

Revocation of Offer and Acceptance | 20 Sep 2023

Introduction

- To create a **legally enforceable** contract there **must be a proposal** which has to be **accepted by the other party**.
 - Once a **proposal is accepted by the other party and it is properly communicated to the party who made the proposal, it becomes a binding contract**, provided the **object and consideration is not illegal** and the parties do have an **intention** to create a **legal relationship**.
- Once it becomes a binding contract the parties cannot go back on their respective commitments.
 - The **parties can revoke the proposal or acceptance any time before the communication of the same is complete against the other party**.
- **'Revocation'** in literal sense **means to nullify something** but in **legal phrasing, 'Revocation of Offer alludes to a withdrawal of an offer made by the offeror/proposer whenever before the acceptor/offeree acknowledges it**.
 - If the offeror wishes to repudiate/pull back the equivalent after the offeree's acknowledgment, it doesn't fall in the domain of 'Revocation'.
- **Section 5 of Indian Contract Act (ICA), 1872** deals with the **revocation of the proposal and acceptances**.

Revocation of Proposal

- A **proposal may be revoked at any time before the communication of its acceptance is complete**. The **revocation of a proposal is complete** when it comes to the **knowledge of the person to whom the proposal was made**.
 - It can be **done by the proposer himself or through his authorized agent**.
- However, **the revocation must be communicated to the offeree in a reasonable manner and before the acceptance is complete**. Once the **acceptance is complete, the proposal cannot be revoked**.

Revocation of Acceptance

- An **acceptance may be revoked by the acceptor at any time before the communication of the acceptance is complete**.
- The **revocation must be communicated to the proposer in the same manner as the acceptance**. If the **acceptance has already been communicated, the revocation will not be effective**.

Modes of Revocation of an Offer

Section 6 of the Indian Contract Act, 1872 deals with the **'Revocation of an offer'**. It lays down the various **modes of revocation of an offer**, which are as follows:

- ***Revocation by communication (from the offeror to the offeree before acceptance)-***
 - An **offer can be revoked by the offeror at any time before it is accepted by the offeree**. The **revocation must be communicated by the offeror to the offeree**.
 - If the **offeror fails to communicate the revocation, the offer remains valid and can be accepted by the offeree**.
- ***Revocation by lapse of time-***

- **An offer lapses if it is not accepted within the time specified in the offer or, if no time is specified, within a reasonable time.**
 - **The determination of a reasonable time depends on the facts and circumstances of each case.**
- **Once the offer has lapsed, it cannot be accepted.**
- ***Revocation by the failure of a condition precedent-***
 - **An offer can be revoked if it is subject to a condition precedent, and the condition precedent does not occur.**
 - **For example**, if an offer is made on the condition that the offeree obtains a license, and the offeree fails to obtain the license, the offer is revoked.
- ***Revocation by death or insanity of the offeror-***
 - An offer is automatically revoked if the **offeror dies or becomes insane before the offer is accepted**. In such cases, the **offeree cannot accept the offer**.
 - It is important to note that the **revocation of an offer must be communicated to the offeree** before acceptance.
 - **If the offeree accepts the offer** before receiving the revocation, the contract is formed, and **the offeror cannot revoke the offer**.
 - Furthermore, **an offer cannot be revoked if it has been accepted by the offeree and the parties have entered into a contract**.
 - **Once a contract is formed, it can only be terminated by the methods provided** for in the contract or by the **Indian Contract Act, of 1872**.

Case Laws

- **J.K. Enterprises v. The State of M.P (1997):**
 - The **Madhya Pradesh HC** held that **communication of the revocation of proposal has to be crystal clear and to the correct address**.
 - In this case the revocation letter was being sent by fax message. Unfortunately, it reached the wrong address. The court considered it to be of no effect.
- **Payne v. Cave (1789):**
 - The defendant made the highest bid for the plaintiff's goods at an auction sale, but he withdrew his bid before the fall of the auctioneer's hammer. It was held by the **English Court that the defendant was not bound to purchase the goods. His bid amounted to an offer which he was entitled to withdraw at any time before the auctioneer signified acceptance by knocking down the hammer**.
 - Note: **The common law rule laid down in this case has now been codified in Section 57(2) Sale of Goods Act 1979.**
- **Asia Tech. Nagercoil v. D.G. Ministry of Road Transport and Highways, New Delhi (2010):**
 - The **Madras HC** held that **where the tenders submitted by bidders never opened as its opening stood postponed, the tenders cannot be said to have been accepted**. The tenderers have the right to withdraw their proposal.

Conclusion

Mainly, an agreement is supposed to be revoked when and where the offeree proclaims the consent to be limited by the proposition of the offeror. Deciding the proper time of determination of an agreement is by and by not as simple as it might appear at first sight. This issue is exacerbated by the opportunity of people to pull back or renounce their recommendations of finishing up an agreement.

Section 6 of the Indian Contract Act, 1872 lays down the modes of revocation of an offer, which are revocation by communication from the offeror to the offeree before acceptance, revocation by lapse of time, revocation by failure of a condition precedent, and revocation by death or insanity of the offeror.