debts exist between the same parties. Section 59 allows the debtor to specifically direct which debt a payment should be applied toward at the time of payment, while Section 60 allows the creditor to apply an unappropriated payment to any lawful debt if the debtor provides no specific direction. Section 61 provides a default rule requiring payments to be applied in chronological order where neither party makes a specific appropriation. These provisions provide practical clarity in resolving disputes regarding the application of payments across multiple outstanding obligations. This category remains particularly relevant in ongoing commercial relationships involving multiple transactions and running accounts between parties.

33. Novation, Rescission, and Alteration (Section 62) Section 62 provides that if parties to a contract agree to substitute a new contract for the original, or to rescind or alter it, the original contract need not be performed, reflecting the parties' mutual freedom to modify or terminate their contractual relationship by subsequent agreement. Novation specifically involves substituting a new contract or party for the original, effectively discharging the original obligations entirely. This provision recognizes the fundamental principle of contractual freedom, allowing parties to mutually reshape their obligations as circumstances or preferences change over time. Valid novation, rescission, or alteration generally requires the same elements necessary for contract formation, including mutual consent and, where relevant, fresh consideration. This provision remains significant in commercial contexts involving contract restructuring, assignment, or renegotiation.

34. Remission and Waiver (Section 63) Section 63 empowers a promisee to dispense with or remit, wholly or in part, the performance of a promise made to them, or to extend the time for performance, or accept satisfaction in a different manner than originally agreed, without requiring fresh consideration for such modification. This provision represents an important exception to the general consideration requirement, recognizing the promisee's unilateral right to voluntarily reduce or modify what they are owed. This allows practical flexibility in commercial relationships, enabling parties to renegotiate or adjust obligations without the formal requirement of fresh bargained-for exchange. Understanding this provision is essential for assessing the validity of subsequent modifications or waivers of original contractual terms. This remains a frequently tested exception given its practical significance in ongoing commercial dealings.

35. Consequences of Rescission of Voidable Contract (Section 64) Section 64 provides that when a person at whose option a contract is voidable rescinds it, they must restore any benefit received under the contract to the person from whom it was received, reflecting the equitable principle of restitution accompanying rescission. This ensures that rescission does not result in unjust enrichment of the party electing to avoid the contract at the expense of the other party. This provision operates in conjunction with Sections 19 and 19A, providing the practical restitutionary consequence following a valid election to rescind a voidable agreement. Courts carefully apply this provision to ensure fair restoration of both parties to

their pre-contractual position wherever practically possible. This remains an important equitable safeguard accompanying the exercise of rescission rights under the Act.

36. Obligation of Person Who Has Received Advantage Under Void Agreement (Section 65)

Section 65 provides that when an agreement is discovered to be void, or a contract becomes void, any person who has received any advantage under such agreement or contract must restore it, or make compensation for it, to the person from whom they received it. This provision ensures that void agreements, despite lacking legal enforceability regarding their original terms, do not result in unjust enrichment of a party who has received benefits under the void arrangement. This restitutionary principle operates independently of contractual enforcement, drawing upon broader equitable principles of unjust enrichment. This provision is frequently invoked in cases involving contracts subsequently discovered to be void due to mistake, impossibility, or other vitiating factors. This remains a significant practical remedy ensuring fairness even where the underlying agreement itself cannot be enforced.

37. Communication of Rescission of Voidable Contract (Section 66)

Section 66 provides that rescission of a voidable contract must be communicated or made known to the other party in the same manner as would be required for communicating a proposal or its revocation under the Act. This ensures the other party has clear and timely notice of the aggrieved party's election to avoid the contract, providing certainty regarding the parties' ongoing legal relationship. Proper communication of rescission is essential to effectively exercise the rights conferred under Sections 19 and 19A regarding voidable contracts. This provision reflects the broader principle throughout the Act emphasizing clear communication as essential to significant contractual actions and elections. This procedural requirement remains important in practically implementing the substantive rescission rights available to aggrieved parties.

38. Neglect of Promisee to Afford Reasonable Facilities (Section 67)

Section 67 provides that if any promisee neglects or refuses to afford the promisor reasonable facilities for performance of their promise, the promisor is excused from any resulting non-performance caused by such neglect or refusal. This provision protects promisors from liability where their failure to perform results directly from the promisee's own lack of cooperation or obstruction. This reflects the broader principle that a party should not benefit from their own failure to facilitate the other party's contractual compliance. This provision is particularly relevant in contracts requiring active cooperation or specific facilitation from the promisee to enable proper performance by the promisor. This remains a practically significant, though less frequently invoked, protective provision for promisors facing obstruction from the counterparty.

39. Claims for Necessaries Supplied to Incompetent Persons (Section 68)

Section 68 provides that if necessaries are supplied to a person incapable of entering into a contract, such as a minor or person of unsound mind, or to someone they are legally bound to support, the supplier is entitled to reimbursement from the property of such incapable person. This provision creates a quasi-contractual obligation, distinct from ordinary contractual liability, recognizing that basic necessities must remain available to vulnerable persons despite their contractual incapacity. Liability under this section attaches to the incapable person's property rather than creating personal contractual liability, reflecting the careful balance between practical necessity and legal protection of incapacitated persons. This provision works in conjunction with the general rule under Section 11 that agreements with minors are void.

This remains a significant practical exception ensuring vulnerable persons can still access essential goods and services.

40. Reimbursement of Person Paying Money Due by Another (Section 69) Section 69 provides that a person who is interested in the payment of money that another person is legally bound to pay, and who therefore makes such payment, is entitled to reimbursement from the person legally bound to pay. This provision addresses situations involving payment of another's legal obligation to protect one's own interest, such as a mortgagee paying property taxes to prevent loss of secured property. This creates a quasi-contractual right of reimbursement independent of any actual contractual relationship between the paying party and the party legally obligated to pay. This provision reflects broader equitable principles preventing unjust enrichment where one party's payment benefits another who was legally bound to make that payment themselves. This remains practically significant in property, secured lending, and related commercial contexts.

41. Obligation of Person Enjoying Benefit of Non-Gratuitous Act (Section 70) Section 70 provides that where a person lawfully does something for another, or delivers something to them, not intending to do so gratuitously, and the other person enjoys the benefit thereof, the latter is bound to compensate the former, or restore the thing delivered. This provision addresses situations of quasi-contractual obligation arising from the voluntary provision of benefit, distinct from formal contractual agreement, provided the benefiting party had the opportunity to reject the benefit but chose to accept and enjoy it. This principle prevents unjust enrichment where genuine benefit has been knowingly accepted absent a formal contractual arrangement. Courts carefully examine whether the recipient had genuine opportunity and choice to reject the benefit before applying this provision. This remains a significant quasi-contractual remedy frequently invoked in cases lacking a formal, enforceable contractual relationship.

42. Responsibility of Finder of Goods (Sections 71–73, related to bailment principles) Section 71 provides that a person who finds goods belonging to another and takes them into their custody is subject to the same responsibility as a bailee, requiring reasonable care for the goods and honest efforts to locate the true owner. This provision extends bailment-type obligations to persons who come into possession of lost property, even absent any formal contractual bailment relationship. The finder acquires certain limited rights, including a right to retain the goods against everyone except the true owner, and potentially a right to compensation for expenses incurred in preserving the property. This provision balances the practical reality of found property against the protection of the true owner's underlying property rights. This remains a practically relevant provision in disputes involving lost or misplaced property.

43. Liability for Money Paid or Thing Delivered by Mistake or Coercion (Section 72) Section 72 provides that a person to whom money has been paid, or anything delivered, by mistake or under coercion, must repay or return it to the person who made such payment or delivery. This provision creates a broad restitutionary remedy applicable regardless of whether the underlying transaction involved a formal contract, addressing the fundamental unfairness of retaining money or property received through mistake or coercion. This principle applies whether the mistake is one of fact or law, reflecting a broader restitutionary scope than the mistake provisions applicable to contract formation itself under Sections 20–22. This remains one of the most frequently invoked quasi-contractual provisions, particularly in cases involving overpayment, double payment, or payments made under

duress. It provides an important practical remedy independent of formal contractual relationships between the parties.

44. Compensation for Loss or Damage Caused by Breach of Contract (Section 73)

Section 73 establishes the fundamental principle that when a contract is broken, the injured party is entitled to receive compensation for any loss or damage naturally arising in the usual course of things from such breach, or which the parties knew, at the time of contracting, to be likely to result from the breach. This provision codifies the foundational principles of contractual damages, distinguishing between ordinary foreseeable losses and special losses within the contemplation of both parties at the time of contracting. The explanation to this section clarifies that compensation is not to be given for remote or indirect loss sustained due to the breach, and that the means available for mitigation must be considered in assessing damages. This provision remains the cornerstone of contractual remedies, requiring careful factual analysis of causation, foreseeability, and mitigation in every breach of contract case.

45. Compensation for Breach of Contract Where Penalty Stipulated (Section 74) Section 74 addresses situations where a contract specifies a sum to be paid in case of breach, or contains a stipulation by way of penalty, providing that the party complaining of breach is entitled to receive reasonable compensation not exceeding the amount named or the penalty stipulated, regardless of whether actual damage or loss is proven. This provision reflects Pakistani law's departure from the strict English distinction between liquidated damages (enforceable) and penalties (generally unenforceable), instead allowing courts to award reasonable compensation up to the stipulated amount in either case. Courts retain discretion to award less than the full stipulated amount if it does not represent a genuine pre-estimate of likely loss. This provision is frequently invoked in commercial contracts containing specific damages or penalty clauses for breach. This remains one of the most practically significant and frequently litigated provisions regarding contractual remedies in Pakistani commercial law.

46. Party Rightfully Rescinding Contract Entitled to Compensation (Section 75) Section 75 provides that a party who rightfully rescinds a contract is entitled to compensation for any damage sustained through the non-fulfillment of the contract by the other party. This provision ensures that a party who properly exercises their right to rescind following the other party's breach or misconduct is not left without remedy, but can additionally claim compensation for resulting losses. This works in conjunction with the broader compensation principles under Section 73, specifically addressing the scenario following valid rescission of the contractual relationship. This provision reflects the law's comprehensive approach to ensuring aggrieved parties receive appropriate remedy encompassing both termination of ongoing obligations and compensation for losses already sustained. This remains an important complementary remedy alongside the general rescission rights established elsewhere in the Act.

47. Indemnity (Sections 124–125) Section 124 defines a contract of indemnity as one where one party promises to save the other from loss caused by the conduct of the promisor themselves, or by the conduct of any other person. Section 125 details the rights of an indemnity-holder when sued in respect of matters covered by the indemnity, including the right to recover damages, costs, and sums paid under compromise, provided such actions were reasonable and consistent with the indemnity agreement's terms. This contractual category provides essential protection against specified categories of loss, commonly used in commercial, insurance, and guarantee-related transactions. Understanding the precise scope

of indemnity obligations, and the indemnity-holder's rights when a covered loss materializes, is essential for effective commercial contract drafting and dispute resolution. This category remains significant given its widespread use across diverse commercial transaction types.

48. Guarantee (Sections 126–147) Section 126 defines a contract of guarantee as a promise to perform the obligation, or discharge the liability, of a third person in case of their default, involving three parties: the principal debtor, the creditor, and the surety who provides the guarantee. This extensive chapter addresses numerous aspects of guarantee relationships, including continuing guarantees, discharge of surety through various circumstances such as variance in contract terms without consent, release of the principal debtor, or the creditor's act impairing the surety's eventual remedy against the principal debtor. The surety's liability is generally coextensive with that of the principal debtor unless otherwise provided in the contract, reflecting the accessory nature of guarantee obligations. This category remains extensively significant in commercial lending, banking, and other transactions involving third-party credit support. Understanding the various circumstances discharging surety liability is particularly important given the protective policy considerations underlying this area of law.

49. Bailment (Sections 148–181) Section 148 defines bailment as the delivery of goods by one person to another for some purpose, upon a contract that the goods shall, when the purpose is accomplished, be returned or otherwise disposed of according to the bailor's directions. This extensive chapter addresses the duties and rights of bailor and bailee, including the standard of care required (Section 151), liability for loss or damage to goods, and specific provisions addressing particular bailment relationships such as pledge (bailment of goods as security for debt). Pledge, addressed under Sections 172–181, receives specific detailed treatment given its particular commercial significance in secured lending transactions. Understanding the precise obligations and standard of care applicable to different bailment relationships is essential for resolving disputes involving property temporarily entrusted to another's care. This category remains significant across diverse commercial and personal contexts involving temporary transfer of possession without transfer of ownership.

50. Agency (Sections 182–238) Section 182 defines an agent as a person employed to do any act for another, or to represent another in dealings with third persons, with the person for whom such act is done being called the principal. This extensive chapter addresses the creation of agency relationships, including agency by express or implied appointment and agency by necessity, along with detailed provisions regarding the agent's authority, duties to the principal, and the principal's liability for the agent's acts within the scope of their authority. Sections addressing sub-agents, revocation of agency, and the agent's personal liability in specific circumstances provide comprehensive coverage of this commercially vital relationship. Agency law underlies vast areas of commercial practice, including partnership, corporate representation, and commercial transactions conducted through authorized representatives. This remains one of the most extensively developed and practically significant chapters of the Contract Act, essential to understanding representative commercial relationships throughout Pakistani law.