

**Classes of Contracts
&
in Commercial Contracting**

Muhammad Ali Raza
Collector Customs (GB) /
Procurement Specialist DFID-TAGR
Federal Board of Revenue (FBR)
alihanjra@gmail.com
Cell: 0345-5497368

Formation of a contract

- Offer
- Acceptance
- Exchange of consideration
- Legally Competent Parties
- Legality of purpose

Muhammad Ali Raza 2

Classes of Contracts

- Contracts are classified according to their:
- Forms
 - way in which they were created
 - binding character
 - extent to which they have been performed

Muhammad Ali Raza 3

Classes of Contracts
Formal & Informal Contracts

□ **Formal Contracts:**

- Enforced due to the **formality**
- Formality is considered sufficient to signify that the parties *intend to be bound* by their terms.

Muhammad Ali Raza 4

Classes of Contracts
Formal Contracts

(a) Contracts under Seal: Executed by affixing a seal or making an impression on paper or on wax / seal

Locus Sigillum (L.S)

Muhammad Ali Raza 5

Classes of Contracts
Formal Contracts

(b) Contracts of Record: An agreement or obligation recorded by a court:

- **Arbitration or Mediation** enforced by Court
- **Bail Bond**

Muhammad Ali Raza 6

Classes of Contracts
Informal Contracts

- Enforceable,
 - not due to their form of transaction, but
 - due to agreement between the parties.
- Oral or written

Muhammad Ali Raza 7

Classes of Contracts
Express & Implied contracts

- **Express contracts:**
 - Agreement of the parties is manifested by their **words**, written or oral.

Muhammad Ali Raza 8

Classes of Contracts
Implied contracts

- Agreement shown by **acts & conduct** of the parties,
e.g., **inviting a professional roofer by the building owner for a roof repair work**

Muhammad Ali Raza 9

Classes of Contracts
Implied contracts

- No implied contract in the presence of an express contract

Muhammad Ali Raza 10

Classes of Contracts

Valid, Voidable & Void contracts

Muhammad Ali Raza 11

Classes of Contracts
Valid contracts

Classified as valid contracts if:

- enforceable
- binding

Muhammad Ali Raza 12

Classes of Contracts
Voidable contracts

An otherwise valid contract may become voidable due to:

- non-performance by one party
- surrounding Circumstances
- lack of capacity of one party

Muhammad Ali Raza 13

Classes of Contracts
Void contracts

- An agreement that contemplates performance of an *act prohibited by law* - incapable of enforcement
- Without any legal effect - *ab initio illegal*

Muhammad Ali Raza 14

Classes of Contract

Executed & Executory Contracts

Muhammad Ali Raza 15

Classes of Contracts
Executed Contracts

Based on extent to which contract performed

- **Completely performed**

Muhammad Ali Raza 16

Classes of Contracts
Executory Contracts

Based on extent to which contract performed

- **Partial Performance by any one of the parties,**

Muhammad Ali Raza 17

Classes of Contract

Unilateral & Bilateral Contracts

Muhammad Ali Raza 18

Classes of Contracts
Unilateral Contracts

- Depending on their terms, these contracts are called **option contracts** or **first-refusal contracts**.
- reward

Muhammad Ali Raza 19

Classes of Contracts
Bilateral & Unilateral Contracts

- One promise is given in exchange for another, and each party is bound by the obligations

Muhammad Ali Raza 20

Classes of Contracts
Quasi Contracts

- When a court imposes an obligation even though there is no contract

(a) Prevention of Unjust Enrichment:

- **Unjust Enrichment:** where one person is unjustly or by chance enriched at the expense of another
- A Quasi Contract tries to stop it

Muhammad Ali Raza 21

Classes of Contracts
Quasi Contracts

□ the court may then impose an obligation through Quasi Contractual obligation:

- to pay to the aggrieved party
- for the **reasonable value of that benefit**
- to avoid unjust enrichment to the enriched party

Muhammad Ali Raza 22

Classes of Contracts
Quasi Contracts

□ **Restitution Damages:** Such contractual obligations of payment arise due to Court's action even in an **un-enforceable** contract where:

Muhammad Ali Raza 23

Classes of Contracts
Quasi Contracts

□ **Restitution Damages (Cont...)**

- Court will require payment of the reasonable value of services to avoid unjust enrichment through recovery.

“Quantum Meruit”

Muhammad Ali Raza 24

Classes of Contracts
Quasi Contracts

□ Restitution Damages for Unjust Enrichment



Muhammad Ali Raza 25

Classes of Contracts
Quasi Contracts

- Colorificio Brandini SpA in Isla di Burano, Italy had some approved colours for houses from Island's Municipality.
- The company had to paint the houses annually & to be paid by the house-owner.
- Marco Olivieri with his crew members began painting Mr. Luigi Rossi's house due to a mistaken address.

Muhammad Ali Raza 26

Classes of Contracts
Quasi Contracts
Restitution Damages for Unjust Enrichment

- Mr. Rossi observed the initiation of work from across the street in his office but did nothing to stop the painters.
- In the evening he refused to pay Mr. Olivieri
- "I signed no contract & never approved the work", Mr. Rossi said.

Muhammad Ali Raza 27

Classes of Contracts
Quasi Contracts
Restitution damages for Unjust Enrichment

- Mr. Rossi would be **unjustly enriched** if he were allowed to retain the benefit without payment for reasonable value of work.
- If Mr. Rossi did not know about the work being done, **quasi-contractual liability** would not be imposed

Muhammad Ali Raza 28

Classes of Contracts
Quasi Contracts

□ Events when Quasi-Contractual Liability does not exist:

- > Unexpected Cost in performance
- > Existing express lump sum contract
- > Gift benefit

(e.g., personal care services between family members)

Muhammad Ali Raza 29

Thankyou
Q & A

Muhammad Ali Raza 30
