Business Law

BBS Third Year



**Chapter: 1 Introduction to law and Business Law ( 10-12 Marks)**

**Meaning Of law**

The law is a set of rules and regulations established by a government to regulate behavior within a society. Through the centuries, the concept of law has evolved, shaped by various legal systems and philosophical perspectives. It’s a framework that sets standards, resolves disputes, and maintains social order.

**Meaning of Business Law**

Business law is the set of legal rules that govern how businesses operate.
It deals with the rights and duties of people involved in commerce and trade.
Business law ensures fair practices and legal agreements in business activities.

.**Nature of Business Law**

1. **Law consists of a rule**

Law is made up of rules that prescribe certain behaviors or actions and prohibit others. The rules are formulated and enforced by governmental authorities, such as the state or government. stability and order.

1. **Law regulates only the external human actions**

Law primarily regulates external human actions that have a direct effect on society. As a result, it promotes harmonious coexistence by ensuring individuals’ conduct is consistent with accepted standards and norms.

1. **Law regulates human action either by way of prohibitory or mandatory or promissory**

It is possible for laws to take many forms and to have different effects on human behavior. Prohibitive laws specify what individuals must not do in order to comply with legal requirements by forbidding certain actions.

1. **Equality before law**

Law is fundamentally characterized by the principle of equality before the law. As a result, all individuals, regardless of their social status, wealth, or other differentiating factors, are entitled to the same laws and treatment.

1. **Law is recognized and issued by government**

A governing authority issues law, typically a government or state. Laws are made and enforced by the government through legislative or executive processes.

1. **. Law is backed by sanctions or Punishments**

It is the purpose of law to ensure compliance and deter violations. Depending on the severity of the offense, these penalties may include fines, imprisonment, community service, or other forms of punishment.

1. **. Law is Persuasive in nature**

In order to convince individuals of a law’s legitimacy and enforceability, it relies on reasoning and argumentation. Justifications and rationales support the purpose of laws, as well as the underlying principles they aim to protect. .

1. **Law maintains peace by maintaining law and order situation**

A primary function of the law is to maintain peace and order within society. Law provides a framework for peaceful coexistence by establishing rules, standards, and dispute resolution mechanisms.

1. **The aim of law is justice**

**Classification of Law**

Law is classified into different groups based on the point of view because human actions are different from the purpose of law. This classification is not done because of the difference in law, but because of the area of involvement. Several jurists have made different classifications, so for our convenience we can classify laws into the following categories.



**A. National Law**

It refers to the body of laws which govern the conduct of individuals and organizations within a specific country or jurisdiction, also known as domestic law or municipal law. National laws are enacted and enforced by the government of each nation. They include statutes, regulations, case law, and constitutional provisions.

**B. International Law**

The international law system consists of rules and principles that govern the relations between sovereign states, international organizations, and individuals around the world. By regulating interactions between different nations, it promotes cooperation, peaceful resolution of disputes, and the protection of human rights.

**A. Substantive Law**

Laws governing rights, duties, and obligations of individuals and entities are known as substantive law. Individuals are granted various rights and responsibilities in various areas of life, such as property, contracts, torts, criminal offenses, and family law. As well as the consequences for violating these standards, substantive law sets the standards and principles governing behaviors and interactions between people.

The law provides individuals with a legal framework for asserting and protecting their rights. **For example, a person has the right to use the property that belongs to him lawfully.**

**B. Procedural Law**

It establishes the rules and procedures that courts and other legal institutions must follow when resolving disputes and conducting legal proceedings under substantive law. A procedural law ensures that legal actions are conducted fairly, efficiently, and in compliance with established principles of justice. We rely on procedural law to provide remedies when rights or duties are violated, it guides us:

• Where we can get remedies
• When and how to proceed
• How to collect and present evidence in support of our claim

**Sources of law**

The sources of law refer to the sources or authorities that give legal rules and principles their validity and binding force. A legal system is constructed on the basis of laws that are definite, interpretable, and applicable. These sources can be divided into two categories: binding and persuasive.

In this detailed explanation, we will explore each category and its various components, emphasizing their significance and role in shaping the legal framework.



**1. Legislation**

Legislation refers to laws enacted by a legislative body, such as a parliament, as statutes, acts, codes, or ordinances. Creating, amending, and repealing laws becomes the responsibility of legislative bodies. The legislative process establishes the general rules and principles that govern various aspects of society and is a fundamental source of law.

In a country, there are two kinds of legislation: supreme legislation and subordinate legislation. The supreme legislation is enacted by the state’s sovereign power. It is enacted by its highest law making authority. **Nepal’s parliament is an example.** All forms of legislation recognized by law other than the parliament are considered subordinate legislation in any democratic country.

Criminal laws, civil rights, administrative procedures, and taxation are among the areas covered by legislation.

**2. Precedent**

Precedent is a source of law derived from previous court decisions, also known as case law or judicial precedent. By interpreting and applying the law to specific cases, courts play an important part in common law systems in shaping and developing legal principles.

Lower courts within the same jurisdiction are bound by the reasoning and legal principles of a court’s judgment. Precedent provides guidance and consistency in interpreting and applying the law, ensuring predictability and fairness.

**3. Customs or Usages**

Customs and usages refer to practices and traditions that have gained legal significance within a particular community or society over time. These are the habits, traditions, and norms that are widely accepted and followed by members of that community.

If formal legislation is scarce or absent in an area, customary law is particularly relevant. For customs or usages to be recognized as binding sources of law, they must meet certain conditions, including that they are widespread, consistent, reasonable, and accepted by the community as legally binding agreement.

**4. Agreements or conventions**

Typically, treaties, contracts, or other formal agreements between states, international organizations, and private parties constitute binding sources of law. It is common knowledge that international treaties and conventions establish legal obligations and rights between parties and are generally enforceable under international law.

Additionally, national agreements, such as contracts or collective bargaining agreement, create legal obligations and can be enforced by the law. A binding agreement regulates international relations, trade, human rights, and other aspects of global cooperation.

**Persuasive Source of Law**

In legal decision-making, persuasive sources of law are those that do not carry a direct binding authority but carry persuasive weight and influence. Although they are not legally enforceable on their own, they are important in shaping how the law is interpreted and applied. The main persuasive sources include:

**1. Decision of Foreign Courts**

Decisions of foreign courts, especially those from jurisdictions with similar legal systems, may be persuasive in interpreting the law if they are persuasive. When dealing with legal issues that have not been directly addressed in their own jurisdiction, courts may consider foreign court decisions as persuasive authority.

It promotes consistency and facilitates the resolution of complex or novel legal questions by utilizing the reasoning and analysis of foreign courts.

**2. The Principles of Foreign Law**

A principle of foreign law, also known as comparative law, involves analyzing and comparing legal principles and systems from diverse jurisdictions. The study of comparative law provides legal professionals with insight into how other countries have approached and solved legal issues. In order to adapt and refine their legal framework to better meet the needs of their society, courts and legislators can examine the principles and practices of foreign laws.

**3. Opinion of experts or Jurists**

Opinions and writings of legal experts, scholars, and jurists can be persuasive in legal reasoning and interpretations. As a result of their expertise and knowledge, these experts provide analysis, commentary, and interpretation of legal issues. When courts, lawyers, and lawmakers face complex legal questions or seek guidance on matters requiring specialized knowledge, they often seek their opinions.

**4. Text books, journals**

Textbooks, legal treatises, and academic journals play an important role in shaping legal discourse and providing analysis and commentary on legal principles and developments. These written sources provide in-depth explanations, interpretations, and scholarly perspectives on various aspects of the law. They contribute to legal education, research, and the development of legal theories and doctrines.

**5. Rules of morality and religious books**

A legal decision-making process may be influenced by moral principles and principles derived from religious texts in some legal systems. In matters involving ethics, family law, and religious freedom, courts and lawmakers may take into account moral principles or religious doctrines, even though they do not have direct legal binding force.

Chapter: 2 General Law of Contract (25-35)

Meaning

A contract in Nepali law refers to a mutual agreement between two or more parties that creates legal obligations and is enforceable by law.

**Nature**

* Involves at least two parties.
* Includes lawful offer and lawful acceptance.
* Creates enforceable obligations.
* Based on free will and mutual consent.

**🔹 Meaning:**

The **Law of Contracts** is a branch of civil law that governs agreements between two or more parties. It defines the conditions under which promises made by the parties to a contract will be legally binding.

"An agreement enforceable by law is a contract."

**✅ Essential Elements of a Valid Contract**

1. **Offer and Acceptance**
	* One party must make a lawful offer, and the other must accept it.
2. **Lawful Consideration**
	* Something of value must be exchanged between the parties.
3. **Intention to Create Legal Relationship**
	* Both parties must intend that the agreement should have legal consequences.
4. **Capacity of Parties**
	* The parties must be competent (e.g., not minors, mentally unsound, or disqualified by law).
5. **Free Consent**
	* The agreement must be made without coercion, fraud, misrepresentation, undue influence, or mistake.
6. **Lawful Object**
	* The purpose of the contract must be legal and not against public policy.
7. **Certainty and Possibility of Performance**
	* The terms of the contract must be clear, and it must be possible to carry it out.
8. **Not Declared Void**
	* The agreement should not be one that is expressly declared void by the law.
9. **Proper Legal Formalities**
	* If a contract is required to be in writing (like lease agreements), proper legal formalities must be followed.

**📂 Types of Contracts**

Contracts can be classified in various ways:

| **Category** | **Type of Contract** | **Short Description** |
| --- | --- | --- |
| **A. Based on Validity** | **Valid Contract** | Legally enforceable with all essential elements. |
|  | **Void Contract** | Not enforceable due to missing legal requirements. |
|  | **Voidable Contract** | Valid but one party may cancel due to unfair conditions. |
|  | **Illegal Contract** | Involves unlawful acts; not enforceable. |
|  | **Unenforceable Contract** | Legally valid but cannot be enforced due to technical issues. |
| **B. Based on Formation** | **Express Contract** | Terms clearly stated verbally or in writing. |
|  | **Implied Contract** | Formed by actions or behavior of parties. |
|  | **Quasi Contract** | Not a real contract; created by law to prevent unjust gain. |
| **C. Based on Performance** | **Executed Contract** | Both parties have fulfilled their promises. |
|  | **Executory Contract** | Some or all terms are yet to be performed. |
|  | **Unilateral Contract** | Only one party is bound until the other performs. |
|  | **Bilateral Contract** | Both parties exchange promises to perform. |

**✅ Muluki Civil Code, 2074 (Nepal)**

**📘 नेपालीमा: मुलुकी देवानी संहिता, २०७४**

**🔷 Meaning:**

The **Muluki Civil Code 2074** is the **main legal document in Nepal** that governs **civil rights and obligations**. It came into effect on **2074 Shrawan 1 (17 July 2017)** and replaced the old **Muluki Ain 2020 B.S.**

It contains comprehensive rules about **contracts, property, family, obligations, compensation, and civil responsibilities**.

**🔷 Structure of the Civil Code 2074:**

The Code is divided into **7 Parts (भाग)** with several **Chapters (अध्याय)** and **Sections (दफा)**.

| **Part No.** | **Subject Area** | **Description** |
| --- | --- | --- |
| Part 1 | General Provisions | Definitions and basic rules |
| Part 2 | Family Matters | Marriage, divorce, maintenance, etc. |
| Part 3 | Inheritance and Property | Rights over property, succession, partition, etc. |
| **Part 4** | **Obligations and Contracts** | Rules about contracts, breach, quasi-contracts, etc. |
| Part 5 | Compensation | Damages, civil wrongs (torts), remedies, etc. |
| Part 6 | Property Acquisition and Ownership | How property can be gained, lost, or transferred |
| Part 7 | Miscellaneous | Other civil matters |

**📌 Important Provisions Related to Contract Law (Part 4):**

| **Topic** | **Sections (दफा)** | **Coverage** |
| --- | --- | --- |
| **Contract Formation** | 491–494 | Conditions for valid contract, consent, capacity |
| **Void & Voidable Contracts** | 495–498 | Circumstances where a contract is invalid or can be canceled |
| **Offer & Acceptance** | 499–504 | Communication of proposal and acceptance rules |
| **Consideration** | 505–508 | Lawful consideration requirement |
| **Performance of Contracts** | 521–530 | Rules about execution and fulfillment of contracts |
| **Termination of Contracts** | 531–536 | When and how contracts can end |
| **Remedies for Breach** | 537–541 | Legal relief if a contract is broken |
| **Contingent Contracts** | 515–520 | Contracts dependent on future uncertain events |
| **Quasi Contracts** | 546–550 | Duties without formal agreement (e.g., mistaken payment, unjust enrichment) |
| **Unjust Enrichment** | 551–554 | Preventing benefit at another's expense |
| **Hire Purchase Contracts** | 595–612 | Rules for ownership transfer after installment payment |
| **Lease Contracts** | 568–592 | Property use and rent contracts |

**2. Offer and Acceptance**

**🔹 A. OFFER (Proposal)**

An **offer** is a proposal by one person to another, indicating a willingness to enter into a contract on certain terms.
"When one person signifies to another his willingness to do or to abstain from doing anything, with a view to obtaining the assent of that other, he is said to make a proposal."

**✅ Rules Regarding Offer:**

| **Element** | **Explanation** |
| --- | --- |
| **Intention to Create Legal Relation** | Must show readiness to create a legal obligation. |
| **Definite and Clear Terms** | Terms must be clear and certain, not vague or ambiguous. |
| **Communication of Offer** | Offer must be communicated to the offeree. |
| **Offer Must Not Be an Invitation** | Should not be an invitation to treat (e.g., catalog or advertisement). |
| **Offer May Be Express or Implied** | Can be made in words (spoken/written) or by conduct. |
| **Offer Must Be Made to a Person** | Can be to a specific person or the public at large. |

**🔹 B. ACCEPTANCE**

**Acceptance** is the act of agreeing to the terms of an offer, resulting in a contract.
"When the person to whom the proposal is made signifies his assent thereto, the proposal is said to be accepted."

**✅ Rules Regarding Acceptance:**

| **Element** | **Explanation** |
| --- | --- |
| **Must Be Absolute and Unqualified** | Acceptance must match the offer completely. |
| **Must Be Communicated** | Silence is not acceptance. It must be conveyed clearly to the offeror. |
| **Must Be in the Prescribed Mode** | If a mode is prescribed, it must be followed. |
| **Must Be Made While the Offer Is Open** | Late acceptance is invalid. |
| **Can Be Express or Implied** | May be stated in words or shown by conduct. |

**📩 C. Communication of Offer and Acceptance**

| **Stage** | **Explanation** |
| --- | --- |
| **Communication of Offer** | Complete when it comes to the knowledge of the offeree. |
| **Communication of Acceptance (to Offeror)** | Complete when the acceptance is put into transmission (e.g., posted). |
| **Communication of Acceptance (to Offeree)** | Complete when it reaches the offeror. |

**❌ D. Termination of Offer**

**Termination of an offer** refers to the **end or cancellation** of an offer so that it **can no longer be accepted** to form a contract.

In simple terms, once an offer is terminated, it **ceases to exist**, and the offeree **loses the right to accept it**. This means that no valid contract can be formed based on that offer afterward.

An offer can be terminated in the following ways:

| **Mode of Termination** | **Explanation** |
| --- | --- |
| **Revocation by Offeror** | Offeror can withdraw before acceptance is communicated. |
| **Rejection by Offeree** | If the offeree rejects, the offer ends. |
| **Lapse of Time** | If not accepted within the given or reasonable time. |
| **Counteroffer** | If offeree makes changes to terms, the original offer is cancelled. |
| **Death or Insanity** | Of either party before acceptance is known. |
| **Failure of a Condition** | If a precondition is not fulfilled. |
| **Illegality** | If the subject matter becomes illegal. |

**Chapter : 3 Consideration**

**🔹 Meaning:**

**Consideration** is the price paid by one party for the promise of the other. It refers to **something of value** (like money, goods, services, or a promise) exchanged between the parties in a contract.

“When, at the desire of the promisor, the promisee or any other person has done or abstained from doing, or does or abstains from doing, or promises to do or abstain from doing something, such act or abstinence is called a consideration for the promise.”

**🔸 Types of Consideration**

| **Type** | **Explanation** | **Example** |
| --- | --- | --- |
| **Past** | Consideration given **before** the promise is made. | A helps B, later B promises reward. |
| **Present (Executed)** | Consideration is given at the **same time** as the promise. | Cash payment on delivery of goods. |
| **Future (Executory)** | Consideration to be given at a **future date**. | Promise to pay after 1 month. |

**📌 Rules Regarding Consideration**

| **Rule** | **Explanation** |
| --- | --- |
| 1. **Must Move at Promisor’s Desire** | Consideration must be given at the request of the promisor. |
| 2. **May Move from Promisee or Any Other Person** | Even a third party can provide the consideration. |
| 3. **Can Be Past, Present, or Future** | All three types are legally valid in India. |
| 4. **Must Have Some Value in Law** | It must be real, not illusory or vague. |
| 5. **Need Not Be Adequate** | It need not match the value of what is received, but must have some value. |
| 6. **Must Be Legal** | It must not be immoral, illegal, or against public policy. |

**❌ No Consideration, No Contract**

The general rule is:

**"A contract without consideration is void."**

This means if there is **no consideration**, the agreement is **not enforceable by law**.

**✅ Exceptions (When Consideration Is Not Required)**

| **Condition** | **Explanation** |
| --- | --- |
| 1. **Natural Love and Affection** | Made in writing and registered between close relations. |
| 2. **Voluntary Compensation for Past Act** | Promise to pay for something already done voluntarily. |
| 3. **Promise to Pay Time-Barred Debt** | Made in writing and signed by the debtor. |
| 4. **Completed Gifts** | Gifts once given do not require consideration. |
| 5. **Agency** | No consideration required to appoint an agent. |
| 6. **Charitable Contributions** | If action is taken based on the promise to donate. |

**📘 4. Incapacity to Contract**

**🔹 Meaning:**

In contract law, **"Incapacity to contract"** refers to the **inability of certain persons to enter into a valid contract** due to lack of legal competence

Contractual Capacity

Contractual capacity refers to a person’s legal ability to enter into a valid contract.

1. Are of the age of majority (18 years or above),
2. Are of sound mind,
3. Are not disqualified by any law.

**Incapacity to Contract**

Incapacity to contract means a person is legally **not capable** of entering into a valid contract. A valid contract requires that all parties have the **legal capacity** to understand and agree to its terms.

**Persons Lacking Capacity:**

1. **Minors** – Under 18; contracts are usually voidable.
2. **Persons of Unsound Mind** – Mentally ill or intoxicated at the time of the contract.
3. **Disqualified by Law** – Includes insolvents, alien enemies, convicts, etc.

**Free Consent**

✅ **Meaning:**
Free consent means that all parties involved in a contract **agree willingly** to the terms without being forced, misled, or mistaken.

Consent is not free when caused by:

* **Coercion** – Use of threat or force
* **Undue Influence** – Misuse of position
* **Fraud** – Deliberate deception
* **Misrepresentation** – Innocent false statement
* **Mistake** – Wrong belief about fact

**Importance of Free Consent:**

| **Points** | **Explanation** |
| --- | --- |
| ✅ 1. **Validity of Contract** | Without free consent, a contract may be declared **void or voidable** by the court. |
| ✅ 2. **Ensures Willing Agreement** | It shows both parties are **willing and aware** of what they are agreeing to. |
| ✅ 3. **Protects Parties from Exploitation** | Prevents one party from being **forced, misled, or cheated** into making a contract. |
| ✅ 4. **Foundation of Fair Deal** | Free consent builds **trust** between the parties and promotes **fair business practices**. |
| ✅ 5. **Reduces Legal Disputes** | If consent is genuine, chances of **conflict or litigation** are much lower. |
| ✅ 6. **Promotes Justice** | It ensures **justice and equality**, especially in sensitive contracts (e.g., property, finance). |
| ✅ 7. **Follows Legal Requirements** | As per **Civil Code 2074**, free consent is a **legal necessity** for all enforceable contracts. |

**Legality of Object and Consideration**

✅ **Meaning:**
A contract must be made for a **lawful object** and **lawful consideration** (exchange of value).
If the purpose or payment is **illegal, immoral, or against public policy**, the contract is **void**.

A contract is void if its object is:

* **Forbidden by law**
* **Fraudulent**
* **Injurious to person or property**
* **Immoral** or **against public policy**

**Contingent Contract**

✅ **Meaning:**
A **contingent contract** is a contract where the **performance depends on the occurrence or non-occurrence of a future uncertain event that is not within the control of the contracting parties**.

Example: A agrees to pay B if B's car is delivered safely.

Rules Regarding Contingent Contract

| **Feature** | **Description** |
| --- | --- |
| **Uncertain Event** | The contract is dependent on a future event which may or may not happen. |
| **Condition** | The event is a **condition precedent** for the contract’s enforcement. |
| **Beyond Control** | The event must be outside the control of the parties. |
| **Not Enforceable Immediately** | The contract is not binding until the condition is fulfilled. |

**Performance of Contracts**

**✅ \*\*Meaning:**

Performance of contract\*\* means carrying out the **promises or obligations** mentioned in a valid contract **by the parties involved**, in the manner and time agreed.

According to **Section 533–556** of the **Muluki Civil Code, 2074**, every party must fulfill their part of the contract unless legally excused.

**📘 Types of Performance:**

| **Type** | **Description** |
| --- | --- |
| **Actual Performance** | When a party **fully performs** their contractual duty and the other party **accepts** it. |
| **Attempted Performance** *(Tender)* | When a party **offers** to perform, but the other party **refuses** to accept. It is called a **valid tender**. |

 **Termination of Contracts**

✅ **Meaning:**
Termination of a contract means the **legal end of the obligations** under a contract, either because the purpose is fulfilled, or due to legal or mutual reasons.

Sections related to contract termination can be found under **Contract Law (Part 4)** of the **Muluki Civil Code, 2074**.

**. Breach of Contract (सम्झौता उल्लंघन)**

**🔹 Meaning:**

**Breach of contract means failure to fulfill the terms of a contract without any legal excuse.
👉 When one party does not perform their duty or refuses to perform, it is considered a breach.**

**🔹 Types of Breach:**

| **Type** | **Explanation** |
| --- | --- |
| **✅ Actual Breach** | **When a party fails to perform the contract at the time of performance.** |
| **✅ Anticipatory Breach** | **When a party declares in advance that they will not fulfill the contract.** |

**🔹 Legal Provisions (Civil Code 2074 – Sections 537–541):**

* **Compensation can be claimed by the aggrieved party.**
* **The party suffering from breach can cancel the contract and claim damages.**

**✅ 2. Supervening Impossibility (बाध्यता वा असम्भवता**

**Supervening impossibility means when a contract becomes impossible to perform due to unforeseen events that happen after the contract is made.**

**👉 Example: Natural disasters, government bans, war, death of a key person, etc.**

**🔹 Effect on Contract:**

* **The contract becomes void automatically.**
* **Neither party is held liable for non-performance**

**📌 Modes of Termination under Civil Code, 2074:**

| **Termination Mode** | **Description** |
| --- | --- |
| **1. By Performance** | When both parties **complete their obligations**, the contract ends. |
| **2. By Mutual Agreement** | Parties **mutually agree** to cancel or modify the contract. |
| **3. By Impossibility (Force Majeure)** | If the contract becomes **impossible to perform** due to natural disaster, death, war, etc. |
| **4. By Breach of Contract** | If one party **fails to perform**, the other party may terminate it. |
| **5. By Lapse of Time** | If not performed **within a fixed time**, it may be terminated. |
| **6. By Operation of Law** | Termination due to **death, insolvency, or illegality** of the contract. |
| **7. By Revocation or Rescission** | One party may legally **cancel** if the contract was made under fraud, coercion, etc. |

**Remedies for Breach of Contract**

✅ **Meaning:**
Remedies are the **legal actions available to an injured party** when the other party fails to perform the contract (breach).

When a contract is breached, the injured party has the right to:

* **Claim damages** (money compensation)
* **Demand specific performance** (court orders completion)
* **Cancel the contract** (rescission)
* **Ask for restitution** (return of benefits)
* **Seek an injunction** (court stops a party from doing something)

These remedies help the affected party get **justice or compensation**.

**Quasi Contracts**

✅ **Meaning:**
A quasi contract is **not a real contract** formed by mutual agreement, but a **legal obligation created by the court** to prevent one person from being **unjustly enriched** at the expense of another.

 **"No agreement, but still liable."**

**✅ Quantum Meruit – Explained in Simple Terms**

**🔹 Meaning:**

“Quantum Meruit” is a **Latin term** which means **"as much as is deserved"** or **"reasonable payment for services rendered."**

In legal terms, it refers to a situation where one party has done some **work or provided services**, and even though **no formal contract exists**, they deserve to be **paid fairly** for what they did

In Nepal, this concept is recognized under the principle of **"Unjust Enrichment"**, mentioned in the **Muluki Civil Code, 2074**, particularly under the sections dealing with **duty to return property, compensation, or value** when no formal contract exists

Even though no agreement exists, the law requires one party to **compensate another** when:

* Goods/services were received **by mistake**
* Benefits were accepted **without payment**
* A person paid someone else's **legal obligation**

Example: If A pays B's electricity bill by mistake, B must repay A.

**Unjust Enrichment**

✅ **Meaning:**
Unjust enrichment occurs when one person gains a **benefit unfairly** at the expense of another, **without a legal basis**.
The law prevents individuals from being enriched unjustly. If someone gets a benefit:

* **Without providing compensation**
* **By mistake**
* **By exploiting another**

Then the law requires them to **return the benefit** or **compensate** the other party.

This principle supports justice and **equity in law**.

**Lease Contract**

✅ **Meaning:**
A **lease contract** is a legal agreement where the **owner (lessor)** allows another person (lessee) to **use property (such as land, house, shop, or vehicle)** for a specific period **in exchange for rent or consideration**.

* It is **temporary** use, not ownership
* Terms include **duration**, **rent amount**, and **conditions**
* Both parties have **rights and obligations**

Example: Renting a shop or apartment.

Leases are common in **real estate, business premises**, and **equipment use**.

**Hire Purchase Contract**

✅ **Meaning:**
A **Hire Purchase Contract** is a **financial agreement** where the **buyer takes possession** of goods (like vehicles, electronics, machinery, etc.) **by paying in installments**, and **ownership is transferred only after full payment** is completed.

📘 Governed by **Muluki Civil Code, 2074 – Section 595–612**.

* Buyer uses the item during payment period
* Seller remains **owner** until all dues are cleared
* Often used to purchase **vehicles, electronics, machinery**

**📌 Parties Involved:**

| **Party** | **Role** |
| --- | --- |
| **Owner / Seller** | Provides goods under hire purchase agreement. |
| **Hirer / Buyer** | Takes possession and agrees to pay in installments. |
| **Financier (optional)** | A third party who pays the seller and collects from buyer. |

**📌 Duties of the Buyer:**

* Pay installments on time.
* Maintain the goods properly.
* Avoid selling or damaging goods.

**📌 Duties of the Seller:**

* Transfer goods in good condition.
* Transfer ownership after final payment.
* Cannot forcibly seize goods without legal process.

Example: Buying a mobile phone on monthly EMI.

**Tort**

**Concept of Tort**

* A **tort** is a civil wrong committed by one person against another, causing harm or loss, which entitles the injured party to seek compensation. (तोर्ट भनेको कुनै व्यक्तिले अर्को व्यक्तिविरुद्ध गरेको **निजी गल्ती वा गैरकानूनी कार्य हो**, जसले अरूलाई हानी वा नोक्सानी पुर्‍याउँछ र जसका कारण पिडितले क्षतिपूर्ति माग्न सक्छ।)
* It is different from a crime because torts are private wrongs (compensated by damages), while crimes are public wrongs (punishable by the state).

**Character of Tort**

* **Civil wrong:** Tort involves a breach of a legal duty owed to another person.
* **Unintentional or intentional:** It can arise from negligence or intentional acts.
* **Compensation:** The main remedy is usually damages (monetary compensation).
* **Private law:** It deals with private rights rather than public duties.

**Principle of Tort**

* The foundational principle is that **any wrongful act causing harm to another obliges the wrongdoer to compensate the injured party**.
* The injured party must prove:
	1. **Duty of care** existed.
	2. **Breach of that duty** occurred.
	3. The breach **caused damage or loss**.
	4. Actual **damages or injury** happened.

**Damnum Sine Injuria**

* Latin for "**damage without injury**".
* This principle means **not all losses or damages caused to a person are legally actionable if there is no violation of a legal right**.
* Example: If a new competitor opens a shop and takes away customers, causing loss to an existing business, it’s damage but **no legal injury** (no tort).

**Vicarious Liability**

* This is a legal principle where **one person is held liable for the torts committed by another person, typically in an employment relationship**.
* Example: An employer can be held responsible for the wrongful acts of an employee done during the course of employment.
* Purpose: To ensure victims get compensation even if the person who committed the tort can’t pay.