

## Quasi contracts

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Sir Naeem Baig

## INTRODUCTION

### Learning outcomes

The overall objective of the syllabus is to give students an understanding of the legal system and commercial laws; and build a knowledge base of corporate laws.

### Quasi contracts

**LO**                    **On the successful completion of this paper, candidates will be able to demonstrate knowledge of laws relating to Quasi contracts.**

LO 2.9.1            Know meaning of quasi contract

LO 2.9.2            Understand and apply rules regarding quasi contract

LO 2.9.3            Be aware of different kinds of quasi contract.

### References to Legal Acts

Section number references embedded in the learning materials refer to the following legal acts unless otherwise stated:

Act	Chapters
Contract Act 1872	3-16
Partnership Act 1932	17
Negotiable Instrument Act 1881	18
Companies Act, 2017	19-27
Securities Act 2015	22

Sir Naeem Baig

# 1 QUASI CONTRACTS

## Section overview

- Meaning of Quasi contract
- Types of Quasi contracts
- Application of Quantum Meruit

### 1.1 Meaning of Quasi contract

A Quasi contract is an obligation imposed by law in absence of any agreement between the parties. A quasi-contract is not an actual contract, but is a legal substitute formed to impose equity between two parties. The concept of a quasi-contract is that of a contract that should have been formed, even though in actuality it was not. The other name for Quasi contracts is constructive contracts.

### 1.2 Types of Quasi contracts

The types of Quasi contracts are listed below:

- Supply of necessities
- Payment by interested person
- Person enjoying benefit of non-gratuitous act / goods
- Finder of goods
- Payment by mistake or under coercion

These Quasi contracts are discussed below:

#### Supply of necessities

If a person incapable to enter into contract or his dependent is supplied by another person necessities suited to his conditions in life the person supplying such necessities is entitled to be reimbursed his price from the property of such incompetent person. [Section 68]

This has been discussed in detail in chapter 4.



#### Example: Supply of necessities

- A supplies B, a lunatic, with necessities suitable to his condition in life. A is entitled to be reimbursed from B's property.
- A supplies the wife and children of B, a lunatic, with necessities suitable to their condition in life. A is entitled to be reimbursed from B's property.

#### Payment by interested person

A person, who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other. [Section 69].

Thus the essential requirement of this section is:

- The payment made should be bona fide for the protection of one's interest
- The payment should not be a voluntary one
- The payment must be such as the other party was bound by law to pay



#### Example: Payment by interested person

B holds land in Sindh, on a lease granted by A, a Zamindar. The revenue payable by A to the Government being in arrears, his land is advertised for sale by the Government. Under the revenue law, the consequence of such sale will be the annulment of B's lease. B, to prevent the sale and the consequent annulment of his own lease, pays the Government the sum due from A. A is bound to make good to B the amount so paid.

### Person enjoying benefit of non-gratuitous act / goods

Where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously and such other person enjoys the benefit thereof, the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered. [Section 70]

Following conditions must be satisfied before any right of action arises under this section:

- The thing must have been done lawfully
- The person doing the act should not have intended to do it gratuitously
- The person for whom the act is done must have enjoyed the benefit of the act.



#### Example: Person enjoying benefit of non-gratuitous act / goods

- A, a tradesman, leaves goods at B's house by mistake. B treats the goods as his own. He is bound to pay A for them.
- A saves B's property from fire. A is not entitled to compensation from B, if the circumstances show that he intended to act gratuitously.

### Finder of goods

A person who finds goods belonging to another, and takes them into his custody, is subject to the same responsibility as a bailee. He is bound to take as much care of the goods as a man of ordinary prudence would, under similar circumstances, take of his own goods. He must also take reasonable steps to trace its owner - if he does not, he will be guilty of wrongful conversion of the property. [Section 71]

This has been discussed in detail in chapter 15.



#### Example: Finder of goods

A found a diamond rings at a wedding reception of B. A told B and other guests about it with an intention to find the true owner. If he is not able to find the owner he can retain the ring as bailee.

### Payment by mistake or under coercion

A person to whom money has been paid, or anything delivered by mistake or under coercion, must repay or return it. [Section 72]



#### Example: Payment by mistake or under coercion

- A and B jointly owe Rs. 100 to C. A alone pays the amount to C, and B, not knowing this fact, pays Rs. 100 over again to C. C is bound to repay the amount to B.
- A railway company refuses to deliver up certain goods to the consignee, except upon the payment of an undue charge for carriage. The consignee pays the sum charged in order to obtain the goods. He is entitled to recover so much of the charge as was excessive.

### Quantum meruit

The term Quantum Meruit means "as much as earned or deserved." In case of breach of contract the application or non-application of the term quantum meruit varies depending upon the terms of the contract. Further, the divisibility or indivisibility of performance of the contract may also be taken into account.

The aim of such an award is based on an implied agreement to pay for what has been done. Quantum Meruit is likely to be sought where one party has already performed part of his obligations and the other party then repudiates the contract. Provided the injured elects to treat the contract as terminated, he may claim a reasonable amount for the work done.

### 1.3 Application of Quantum Meruit

Quantum meruit applies in the following cases:

- Void agreement or a contract that becomes void
- Person enjoying benefit of non-gratuitous act / goods
- Act preventing the completion of contract
- Divisible contract
- Indivisible contract performed completely but badly
- Express or implied contract to render services but no remuneration is pre-settled

#### Void agreement or contract that becomes void

When an agreement is discovered to be void, or when a contract becomes void, any person who has received any advantage under such agreement or contract is bound to restore it, or to make compensation for it to the person from whom he received it. [Section 65]



#### Example: Void agreement or contract that becomes void

- A, pays B Rs. 1,000 in consideration of B's promising to marry C, A's daughter. C is dead at the time of the promise. The agreement is void, but B must repay A Rs. 1,000.
- A contracts with B to deliver to him 250 kg of rice before May. A delivers 130 kg only before the agreed time, and none after. B retains the 130 kg. He is bound to pay A for them.
- A, a singer contracts with B, the manager of a theatre, to sing at his theatre for two nights in every week during the next two months, and B engages to pay her Rs. 50,000 for each night's performance. On the sixth night, A wilfully absents herself from the theatre, and B, in consequence rescinds the contract. B must pay A for the five nights on which she has sung.
- A contracts to sing for B for Rs. 100,000 which are paid in advance. A is too ill to sing. A is not bound to make compensation to B for the loss of the profits which B would have made if A had been able to sing, but must refund to B Rs. 100,000 paid in advance.

#### Person enjoying benefit of non-gratuitous act / goods

Where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously and such other person enjoys the benefit thereof, the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered. [Section 70]



#### Example: Person enjoying benefit of non-gratuitous act / goods

- A, a tradesman, leaves goods at B's house by mistake. B treats the goods as his own. He is bound to pay A for them.
- A saves B's property from fire. A is not entitled to compensation from B, if the circumstances show that he intended to act gratuitously.

#### Act preventing completion of performance

If a party does not complete the contract or prevents the other party from completing it, the aggrieved party can sue on quantum meruit.



#### Example: Act preventing completion of performance

C, an owner of a magazine engaged P to write a book to be published by instalments in his magazine. After a few instalments were published, the publication of the magazine was stopped. It was held that P could claim payment for the part already published.

### **Divisible contract**

The party at default may sue on a quantum meruit if the contract is divisible and the party not at default has enjoyed benefits of the part performance.



#### **Example: Divisible contract**

A hired B to construct a house for Rs. 1 million but B abandoned this contract after having done the work worth Rs. 0.5 million. Afterwards, A got the work completed. B could not recover anything for the work done because he was entitled to the payment only on the completion of the work.

### **Indivisible contract performed completely but badly**

If it is an indivisible contract which has been completely performed but with faults then the party at default may claim the amount agreed after deducting any amount which the other party has paid to remove faults.



#### **Example: Indivisible contract performed completely but badly**

A agreed to decorate B's flat for a lump sum of Rs. 200,000. A did the complete work but B complained of faulty workmanship. It costs B another Rs. 30,000 to remedy the defect. It was held that A could recover only Rs. 170,000 from B.

### **Express or implied contract to render services but no remuneration is pre-settled**

When there is an express or implied contract to render services but no remuneration is pre-settled in such a case reasonable remuneration is payable.

Sir Naeem Baig

## 2 CHAPTER REVIEW

### Chapter review

Before moving on to the next chapter check that you now know how to:

- Explain Quasi contracts
- Discuss the kinds of Quasi contracts

Sir Naeem Baig