Subject- 3.5 BUSINESS LAW

UNIT – I
Contract Act, 1872: Meaning and Nature of Contract

Meaning of "Contract"

An agreement becomes a "contract" when it meets two things at the same time:

- There is a **promise or set of promises** between two or more parties (an agreement).
- The agreement is **enforceable by law**, meaning a court can compel performance or award damages if it's broken.

Section 2(h) of the Act states: "A contract is an agreement enforceable by law."

1. Offer + Acceptance = Promise
2. Promise + Lawful Consideration = Agreement
3. Agreement + Legal Enforceability = Contract

Nature of a Contract

Contracts under the Act have several distinctive features that set them apart from mere social or moral promises:

- **Creates Legal Obligations** Parties exchange rights and duties that courts will enforce. A broken promise can lead to damages or specific performance.
- **Mutual Consent** Both sides must agree freely and clearly on the same terms—no coercion, fraud, undue influence, misrepresentation, or mistake.
- **Lawful Consideration** Something of value (money, goods, services, forbearance) must move between the parties. Past voluntary acts or illegal considerations void the contract.
- **Competent Parties** Parties must be adults of sound mind, not disqualified by law (e.g., bankrupts in some cases).
- **Lawful Object** The purpose must not be illegal, immoral, or against public policy.
- **Certainty of Terms** Rights and duties should be clear and precise. Vague or ambiguous promises fail to form a binding contract.
- **Possibility of Performance** The agreed act must be physically and legally possible to perform.
- **Intention to Create Legal Relation** Social or domestic arrangements (like dinner invites) don't count. Parties must intend the agreement to carry legal weight.
- **Bilateral vs. Unilateral**
    - *Bilateral*: Both parties make promises (e.g., A promises to sell, B promises to pay).
    - *Unilateral*: Only one party promises something in exchange for an act (e.g., "I'll pay ₹1,000 to whoever finds my lost dog").

Offer and Acceptance under the Indian Contract Act, 1872

An agreement becomes a contract only when one party makes an offer and the other unconditionally accepts it. Sections 2(a) and 2(b) of the Act lay down these foundational steps.

1. Offer (Proposal)

When one person signifies to another his willingness to do or abstain from doing something, with a view to obtaining the other's assent, he makes an **offer**. Once accepted, this offer turns into a promise.

Essentials of a Valid Offer

- Two Parties There must be an **offeror** (who proposes) and an **offeree** (to whom it's made).
- Clear Communication The offer must reach the offeree—no knowledge, no acceptance.
- Intention to Create Legal Relations Social invitations (like a dinner invite) don't count as offers.
- Certainty and Definiteness Terms (price, quantity, subject matter) must be unambiguous.
- Not a Mere Invitation to Offer Displays, catalogues, and advertisements are generally invitations to negotiate, not binding offers.

Types of Offers

- **General Offer** Made to the world at large (e.g., a reward notice).
- **Specific Offer** Directed to a particular person or group.
- **Cross Offer** Two identical offers made in ignorance of each other—no contract until acceptance of one.
- **Counter-Offer** Any variation by the offeree negates the original offer and amounts to a new one.

2. Acceptance

Acceptance is the offeree's **unqualified assent** to the terms of the offer. It transforms the proposal into a binding contract.

Essentials of a Valid Acceptance

- Absolute and Unqualified Must exactly mirror the offer; any change becomes a counter-offer.
- Communicated to the Offeror Acceptance is complete only when it reaches the offeror, unless the offer dispenses with communication.
- Prescribed Manner and Time If the offer specifies how or by when to accept, the offeree must follow those directions.
- By the Offeree Alone Only the person to whom the offer is made can accept it. Silence does not amount to acceptance, barring special prior agreement.

Modes of Acceptance

- **Express Acceptance** Clear words, spoken or written (e.g., "I accept your offer for ₹50,000").
- **Implied Acceptance** Inferred from conduct (e.g., taking delivery of goods after inspecting them).
- **Acceptance by Performance** In unilateral contracts (e.g., "I'll pay ₹1,000 to whoever finds my dog"), completing the requested act signals acceptance.

3. Example Scenario

1. **Offer**: A writes to B, "I will sell you my bike for ₹20,000."
2. **Acceptance**: B replies, "I accept your offer and will pay ₹20,000."
3. **Contract**: The moment B's acceptance reaches A, a valid contract is formed.

CLASSIFICATION OF CONTRACT

1. Based on Validity

Type	Description
Valid Contract	Meets all legal requirements and is enforceable by law.
Void Contract	Has no legal effect and cannot be enforced (e.g., illegal agreements).
Voidable Contract	Can be enforced or rejected by one party due to issues like coercion or fraud.
Illegal Contract	Involves unlawful activities and is void from the beginning.
Unenforceable Contract	Cannot be enforced due to technical issues (e.g., not in writing when required).

2. Based on Formation

Type	Description
Express Contract	Terms are clearly stated in words (oral or written).
Implied Contract	Formed through actions or conduct of the parties.
Quasi Contract	Imposed by law to prevent unjust enrichment, even without mutual agreement.
Tacit Contract	Inferred from circumstances (e.g., ATM withdrawal implies payment obligation).

3. Based on Performance

Type	Description
Executed Contract	Both parties have fulfilled their obligations.
Executory Contract	Obligations are yet to be performed by one or both parties.
Unilateral Contract	One party makes a promise; the other accepts by performing an act.

Type	Description
Bilateral Contract	Both parties exchange mutual promises and are bound to perform.

4. Based on Nature or Obligation

Type	Description
Entire Contract	Full performance is required before any payment or obligation.
Severable Contract	Can be divided into parts, each with separate obligations.
Joint Contract	Two or more parties are jointly responsible.
Joint and Several Contract	Parties are both jointly and individually liable.

CAPACITY OF PARTIES

The *capacity of parties* refers to the **legal ability of individuals or entities to enter into a binding contract**. A contract is only valid if all parties involved are competent under the law.

According to **Section 11 of the Indian Contract Act, 1872**, a person is competent to contract if they meet the following conditions:

1. Age of Majority

- Must be **18 years or older** (or 21 if a guardian is appointed).
- Contracts with minors are **void ab initio** (invalid from the beginning).

2. Soundness of Mind

- Must be capable of understanding the contract and its consequences.
- People of **unsound mind**, including those suffering from mental illness or under intoxication, **cannot enter valid contracts**.

3. Not Disqualified by Law

Certain individuals are legally barred from contracting:

- **Alien enemies**
- **Convicts serving sentences**
- **Insolvent persons**
- **Foreign sovereigns and ambassadors**
- **Corporations acting beyond their legal authority**

Examples of Incompetent Parties

Category	Description

Category	Description
Minor	Under 18; cannot be held liable in contracts
Unsound Mind	Includes lunatics, idiots, intoxicated persons
Disqualified by Law	Includes bankrupts, foreign enemies, legal professionals in conflict

Exceptions & Special Cases

- A **minor can be a beneficiary** in a contract.
- A **guardian can enter into a contract** on behalf of a minor if it benefits the minor.
- Contracts for **necessities** (food, shelter, education) may be enforceable against a minor.

FREE CONSENT

, *Free consent* is a foundational principle that ensures contracts are formed fairly and voluntarily. Without free consent, a contract may be void or voidable.

Definition of Free Consent

According to **Section 14 of the Indian Contract Act, 1872**, consent is considered *free* when it is **not caused by**:

- **Coercion** (Section 15)
- **Undue Influence** (Section 16)
- **Fraud** (Section 17)
- **Misrepresentation** (Section 18)
- **Mistake** (Sections 20–22)

free consent means both parties agree to the same thing in the same sense.

Key Elements of Free Consent

Element	Description
Coercion	Use of force or threats to compel someone to enter a contract.
Undue Influence	Exploiting a position of power to unfairly influence another party.
Fraud	Intentional deception to induce someone into a contract.
Misrepresentation	Providing false information unintentionally or carelessly.
Mistake	Both parties misunderstand a fundamental fact or law.

Examples

- A vendor forces a supplier to sign a contract under threat — **not free consent**.
- A company misrepresents product features in a sales agreement — **voidable contract**.
- An elderly person signs a property transfer under pressure from a caregiver — **undue influence**.

CONSIDERATION AND LEGALITY OF OBJECTS FEATURES

Consideration refers to *something of value* exchanged between parties in a contract. It is the **benefit or detriment** that each party receives or promises.

The **object** of a contract is its **purpose or goal**. Under **Section 23** of the Indian Contract Act, the object must be **lawful** for the contract to be valid.

Features of Consideration

- **Mutual Exchange**: Each party must give or promise something of value.
- **Legal Value**: Must be recognized as valuable in the eyes of law (money, service, goods, etc.).
- **Past, Present, or Future**: Consideration can be something already done, being done, or promised to be done.
- **At the Desire of Promisor**: Must be given at the request of the person making the promise.
- **From Promisee or Any Other Person**: Can be provided by the promisee or a third party.
- **Essential for Valid Contract**: A contract without consideration is generally void, except in specific cases (e.g., gifts under seal).
- **Need Not Be Adequate**: The law requires legality, not fairness or equal value.
- **Real and Possible**: Must be practical and not illusory or impossible.

Features of Legality of Object

- **Lawful Purpose**: The objective of the contract must not violate any law.
- **Section 23 Compliance**: Must not be forbidden by law, fraudulent, or against public policy.
- **No Injury or Harm**: Should not cause harm to person or property.
- **Not Immoral**: Must align with societal standards of morality.
- **Not Against Public Policy**: Should not undermine public welfare or justice.
- **Void if Unlawful**: If the object is illegal, the entire contract becomes void.
- **Independent from Consideration**: Even if consideration is lawful, an unlawful object makes the contract invalid.

UNIT – II
Indian Partnership Act, 1930

A “partnership” is the relation between two or more persons who have agreed to share the profits of a business carried on by all or any of them acting for all. Individuals who enter into this relation are called “partners,” and the collective body is the “firm.”

Nature of Partnership

Partnership is a special business relationship governed by the Indian Partnership Act, 1932. It combines elements of contract and agency to let two or more people carry on a lawful enterprise together and share its results.

2. Essential Elements

- Two or More Persons At least two people must join hands.

- Agreement A valid contract (oral or written) to run a business and share profits.
- Business Any legal commercial, industrial or professional activity—single venture or ongoing.
- Sharing of Profits The partners must agree to divide net gains among themselves.
- Mutual Agency Each partner acts as both agent and principal for the firm, so one partner's lawful acts bind all others.

"Partnership is the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all."

Nature of Partnership Feature	**Description**
Contractual Relationship	Partnership arises from a contract, not from status (e.g., family ties).
Profit Sharing	Partners agree to share profits (and impliedly losses) of the business.
Mutual Agency	Each partner acts as both agent and principal for the firm.
Minimum Two Persons	At least two individuals are required to form a partnership.
Business Purpose	Must be formed to carry on a lawful business.
No Separate Legal Entity	The firm is not distinct from its partners (unlike a company).

Relation of Partners to One Another

These relationships are governed primarily by **Sections 9 to 17** of the Act and are based on **mutual trust, good faith, and contractual freedom**.

Principle	**Description**
Contractual Freedom	Partners may define their mutual rights and duties through a partnership agreement (Section 11).
Fiduciary Duty	Partners must act in **utmost good faith** for the common benefit of the firm (Section 9).
Mutual Agency	Each partner is both an agent and principal for the firm.
Equal Rights	Unless agreed otherwise, all partners have equal rights in business decisions and profit sharing.

Duties of Partners

- **Act for common advantage** of the firm.
- **Be just and faithful** to each other.
- **Render true accounts** and full information.
- **Indemnify** the firm for losses caused by fraud

- **Avoid competing business** or earning personal profits from firm's resources
- Rights of Partners
- Right to **participate** in business decisions
- Right to **access books and accounts**.
- Right to **share profits and losses** equally (unless agreed otherwise).
- Right to **interest on advances** made to the firm

Relation of Partners to Third Parties

These relationships are governed by **Sections 18 to 30** and are based on the **law of agency**.

Concept	Description
Partner as Agent	Every partner is an agent of the firm for business purposes (Section 18).
Implied Authority	A partner can bind the firm through acts done in the ordinary course of business (Section 19).
Joint and Several Liability	All partners are jointly and individually liable for acts of the firm (Section 25).
Wrongful Acts	The firm is liable for wrongful acts or omissions by a partner (Section 26).
Misapplication of Property	If a partner misuses firm property or third-party assets, the firm is liable (Section 27).
Holding Out	A person who represents themselves as a partner may be held liable as if they were one (Section 28).

INCOMING AND OUTGOING PARTNERS

An **Incoming Partner** is someone who joins an existing partnership firm.

Features

- **Consent Required**: Admission must be with the **consent of all existing partners** (Section 31).
- **No Liability for Past Acts**: Incoming partners are **not liable** for any acts or debts of the firm **before their admission**, unless they agree otherwise.
- **Rights Upon Admission**:
    - Right to **share profits**.
    - Right to **participate in management**.
    - Right to **access firm's accounts**.

Modes of Admission

- By **unanimous consent** of existing partners.
- As per **contractual agreement** in the partnership deed.
- Under **Section 30**, a **minor** may be admitted to the benefits of partnership (not as a full partner).

Outgoing Partners

An **Outgoing Partner** is one who **leaves** the partnership firm due to retirement, expulsion, insolvency, or death.

Mode of Exit	Description
Retirement	Voluntary withdrawal with consent or notice (Section 32).
Expulsion	Removal for valid reasons under partnership agreement (Section 33).
Insolvency	Ceases to be partner upon adjudication (Section 34).
Death	Partnership may dissolve or continue with remaining partners (Section 35).

Rights of Outgoing Partner

- **Right to carry on competing business** (with restrictions) – Section 36.
- **Right to share future profits** if accounts are not settled – Section 37.
- **Right to return of capital** and share in profits till exit date.

Liabilities

- **Liable for acts before retirement** unless discharged by agreement.
- **Continues to be liable** until **public notice** of retirement is given (Section 32(3)).

Meaning of Dissolution of a Firm

- As per **Section 39** of the Indian Partnership Act,
- It signifies the **complete termination of the business** and legal existence of the partnership firm.
- It is different from **dissolution of partnership**, which may occur without ending the firm (e.g., retirement of a partner).

Types of Dissolution

Type	Description
By Agreement (Sec 40)	All partners mutually agree to dissolve the firm.
Compulsory Dissolution (Sec 41)	Due to insolvency of partners or unlawful business.

Type	Description
On Happening of Contingencies (Sec 42)	Expiry of term, completion of venture, death or insolvency of a partner.
By Notice (Sec 43)	In a partnership at will, any partner can dissolve by written notice.
By Court Order (Sec 44)	On grounds like insanity, misconduct, incapacity, or persistent losses.

Grounds for Dissolution by Court (Section 44)

- Partner becomes **insane or permanently incapable**.
- Partner commits **fraud or misconduct**.
- Business is carried on **only at a loss**.
- Partner **transfers interest** to a third party.
- It is **just and equitable** to dissolve.

Consequences of Dissolution

- Firm **ceases all operations**.
- Assets are **liquidated** and liabilities settled.
- Partners' **capital and loans** are repaid.
- Remaining surplus is **distributed** as per profit-sharing ratio.

Settlement of Accounts (Section 48)

1. Pay off **debts to outsiders**.
2. Repay **partner loans**.
3. Return **capital contributions**.
4. Distribute **remaining profits/losses**.

UNIT - III

SaleS of Goods Act (With latest Amendments)

- It is a mercantile law that governs contracts related to the sale and purchase of movable goods.
- Originally part of the Indian Contract Act, it became a separate legislation on 1st July 1930.
- It defines the rights, duties, and liabilities of buyers and sellers in a contract of sale.

Meaning of Contract of Sale (Section 4)

- A contract of sale is an agreement where the seller transfers or agrees to transfer the ownership of goods to the buyer for a price.

- It includes both:
- Sale: Immediate transfer of ownership.
- Agreement to Sell: Transfer to occur in the future or upon fulfillment of conditions.

Essentials for Formation of Contract (Section 5)

Element	Description
Offer and Acceptance	There must be a valid offer to buy or sell goods and acceptance of that offer.
Price Consideration	The contract must be for a monetary price.
Delivery and Payment Terms	May be immediate, by installments, or postponed.
Mode of Formation	Can be made in writing, orally, or implied by conduct.
Subject Matter	Goods must be movable property (existing or future goods).

Features

- **Two Parties**: Buyer and seller must be distinct legal entities.
- **Goods**: Must be movable and identifiable.
- **Legal Intention**: Parties must intend to create a legally binding agreement.
- **Transfer of Ownership**: Central to the contract's validity.

Goods

"Goods means every kind of movable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale."

So, **goods** refer to **movable items** that can be sold or purchased, excluding money and legal claims.

Classification of Goods

Goods are classified based on their **existence**, **ownership**, and **certainty** at the time of contract:

1. Existing Goods

Goods that are **owned or possessed by the seller** at the time of the contract.

Type	Description
Specific	Identified and agreed upon at the time of contract (e.g., a particular car).

Type	Description
Goods	
Ascertained Goods	Selected from a larger lot after the contract is made (e.g., 10 bags of rice from 100).
Unascertained Goods	Not specifically identified at the time of contract (e.g., 50 kg sugar from bulk stock).

2. Future Goods

Goods that are **yet to be manufactured, produced, or acquired** by the seller after the contract is made.

- Example: A farmer agrees to sell wheat that will be harvested next month.

3. Contingent Goods

Goods whose acquisition by the seller **depends on a future uncertain event**.

- Example: A seller agrees to sell goods only if a shipment arrives safely.

Classification	Subtypes	Key Feature
Existing Goods	Specific, Ascertained, Unascertained	Already in possession or owned by seller
Future Goods	—	Yet to be acquired or produced
Contingent Goods	—	Dependent on uncertain future event

Meaning of Condition

- A **condition** is a **fundamental term** of the contract.
- It is **essential to the main purpose** of the agreement.
- If breached, the aggrieved party can:
    - **Repudiate (cancel)** the contract
    - **Reject the goods**
    - **Claim damages**

Example:

If a buyer orders a laptop with a specific processor and receives a different one, it's a breach of condition.

Meaning of Warranty

- A **warranty** is a **secondary or collateral term** of the contract.
- It does **not go to the root** of the agreement.
- If breached, the aggrieved party can:
  - **Claim damages**
  - But **cannot reject the goods** or cancel the contract

Example:

If a buyer receives a laptop with the correct processor but a faulty webcam, it's a breach of warranty.

Differences Between Condition and Warranty

Basis	Condition	Warranty
Importance	Essential to the contract	Collateral to the contract
Breach Consequence	Right to cancel and claim damages	Only right to claim damages
Legal Effect	Affects validity of contract	Contract remains valid
Conversion	Can be treated as warranty	Cannot be treated as condition

Types of Conditions

- **Express Condition**: Clearly stated in the contract (oral or written)
- **Implied Condition**
  - Condition as to **title**
  - Condition as to **description**
  - Condition as to **merchantable quality**
  - Condition as to **fitness for purpose**
  - Condition as to **sale by sample**
  - Condition as to **wholesomeness** (especially for food items)

Types of Warranties

- **Express Warranty**: Specifically mentioned in the contract
- **Implied Warranty**:
  - Warranty of **quiet possession**
  - Warranty of **freedom from encumbrances**
  - Warranty to **disclose dangerous nature of goods**

Meaning of Transfer of Property

- **Property in goods** means **ownership**, not just possession.
- Transfer of property = transfer of **legal title** from seller to buyer.

- Governed by **Sections 18 to 25** of the Sale of Goods Act, 1930.

Importance of Transfer of Ownership

Aspect	Impact
Risk	Risk of loss or damage passes with ownership.
Right to Sue	Buyer can sue third parties once ownership is transferred.
Seller's Right to Price	Seller can claim payment only after ownership passes.
Insolvency	Determines who retains goods if either party becomes insolvent.

Rules for Transfer of Property

1. Specific or Ascertained Goods (Sections 19–22)

Rule	Description
Section 19	Property passes when parties intend it to pass.
Section 20	If goods are specific and in deliverable state, property passes at contract formation.
Section 21	If goods need work to be deliverable, property passes after work is done and buyer is notified.
Section 22	If price needs to be ascertained (e.g., weighing), property passes after that act is done and buyer is informed.

2. Unascertained or Future Goods (Section 23)

- Property passes only after **goods are ascertained and appropriated** to the contract.
- Requires **mutual consent** and goods must be in **deliverable state**.

3. Goods Sent on Approval or "Sale or Return" (Section 24)

- Property passes when:
  - Buyer **approves or accepts** the goods.
  - Buyer **retains goods** beyond agreed or reasonable time.

4. Reservation of Right of Disposal (Section 25)

- Seller may **retain ownership** until certain conditions (like payment) are fulfilled.

UNIT -IV
consumer protection act 1986 (with latest amendments)

- **Consumer**: A person who buys goods or hires services for personal use (not for resale or commercial purposes). Includes anyone who uses the goods/services with the buyer's approval2.
- **Complaint**: A written allegation by a consumer regarding:
  - Defective goods
  - Deficient services
  - Unfair or restrictive trade practices
  - Overcharging
  - Hazardous goods/services4
- **Consumer Dispute**: A disagreement where the trader or service provider denies the allegations made in the complaint.
- **Defect**: Any fault or imperfection in the quality, quantity, or standard of goods.
- **Deficiency**: Any inadequacy in the quality or performance of a service.
- **Restrictive Trade Practice**: Forcing a consumer to buy one product/service as a condition for buying another.

Features OF CONSUMER PROTECTION ACT 1986

- **Three-Tier Redressal System**:
  - **District Forum**: For claims up to ₹20 lakhs
  - **State Commission**: ₹20 lakhs to ₹1 crore
  - **National Commission**: Above ₹1 crore5
- **Wide Coverage**:
  - Applies to all goods and services (except those exempted)
  - Covers private, public, and cooperative sectors2
- **Consumer Rights Recognized**:
  - Right to Safety
  - Right to Information
  - Right to Choose
  - Right to be Heard
  - Right to Seek Redressal
  - Right to Consumer Education2
- **Consumer Protection Councils**:
  - Established at Central, State, and District levels to promote and protect consumer rights
- **Simple & Speedy Redressal**:
  - Designed to be inexpensive and accessible, avoiding lengthy civil procedures
- Rights of consumers

Rights of Consumers

- Under the Consumer Protection Act, 1986, every buyer of goods or user of services is empowered with six fundamental rights to ensure fair treatment, safety, and access to redressal.

- **1. Right to Safety**
- Consumers should be protected against goods and services that are hazardous to health or life. This includes protection from substandard products, toxic materials, and unsafe practices.
- **2. Right to Information**
- Consumers have the right to complete information about the quality, quantity, potency, purity, price, and standard of goods or services—so they can make informed choices.
- **3. Right to Choose**
- Consumers must have access to a variety of goods and services at competitive prices without being forced into buying unwanted items or brands.
- **4. Right to Be Heard**
- Consumers' interests must receive due consideration at appropriate forums. This right ensures consumer grievances are heard by policymaking bodies and dispute resolution forums.
- **5. Right to Seek Redressal**
- Consumers can seek legal remedies—such as replacement, refund, or compensation—if goods or services fall short of promises, are defective, or if there is unfair trade practice.
- **6. Right to Consumer Education**
- Consumers have the right to acquire skills and knowledge to make informed decisions, understand their rights, and be aware of remedies available under consumer protection laws.

Causes of Consumer Exploitation

Consumer exploitation occurs when sellers or service providers use unfair practices to take undue advantage of buyers, leading to financial loss or mental distress.

1. Asymmetric Information and Ignorance

Consumers often lack complete or correct information about the price, quality, composition, and usage of products and services. This information gap is widened by false advertising, misleading packaging, and complex terms and conditions that confuse even attentive buyers1.

2. Market Imbalances and Monopoly

Rapid population growth combined with underdeveloped industry infrastructure can create shortages, enabling hoarding and price gouging. In monopolistic or oligopolistic markets, a few producers set arbitrary prices and compromise on product availability and quality to maximize profits2.

3. Unfair Trade Practices and Malpractices

Practices such as black marketing, hoarding, overcharging, and selling expired or counterfeit goods prey on consumer vulnerability. Telemarketing scams and deceptive e-commerce listings further exploit buyers who are unable to verify claims before purchase1.

4. Weak Regulatory Framework and Enforcement

Although consumer protection laws exist, weak enforcement, regulatory corruption, and slow legal processes allow businesses to flout rules with impunity. This lack of accountability emboldens exploitative practices and discourages consumers from seeking redressal5.

5. Socioeconomic Vulnerabilities

High rates of illiteracy, poverty, and general indifference leave many consumers unaware of their rights or resigned to unfair treatment. Without organized consumer groups or education, individuals are less likely to challenge unscrupulous traders or demand compensation2.

6. Technological and E-Commerce Challenges

The rise of online marketplaces and telemarketing introduces new avenues for fraud, counterfeit products, and misleading claims. Rapid digital expansion often outpaces regulators' ability to monitor and curb these exploitative schemes effectively1.

Grievance Redressal Machinery (Consumer Disputes)

Consumer disputes are solved through a three-level system of commissions/forums. You choose the right forum based on how much money you're claiming. Each forum has its own members, fee structure, time limits, and appeal process.

1. District Consumer Forum

Every district has a District Forum (now called District Commission).

- Jurisdiction: Complaints valued up to ₹20 lakhs.
- Composition: One President (a retired judge or judicial officer) plus two members (one should be a woman).
- Filing a Complaint:
  - Write your grievance in simple language.
  - Attach copies of bills, warranties, and any proof of deficiency or defect.
  - Pay a nominal court fee
- Time Limits:
  - You must file within 2 years from the date the problem arose.
  - District Forum aims to resolve cases within 90 days of admission.
- Appeal: You can appeal to the State Commission within 30 days of the District order.

2. State Consumer Commission

At the state level, there's a State Commission (earlier State Forum).

- Jurisdiction: Complaints between ₹20 lakhs and ₹1 crore.
- Composition: One President (retired High Court judge) plus four members (at least one woman).
- Filing a Complaint:
  - Similar documents as District Forum.
  - Court fees are higher but still subsidized.

- Time Limits:
  - File within 2 years of cause of action.
  - Aims to decide cases within 150 days after notice to opposite party.
- Appeal: You can appeal to the National Commission within 30 days of the State order.

3. National Consumer Commission

At the top sits the National Commission in New Delhi.

- Jurisdiction: Complaints above ₹1 crore and nationwide issues.
- Composition: One President (Chief Justice of India or a Supreme Court judge) plus at least four members.
- Filing a Complaint:
  - Follow the same procedure with certified copies.
  - Court fee is scaled to the claim amount.
- Time Limits:
  - Must file within 2 years from when defect/deficiency occurred.
  - Target disposal within 3 months of service of notice.
- Final Appeal: You can approach the Supreme Court against National Commission orders on points of law.

UNIT - V
Negotiable Instruments Act, 1881

Below are concise definitions of the most important concepts and parties governed by the Act.

1. Negotiable Instrument (Section 13)

A negotiable instrument is any promissory note, bill of exchange, or cheque that is payable either to bearer or to order. Such instruments are freely transferable by endorsement or delivery, and the transferee acquires the right to receive the money specified.

2. Promissory Note (Section 4)

A promissory note is a written, signed promise by one person (the maker) to pay a fixed sum of money unconditionally to another (the payee) or to the payee’s order, or to the bearer of the instrument.

3. Bill of Exchange (Section 5)

A bill of exchange is a written, signed order by one person (the drawer) directing another (the drawee) to pay a certain sum unconditionally to a specified person (the payee) or to the bearer of the instrument.

4. Cheque (Section 6)

A cheque is a specialised bill of exchange drawn on a banker and payable on demand. It must be in writing, signed by the drawer, and direct the banker (drawee) to pay a definite sum to the payee or bearer.

5. Drawer

The drawer is the person who makes or draws a bill of exchange or cheque, thereby directing the drawee to pay the specified sum to the payee or bearer.

6. Drawee

The drawee is the person or banker on whom a bill of exchange or cheque is drawn and who is directed to pay the money to the payee or bearer.

7. Payee

The payee is the individual or entity named in the instrument who is entitled to receive the payment. In bearer instruments, "bearer" stands in place of a specifically named payee.

8. Holder (Section 8)

A holder is any person in possession of a negotiable instrument who is entitled—in their own name—to receive or recover the amount due on it from the parties thereto.

9. Endorsement

Endorsement is the signature (and any instructions) on the back of an instrument by which the holder transfers their title to another person. Depending on its form, endorsement can be blank, special, or restrictive.

Cheques

A cheque is a negotiable instrument containing an unconditional written order from the drawer (account holder) directing the drawee bank to pay a specified sum to a payee or bearer on demand. It remains one of the most common paper-based payment methods, even as digital channels grow.

. Types of Cheques

Type	Description
Bearer Cheque	Payable to the bearer; negotiable by delivery; no ID required
Order Cheque	Payable only to the named payee; requires endorsement + delivery; ID may be checked
Crossed Cheque	Two parallel lines (and optionally "A/C Payee"); must be deposited into payee's account
Account Payee Cheque	Similar to crossed; explicitly marked "A/C Payee" so proceeds go only to payee's bank account
Open (Uncrossed)	Can be encashed at any bank counter; words "or bearer" must remain

Type	Description
Cheque	uncancelled
Post-Dated Cheque	Bears a future date; cannot be cashed before that date; valid for three months from its date
Ante-Dated Cheque	Bears a past date; remains valid up to three months from that date
Stale Cheque	Presented after three months from its date; bank may refuse payment unless revalidated by the drawer
Blank Cheque	Signed but leaves payee/date/amount blank; very risky if misused
Cancelled Cheque	Marked “CANCELLED” with parallel lines; used only to furnish bank account proof
Self Cheque	Drawer and payee are the same person (writes “SELF” in payee field); used for cash withdrawals by account holder
Banker’s Cheque	Issued by bank on behalf of customer; non-negotiable; guaranteed funds; typically valid for three months
Traveller’s Cheque	Pre-issued in fixed foreign currency amounts; replaces carrying cash on trips; widely accepted overseas (rarely used today)
Mutilated Cheque	Torn or damaged; honoured only if essential details remain legible and bank obtains drawer’s confirmation

Crossing and Endorsement

- Crossing
  - General: two parallel lines on top-left corner
  - Special: adds “A/C Payee” or banker’s name
  - Purpose: ensures funds go into a bank account, reducing misuse
- Endorsement
  - Blank: signature only, makes it bearer
  - Special: “Pay to X” + signature, locks to a specific endorsee
  - Restrictive: adds conditions (e.g., “Not Negotiable”)

Validity, Dishonour, and Bounce

- Validity Cheques remain valid for three months from the date of issue.
- Dishonour Reasons
  - Insufficient funds
  - Signature mismatch
  - Stale cheque
  - Account closed or frozen

- Bounce Process (Section 138, NI Act)

    1. Payee presents cheque within validity.
    2. Bank returns with a “Cheque Return Memo.”
    3. Payee sends a 15-day written notice to drawer demanding payment.
    4. If drawer fails to pay, payee may file a criminal complaint:
        - Imprisonment up to 2 years
        - Fine up to twice the cheque amount

Bill of Exchange

A bill of exchange is a written order from one person to another, telling them to pay a certain amount of money to someone else. It can be paid immediately or at a future date. 2

Main Parties

- **Drawer**: The person who writes and signs the bill and orders payment.
- **Drawee**: The person or bank who must pay the money.
- **Payee**: The person who receives the money (can be the drawer or someone else).

Features

- Must be in writing and signed by the drawer.
- Contains an unconditional order to pay a fixed sum.
- Payable “on demand” (immediately) or at a “future date.”
- Transferable by endorsement (signing over) or delivery.
- Legally enforceable if dishonoured (payment is not made).

Basic Process

1. **Drawing** Drawer prepares the bill specifying amount, date, drawer, drawee, and payee.
2. **Acceptance** Drawee signs the bill to accept the payment order.
3. **Maturity** On the due date (plus any “days of grace”), the payee presents the bill for payment.
4. **Payment or Dishonour**
    - If paid, the drawee’s obligation ends.
    - If not paid, the bill is “dishonoured” and the payee can send a legal notice.
5. **Endorsement & Discounting**
    - Payee can sign the back (endorse) to transfer to someone else.
    - Or take it to a bank before maturity in exchange for cash minus a fee (discount).

Example

Imagine Ravi sells furniture worth ₹50,000 to Priya on credit.

- Ravi (drawer) draws a bill on Priya (drawee) for ₹50,000, payable in 60 days to himself (payee).
- Priya accepts by signing it.
- After 60 days (plus any grace period), Ravi presents the bill at Priya’s bank and receives ₹50,000.

Negotiable Notes (Promissory Notes)

A negotiable note—commonly called a promissory note—is a simple, written promise to pay someone a certain amount of money. Think of it as a formal IOU that you can pass on to others.

- A document where one person (the **maker**) promises in writing to pay a fixed sum to another person (the **payee**).
- It can say "payable on demand" (you can ask for money any time) or "payable on [date]" (you must wait until that date).

2. Main Parts

1. **Date and Place** When and where the note is created.
2. **Promise to Pay** Clear words like "I promise to pay ₹10,000."
3. **Amount** The exact sum of money, written in figures and in words.
4. **Payee's Name** Who gets the money (you can also write "to bearer" so anyone holding it can cash it).
5. **Payment Terms** – On demand or on a specific future date – With or without interest (if you agree to add extra money for borrowing)
6. **Signature of Maker** The person promising to pay must sign it.

Useful

- **Credit Tool**: Lets someone buy now and pay later, backed by a written promise.
- **Transferable**: You can sign it over (endorse) and give it to someone else—like passing a cheque.
- **Legal Proof**: If the maker doesn't pay, the payee has clear evidence to go to court.

Transfer (Endorse)

1. Payee signs the back of the note ("Pay to [New Person's Name]").
2. Delivers the note to the new holder.
3. New holder becomes entitled to collect payment from the maker.

5. Example

1. **Rita** needs ₹5,000 today from **Vikram**.
2. Vikram writes a promissory note:
    - "I promise to pay Rita ₹5,000 on 15 August 2025."
    - Signs it.
3. On 15 August 2025, Rita (or anyone she endorses it to) shows the note to Vikram and gets ₹5,000.

6. Tips for Making One

- Use plain paper or a printed form—just ensure all fields are clear.
- Avoid blanks—fill in every detail to stop tampering.
- Keep a copy or photograph for your records.
- Agree in writing if you're adding interest or penalties for late payment.