

CONTINGENT CONTRACT

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The word contingent means when an event or situation is contingent, i.e. it depends on some other event or fact. In simple words, contingent contracts are the ones where the promisor perform his obligation only when certain conditions are met. The contracts of insurance, indemnity, and guarantee are some examples of contingent contracts. A contingent contract is a contract to do or not to do something if some event, collateral to such contract, does or does not happen (Section 31).

For example, A contracts to pay B Rs. 10,000 if B's house is burnt. This is a contingent contract.

Essential features of a contingent contract

1. The performance of a contingent contract is made dependent upon the happening or nonhappening of some event.
2. The event on which the performance is made to depend, is an event collateral to the contract i.e., it does not form part of the reciprocal promises which constitute the contract. For example, where A agrees to deliver 100 bags of wheat and B agrees to pay the price only afterwards, the contract is a conditional contract and not contingent, because the event on which B's obligation is made to depend is a part of the promise itself and not a collateral event. Similarly, where A promises to pay B Rs. 10,000 if he marries C, it is not a contingent contract.
3. The contingent event should not be dependent on the will of the promisor. For instance, if A promises to pay B Rs. 1,000 if he so chooses, it is not a contingent contract. However, where the event is within the promisor's will but not merely his will, it may be a contingent contract.

Rules Regarding Enforcement of Contingent Contracts

The rules regarding contingent contracts are summarized hereunder (Sections 32 to 36)

1. Contracts contingent upon the happening of a future uncertain event cannot be enforced by law unless and until that event has happened. And if, the event

becomes impossible, such contract becomes void (Section 32). Illustration A makes a contract with B to buy B's horse if A survives C. This contract cannot be enforced by law unless and until C dies in A's lifetime.

2. Contracts contingent upon the non-happening of a certain future event can be enforced when the happening of that event becomes impossible, and not before (Section 33). Illustration A agrees to pay B a sum of money if a certain ship does not return. The ship is sunk. The contract can be enforced when the ship sinks.

3. If a contract is contingent upon as to how a person will act at an unspecified time, the event shall be considered to become impossible when such person does anything, which renders it impossible that he should so act within any definite time, or otherwise than under further contingencies. (Section 34). For example, A agrees to pay B a sum of money if B marries C. But C marries D. The marriage of B to C must now be considered impossible, although it is possible that D may die and that C may afterwards marry B.

4. Contracts contingent upon the happening of an uncertain specified event within a fixed time become void if, at the expiration of the time fixed, such event has not happened or if, before the time fixed, such event becomes impossible (Section 35). For example, A promises to pay B a sum of money if a certain ship returns within a year. The contract may be enforced if the ship returns within the year, and becomes void if the ship is burnt within the year.

5. Contracts contingent upon the non-happening of a specified event within a fixed time may be enforced by law when the time fixed has expired and such event has not happened, or before the time fixed expired, if it becomes certain that such event will not happen (Section 35). For example, A promises to pay B a sum of money if a certain ship doesn't return within a year. The contract may be enforced if the ship does not return-within the year, or is burnt within the year.

6. Contingent agreement to do or not to do anything, if an impossible event happens, are void, whether the impossibility of the event is known or not to the parties to the agreement at the time when it is made. Illustration A agrees to pay B Rs. 1,000 if two parallel straight lines should enclose a space. The agreement is void.

Difference between a Contingent Contract and a Wagering Agreement

1. A wagering agreement consists of reciprocal promises while a contingent contract may not consist of reciprocal promises.
2. A wagering agreement is of a contingent nature while a contingent contract may not be of a wagering nature.
3. A wagering agreement is void while a contingent contract is valid.
4. In a wagering agreement parties have no other interest in the subject matter except for winning or losing of wagering amount while it is not so in contingent contracts.
5. In a wagering agreement the future event is the sole determining factor while in a contingent contract future event is only collateral.