

BUSINESS LAW

B.COM (H)– PART-II

BDH/BUSINESS LAW–(III)

UNIT – 1:

SALE OF GOODS ACT, 1930

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Sale and Agreement to Sell

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SALE

- Sale is a contract PLUS conveyance ABSOLUTE.
- In case buyer becomes insolvent before paying the price, the seller, in the absence of a lien on the goods MUST RETURN THE GOODS TO the OFFICIAL RECEIVER. He can claim a rateable dividend on the price.
- If the seller becomes insolvent, the buyer being the owner is entitled to recover the goods from the Official Receiver or Assignee.

Agreement to Sell

- An agreement is merely a contract, pure and simple and gives the right to the buyer only to sue for damages.
- In case buyer becomes insolvent before paying the price, the seller is not bound to part with the goods until he is paid for
- If the seller becomes insolvent, he can only claim a rateable dividend and not the goods because the property has not yet passed.

Hire Purchase Agreement

- A hire purchase agreement is a contract whereby the owner of the goods lets them on hire to another person called the hirer or hire purchaser on payment of rent to be paid in instalments and upon an agreement that when a certain number of such instalments is paid, the property in the goods will pass to the buyer.
- Buyer may return the goods any time without any obligation to pay the balance rent.
- Hire purchase contract is not a contract of sale but only A BAILMENT and the property in the goods remain in the owner during the continuance of the bailment. It is a BAILMENT PLUS AN AGREEMENT TO SELL.
- Where the buyer has no option to terminate the agreement and is bound to pay the price, the agreement is a contract of sale and not a hire purchase.
- Hire Purchase is governed by the Hire Purchase Act 1972.

Sale and Hire Purchase Agreement

SALE

- Ownership transferred from seller to the buyer immediately
- Buyer is the owner
- Buyer cannot terminate the contract and he is bound to pay the price
- Where the sale is by instalments, the buyers' liability in terms of amount gets reduced.

HIRE PURCHASE

- Ownership is transferred only when a certain agreed number of installments is paid
- The hirer is only a BAILEE
- Hirer can terminate the contract at any stage and cannot be forced to pay any further installments.
- Installments are treated as hire charges until the hirer uses the option of purchase.

Formation of Contract of Sale

Sale and Barter or Exchange

- Exchange of goods for goods is BARTER
- Exchange of goods for money is SALE
- Exchange of money for money is known as EXCHANGE
- If the Consideration for the transfer of property in goods is partly in goods and partly in money, it is SALE

Sale and Bailment

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- In a Sale, the property in goods is transferred from the seller to the buyer immediately
- In a Bailment, there is only transfer of possession from the bailor to the bailee but not the ownership. Bailment is for a specific (one) purpose—Safe custody, single use, carriage from one place to another etc.
- In a Sale, the buyer can deal with the goods as per his will because he is the absolute owner once the price is paid. In case of Bailment, the bailee can deal with the goods only according to the directions of the bailor.

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THANK YOU