

Acceptance under Indian Contract Act 1872

According to the Indian Contract Act 1872, acceptance is the final and unqualified expression of assent to the terms of a [proposal](#). The acceptance must be given in the manner and within the time specified in the proposal or, if no time is specified, within a reasonable time.

The Act defines acceptance in **Section 2(b)** as follows:

“When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted. A proposal, when accepted, becomes a promise.”

An acceptance is considered valid when:

- It must be given by the person to whom the proposal is made.
- It must be given in the manner prescribed by the proposer.
- It must be given within the time prescribed by the proposer or within a reasonable time.
- It must be absolute and unqualified.

If the acceptance is not given in the prescribed manner or within the prescribed time, it is considered invalid, and the proposer is no longer bound by the proposal.

Additionally, acceptance may be expressed or implied. An express acceptance is given in words or writing, while an implied acceptance is given through the conduct of the offeree.

Acceptance must be communicated

“Acceptance must be communicated” is a fundamental principle of contract law, which means that the acceptance of a proposal or offer by the offeree must be communicated to the proposer or offeror for a contract to be legally binding.

In other words, when one party makes an offer to another party, the other party must communicate their acceptance of the offer to the first party for the contract to be valid. The communication of acceptance can be made through any reasonable means, such as in writing, orally, or through conduct. However, the communication must be made within a reasonable time, and it must be absolute and unconditional.

Failure to communicate acceptance of an offer means that no [contract](#) is formed, and the offeror is not bound by the offer. Therefore, it is important for the offeree to communicate their acceptance of the offer to the offeror within a reasonable time for a contract to be legally binding.

Felthouse v Bindlley

[Felthouse v Bindley](#) is a landmark case in English contract law that deals with the principle of acceptance in contract formation. The case involved a dispute between a nephew (John Felthouse) and his uncle (William Felthouse) regarding the sale of a horse.

In the case, William Felthouse had agreed to sell a horse to John Felthouse for a certain price, and the nephew sent a letter to his uncle stating that he wanted to buy the horse.

However, William Felthouse did not respond to the letter, and later, he instructed an auctioneer to sell his livestock. The auctioneer mistakenly included the horse in the auction, and it was sold to a third party.

John Felthouse sued his uncle for breach of contract, arguing that they had agreed on the sale of the horse, and he had communicated his acceptance of the offer in his letter. However, the court held that there was no contract between the parties since the uncle had not communicated his acceptance of the offer.

The court ruled that silence or inaction on the part of the offeror cannot be considered as acceptance of an offer.

The court held that the nephew's letter was merely an offer, and until the uncle communicated his acceptance, there was no contract between the parties.

The court also stated that if the nephew had received a reply from his uncle stating that he had accepted the offer, there would have been a binding contract between the parties.

The case established the principle that acceptance must be communicated by the offeror for a contract to be legally binding. The case also highlighted that silence or inaction on the part of the offeror cannot be considered acceptance. Therefore, for a contract to be formed, both parties must communicate their acceptance of the offer to each other.

Powell v Lee

Powell v Lee is a landmark case that deals with the issue of communication of acceptance in contract formation. The case involved a dispute between an employer and an employee regarding the acceptance of a job offer.

In the case, the defendant, Powell, offered a job to the plaintiff, Lee, through a letter. The letter stated that the job offer would remain open for six weeks, and Lee accepted

the offer by sending a letter of acceptance within the specified time. However, before receiving Lee's letter of acceptance, Powell had already employed someone else for the job.

Lee sued Powell for breach of contract, arguing that he had accepted the job offer, and therefore, a contract was formed between the parties. However, Powell argued that Lee's acceptance was not communicated to him, and hence, there was no contract between the parties.

The court held that for a contract to be formed, there must be a communication of acceptance, which means that the acceptance must be communicated to the offeror. The court further held that if the acceptance is not communicated, there can be no contract, even if the offeree has acted on the assumption that there was a contract.

In the present case, the court held that Lee's letter of acceptance was not communicated to Powell before he employed someone else, and hence, there was no binding contract between the parties. The court also stated that Lee's reliance on the offer was not sufficient to establish a contract as there must be a communication of acceptance for a contract to be legally binding.

The case established the principle that the acceptance of an offer must be communicated to the offeror for a contract to be formed. The case also highlighted that the offeree's reliance on the offer is not enough to establish a contract, and there must be a communication of acceptance for a contract to be legally binding.

Acceptance by conduct

Acceptance by conduct is a type of acceptance in contract law where a contract is formed through the actions or conduct of the parties involved. It is also known as acceptance by performance or acceptance by behaviour. In this type of acceptance, the offeror does not receive an explicit communication of acceptance from the offeree but rather infers acceptance from the conduct of the offeree.

For instance, if an individual orders a product online, and the seller delivers the product to them without explicitly receiving an acceptance of the offer, the buyer's conduct of accepting the product can be seen as acceptance of the offer.

Acceptance by conduct is generally recognized as a valid form of acceptance when the conduct of the offeree is consistent with the terms of the offer. In other words, the conduct of the offeree must be such that it clearly indicates acceptance of the offer.

However, acceptance by conduct can only occur if the offeror has communicated the offer and there is no requirement for the offer to be accepted by communication. The offeree's conduct must also be such that it clearly indicates acceptance of the offer.

An example of acceptance by conduct can be seen in the case of ***Carlill v. Carbolic Smoke Ball Company***, where the court held that the conduct of the plaintiff (using the smoke ball as directed) amounted to acceptance of the offer made by the defendant, and hence, a contract was formed between the parties.

When communication is complete

Communication of acceptance is said to be complete when the acceptance is properly communicated by the offeree to the offeror. The Indian Contract Act, 1872 provides certain rules for determining when communication of acceptance is complete.

According to Section 4 of the Act, communication of acceptance is complete:

As against the proposer (offeror)

when it is put in a course of transmission to him, so as to be out of the power of the acceptor (offeree) – Once the acceptance has been put in the course of transmission to the offeror, it is considered complete. This means that if the offeree sends the acceptance by post or any other authorized means, communication of acceptance is considered complete as soon as it is posted.

As against the acceptor (offeree) when it comes to the knowledge of the proposer (offeror)

If the acceptance is directly communicated to the offeror, either by the offeree themselves or through a messenger, communication of acceptance is considered complete as soon as the proposer becomes aware of it.

When it is transmitted through an authorized means – If the message is transmitted through a recognized and authorized means of communication, such as postal service, telegraph, or fax, communication is considered complete when the message is transmitted.

Acceptance by post

Acceptance by post is a mode of communication commonly used for accepting an offer in contract law. It is based on the principle that communication is complete when the acceptance is put in the course of transmission to the offeror. This principle is laid down in Section 4 of the Indian Contract Act, 1872.

According to this principle, if the offeree accepts the offer by post, communication of acceptance is considered complete as soon as the acceptance is posted. This means that the acceptance becomes effective even if it is lost in the post, delayed or damaged, as long as it is properly addressed, stamped and posted.

Household Fire and Carriage Accident Insurance Company v Grant

In this case, the plaintiff, Mr. Grant, applied for a fire insurance policy from the defendant, Household Fire and Carriage Accident Insurance Company. The defendant sent a policy document to Mr. Grant, which he received on 23 November 1877.

The policy document stated that the policy would come into effect only when the first premium was paid. However, Mr. Grant did not pay the premium and instead sent a letter to the defendant on 23 December 1877, accepting the policy.

The defendant claimed that Mr. Grant's acceptance was not valid as it was not communicated in the manner specified in the policy document, which required the premium to be paid before the policy could come into effect. The defendant argued that the policy document constituted an offer, and Mr. Grant's letter was a counter-offer, which had not been accepted by the defendant.

The court held that Mr. Grant's letter was a valid acceptance of the policy. The court held that, as per the postal rule, the acceptance was effective as soon as it was posted, even though it was not received by the defendant until after the policy had expired.

The court observed that, as long as the acceptance was properly posted, it was irrelevant that the letter was lost in the post or delayed. The court also held that the policy document did not contain any condition that required the premium to be paid before acceptance.

This case established the principle that acceptance by post is effective as soon as the letter is posted, and not when it is received by the offeror. This principle is known as the postal rule. The case also highlighted the importance of clear and unambiguous communication in the acceptance of an offer.

Adams v Lindsell

In this case, the defendant, Lindsell, wrote to the plaintiff, Adams, offering to sell a quantity of wool. The offer was made on September 2nd, but due to an error in addressing the letter, it did not reach the plaintiff until September 5th. On the same day, the plaintiff sent a letter accepting the offer by post. However, due to postal delays, the acceptance was not received by the defendant until September 9th.

The defendant, believing that the plaintiff had not accepted the offer, sold the wool to someone else. When the plaintiff found out, he sued the defendant for breach of contract. The defendant argued that the contract was not formed as the acceptance was received after the offer had been revoked.

The court held that the contract was formed when the acceptance was posted, and not when it was received by the defendant. This was based on the principle that once an offer is made, it can be accepted by any reasonable means of communication, including post.

The court held that the postal service was a reasonable means of communication, and the acceptance was effective as soon as it was posted. Therefore, the defendant's [revocation](#) of the offer after the acceptance was posted did not affect the formation of the contract.

This case established the principle of the postal rule, which states that an acceptance by post is effective as soon as it is posted, and not when it is received by the offeror. This principle applies only when the use of post is a reasonable means of communication, and there is no indication that a different mode of acceptance is required.

Place of Acceptance

The place of acceptance is the location where an **acceptance of an offer is communicated by the offeree to the offeror i.e. offeree's location**. The determination of the place of acceptance is important in contract law as it helps to determine the jurisdiction of the contract and the law that applies to the contract.

Acceptance by Telephone or Telex

In cases of acceptance by post, the general rule is that acceptance is complete as soon as the letter of acceptance is posted, and not when it is received by the offeror. This is known as the "postal rule" or the "mailbox rule."

However, in cases of acceptance by telephone or telex, **the communication of acceptance against the proposer is not complete until the offeror receives the acceptance message and the place of contract in cases of acceptance by telephone or telex is the location of the proposer.**

Bhagwan Das v Girdgari Lal

In [Bhagwan Das v Girdgari Lal](#), the plaintiff offered to sell a house to the defendant, and the defendant accepted the offer by telephone. However, the defendant later

refused to complete the transaction, arguing that the acceptance was not valid since it was not in writing.

The court held that acceptance by telephone was a valid mode of acceptance, even though it was not in writing. The court observed that the essential requirement for acceptance was the communication of the acceptance to the offeror, and the mode of communication was immaterial as long as the communication was clear, unambiguous, and unequivocal.

The court also observed that the defendant had not requested the plaintiff to confirm the acceptance in writing, and therefore, the absence of a written confirmation did not invalidate the acceptance by telephone. **The court held that the acceptance by telephone was complete when it was communicated to the plaintiff and that the defendant was bound by the terms of the contract.**

Acceptance must be absolute and unqualified

It means that the offeree must accept all the terms of the offer without any modifications, conditions, or qualifications. If the offeree tries to change the terms of the offer or add new conditions, it will be treated as a counter-offer and will not result in a binding contract.

The rationale behind this principle is that the offeror has made an offer on specific terms, and any attempt by the offeree to modify the terms of the offer would result in a new offer. The offeror then has the option to accept or reject the new offer. Therefore, the offeree's acceptance must be a mirror image of the offer, without any changes or modifications.

If the acceptance is not absolute and unqualified, then it is not a valid acceptance, and there will be no contract between the parties. This principle is illustrated in the case of **Hyde v. Wrench**, where the defendant offered to sell his estate to the plaintiff for £1,000. The plaintiff rejected the offer and made a counter-offer of £950, which the defendant refused. The plaintiff then attempted to accept the original offer of £1,000, but the court held that there was no valid contract since the plaintiff's acceptance was not absolute and unqualified.

Therefore, it is essential that the offeree accepts the offer without any changes or qualifications to ensure the formation of a valid contract.

Acceptance must be manner prescribed by the proposer

Under the Indian Contract Act, if the proposer prescribes a specific manner in which the acceptance must be communicated, then the acceptance must be made in that manner. This is known as the principle of "acceptance must be in the manner prescribed by the proposer".

The proposer may prescribe the manner of acceptance either expressly or impliedly. For example, if the proposer specifies in the offer that the acceptance must be sent by email or fax, then the offeree must communicate the acceptance in that manner. Similarly, if the proposer is in the habit of receiving acceptances in a particular manner, then it can be implied that the acceptance must be made in that manner.

The rationale behind this principle is to ensure that the parties have a clear understanding of the manner in which the acceptance must be made. If the offeree fails to accept the offer in the manner prescribed by the proposer, then it will not be considered a valid acceptance, and no contract will be formed.