ICA-C09 - 24 PROVISIONS

Indemnity and Guarantee

Indian Contract Act, 1872

Full local statutory text | Finin2min implementation edition | CA Nikhil Gupta and Kajri Singh

Finin2min Summary - Chapter in 2 Minutes

Purpose

This unit converts indemnity and guarantee into statutory, transaction, evidence and remedy decisions.

Who is covered

Businesses, contracting parties, partners, buyers, sellers, principals, agents and litigants affected by this chapter.

Main obligations

Read the transaction documents and actual conduct against every statutory limb, exception and connected law.

Key timelines

Record event, breach, refusal, notice, acknowledgment and filing dates; apply the correct Limitation Act article.

Forms and evidence

Use the chapter evidence checklist and State/UT forms where registration or public notice applies.

Top risk

Wrong classification, missing authority, weak evidence, ineffective notice, unverified State process or wrong remedy.

Remedy

Preserve rights, mitigate loss, quantify exposure and confirm forum, arbitration, limitation and interim relief.

Finin2min takeaway

Classify - map law - verify authority - prove performance - quantify consequence - select remedy and forum.

Section-by-section provision map

Provision	Title	Status	Decision theme
s.124	"Contract of indemnity" defined	operative	commercial rights and obligations
s.125	Rights of indemnity-holder when sued	operative	commercial rights and obligations
s.126		operative	

	“Contract of guarantee”, “surety”, “principal debtor” and “creditor”		commercial rights and obligations
s.127	Consideration for guarantee	operative	commercial rights and obligations
s.128	Surety’s liability	operative	partnership authority and liability
s.129	“Continuing guarantee”	operative	commercial rights and obligations
s.130	Revocation of continuing guarantee	operative	formation and communication
s.131	Revocation of continuing guarantee by surety’s death	operative	formation and communication
s.132	Liability of two persons, primarily liable, not affected by arrangement between them that one shall be surety on other’s default	operative	partnership authority and liability
s.133	Discharge of surety by variance in terms of contract	operative	commercial rights and obligations
s.134	Discharge of surety by release or discharge of principal debtor	operative	commercial rights and obligations
s.135	Discharge of surety when creditor compounds with, gives time to, or agrees not to sue, principal debtor	operative	commercial rights and obligations
s.136	Surety not discharged when agreement made with third person to give time to principal debtor	operative	commercial rights and obligations
s.137	Creditor’s forbearance to sue does not discharge surety	operative	commercial rights and obligations
s.138	Release of one co-surety does not discharge others	operative	commercial rights and obligations
s.139	Discharge of surety of creditor’s act or omission impairing surety’s eventual remedy	operative	commercial rights and obligations
s.140	Rights of surety on payment or performance	operative	price, payment and financial consequence
s.141	Surety’s right to benefit of creditor’s securities	operative	commercial rights and obligations

s.142	Guarantee obtained by misrepresentation invalid	operative	validity and consent
s.143	Guarantee obtained by concealment invalid	operative	commercial rights and obligations
s.144	Guarantee on contract that creditor shall not act on it until co-surety joins	operative	commercial rights and obligations
s.145	Implied promise to indemnify surety	operative	commercial rights and obligations
s.146	Co-sureties liable to contribute equally	operative	commercial rights and obligations
s.147	Liability of co-sureties bound in different sums	operative	partnership authority and liability

Legal status, amendments and source protocol

Act: Indian Contract Act, 1872; Act 9 of 1872; commencement 1 September 1872.

Source protocol: Complete central provision text is reproduced locally. Retained official India Code PDF extract. Official India Code and Gazette instruments prevail if any discrepancy is identified.

Full statutory text and Finin2min decode

Section 124 - “Contract of indemnity” defined

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

124.“Contract of indemnity” defined.—A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person, is called a “contract of indemnity”.
Illustration
A contracts to indemnify B against the consequences of any proceedings which C may take against B in respect of a certain sum of 200 rupees. This is a contract of indemnity.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	124.“Contract of indemnity” defined.—A contract by which one party promises to save the other from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person, is called a “contract of indemnity”. Illustration A contracts to indemnify B against the consequences of any proceedings which C may take against B in respect of a certain sum of 200 rupees. This is a contract of indemnity.	Test this main limb within the commercial rights and obligations framework. Operational focus: 124.“contract of indemnity” defined.—a contract by which one party promises to save the other from loss caused to.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 124 is a commercial rights and obligations provision dealing with “contract of indemnity” defined. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 125 - Rights of indemnity-holder when sued

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

125.Rights of indemnity-holder when sued.—The promisee in a contract of indemnity, acting within the scope of his authority, is entitled to recover from the promisor—
(1) all damages which he may be compelled to pay in any suit in respect of any matter to which the promise to indemnify applies;
(2) all costs which he may be compelled to pay in any such suit if, in bringing or defending it, he did not contravene the orders of the promisor, and acted as it would have been prudent for him to act in the absence of any contract of indemnity, or if the promisor authorized him to bring or defend the suit;
(3) all sums which he may have paid under the terms of any compromise of any such suit, if the compromise was not contrary to the orders of the promisor, and was one which it would have been prudent for the promisee to make in the absence of any contract of indemnity, or if the promisor authorized him to compromise the suit.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	125.Rights of indemnity-holder when sued.—The promisee in a contract of indemnity, acting within the scope of his authority, is entitled to recover from the promisor—	Test this main limb within the commercial rights and obligations framework. Operational focus: 125.rights of indemnity-holder when sued.—the promisee in a contract of indemnity, acting within the scope of his authority.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(1)	all damages which he may be compelled to pay in any suit in respect of any matter to which the promise to indemnify applies	Test this (1) within the commercial rights and obligations framework. Operational focus: all damages which he may be compelled to pay in any suit in respect of any matter to.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(2)	all costs which he may be compelled to pay in any such suit if, in bringing or defending it, he did not contravene	Test this (2) within the commercial rights and obligations framework.	Contract/deed, authority, chronology,

	the orders of the promisor, and acted as it would have been prudent for him to act in the absence of any contract of indemnity, or if the promisor authorized him to bring or defend the suit	Operational focus: all costs which he may be compelled to pay in any such suit if, in bringing or defending.	notices, performance and payment records tied to this limb.
(3)	all sums which he may have paid under the terms of any compromise of any such suit, if the compromise was not contrary to the orders of the promisor, and was one which it would have been prudent for the promisee to make in the absence of any contract of indemnity, or if the promisor authorized him to compromise the suit.	Test this (3) within the commercial rights and obligations framework. Operational focus: all sums which he may have paid under the terms of any compromise of any such suit, if.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 125 is a commercial rights and obligations provision dealing with rights of indemnity-holder when sued. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 126 - “Contract of guarantee”, “surety”, “principal debtor” and “creditor”

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

126. “Contract of guarantee”, “surety”, “principal debtor” and “creditor”.—A “contract of guarantee” is a contract to perform the promise, or discharge the liability, of a third person in case of his default. The person who gives the guarantee is called the “surety”; the person in respect of whose default the guarantee is given is called the “principal debtor”, and the person to whom the guarantee is given is called the “creditor”. A guarantee may be either oral or written.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	126. “Contract of guarantee”, “surety”, “principal debtor” and “creditor”.—A “contract of guarantee” is a contract to perform the promise, or discharge the liability, of a third person in case of his default. The person who gives the guarantee is called the “surety”; the person in respect of whose default the guarantee is given is called the “principal debtor”, and the person to whom the guarantee is given is called the “creditor”. A guarantee may be either oral or written.	Test this main limb within the commercial rights and obligations framework. Operational focus: 126. “contract of guarantee”, “surety”, “principal debtor” and “creditor”.—a “contract of guarantee” is a contract to perform the.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 126 is a commercial rights and obligations provision dealing with “contract of guarantee”, “surety”, “principal debtor” and “creditor”. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 127 - Consideration for guarantee

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source]() prevails.

Current statutory text

127. Consideration for guarantee.—Anything done, or any promise made, for the benefit of the
principal debtor, may be a sufficient consideration to the surety for giving the guarantee.
Illustrations
(a) B requests A to sell and deliver to him goods on credit. A agrees to do so, provided C will guarantee the payment of the price of the goods. C promises to guarantee the payment in consideration of A's promise to deliver the goods. This is a sufficient
consideration for C's promise.
(b) A sells and delivers goods to B. C afterwards requests A to forbear to sue B for the debt for a year, and promises that, if he does so, C will pay for them in default of payment by B. A agrees to forbear as requested. This is a sufficient consideration for
C's promise.
(c) A sells and delivers goods to B. C afterwards, without consideration, agrees to pay for them in default of B. The agreement is void.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	127. Consideration for guarantee.—Anything done, or any promise made, for the benefit of the principal debtor, may be a sufficient consideration to the surety for giving the guarantee. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 127. consideration for guarantee.—anything done, or any promise made, for the benefit of the principal debtor, may be.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	B requests A to sell and deliver to him goods on credit. A agrees to do so, provided C will guarantee the payment of the price of the goods. C promises to guarantee the payment in consideration of A's promise to deliver the goods. This is a sufficient consideration for C's promise.	Test this (a) within the commercial rights and obligations framework. Operational focus: b requests a to sell and deliver to him goods on credit. a agrees to do so, provided.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(b)			

	A sells and delivers goods to B. C afterwards requests A to forbear to sue B for the debt for a year, and promises that, if he does so, C will pay for them in default of payment by B. A agrees to forbear as requested. This is a sufficient consideration for C's promise.	Test this (b) within the commercial rights and obligations framework. Operational focus: a sells and delivers goods to b. c afterwards requests a to forbear to sue b for the.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	A sells and delivers goods to B. C afterwards, without consideration, agrees to pay for them in default of B. The agreement is void.	Test this (c) within the commercial rights and obligations framework. Operational focus: a sells and delivers goods to b. c afterwards, without consideration, agrees to pay for them in default.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 127 is a commercial rights and obligations provision dealing with consideration for guarantee. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 128 - Surety’s liability

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

128. Surety’s liability.—The liability of the surety is co- extensive with that of the principal debtor,
unless it is otherwise provided by the contract.
Illustration
A guarantees to B the payment of a bill of exchange by C, the acceptor. The bill is dishonoured by C. A is liable, not only for the amount of the bill, but also for any interest and charges which may have become due on it.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	128. Surety’s liability.—The liability of the surety is co- extensive with that of the principal debtor, unless it is otherwise provided by the contract. Illustration A guarantees to B the payment of a bill of exchange by C, the acceptor. The bill is dishonoured by C. A is liable, not only for the amount of the bill, but also for any interest and charges which may have become due on it.	Test this main limb within the partnership authority and liability framework. Operational focus: 128. surety’s liability.—the liability of the surety is co-extensive with that of the principal debtor, unless it.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 128 is a partnership authority and liability provision dealing with surety’s liability. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Reconcile the deed, ordinary course, internal limits, third-party knowledge, firm-name execution, admissions and holding out. Internal restrictions may not defeat external liability.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 129 - “Continuing guarantee”

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

129. “Continuing guarantee”.—A guarantee which extends to a series of transactions, is called a “continuing guarantee”.
Illustrations
(a) A, in consideration that B will employ C in collecting the rent of B’s zamindari, promises B to be responsible, to the amount of 5,000 rupees, for the due collection and payment by C of those rents. This is a continuing guarantee.
(b) A guarantees payment to B, a tea-dealer, to the amount of £100, for any tea he may from time to time supply to C. B supplies C with tea to above the value of £100, and C pays B for it. Afterwards, B supplies C with tea to the value of £200. C fails to pay. The guarantee given by A was a continuing guarantee, and he is accordingly liable to B to the extent of £100.
(c) A guarantees payment to B of the price of five sacks of flour to be delivered by B to C and to be paid for in a month. B delivers five sacks to C. C pays for them. Afterwards B delivers four sacks to C, which C does riot pay for. The guarantee given by A was not a continuing guarantee, and accordingly he is not liable for the price of the four sacks.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	129. “Continuing guarantee”.—A guarantee which extends to a series of transactions, is called a “continuing guarantee”. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 129. “continuing guarantee”.—a guarantee which extends to a series of transactions, is called a “continuing guarantee”. illustrations.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	A, in consideration that B will employ C in collecting the rent of B’s zamindari, promises B to be responsible, to the amount of 5,000 rupees, for the due collection and payment by C of those rents. This is a continuing guarantee.	Test this (a) within the commercial rights and obligations framework. Operational focus: a, in consideration that b will employ c in collecting the rent of b’s zamindari, promises b to.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(b)	A guarantees payment to B, a tea-dealer, to the amount of £100, for any tea he may from time to time supply to	Test this (b) within the commercial rights and obligations framework.	Contract/deed, authority, chronology,

	C. B supplies C with tea to above the value of £100, and C pays B for it. Afterwards, B supplies C with tea to the value of £200. C fails to pay. The guarantee given by A was a continuing guarantee, and he is accordingly liable to B to the extent of £100.	Operational focus: a guarantees payment to b, a tea-dealer, to the amount of £100, for any tea he may from.	notices, performance and payment records tied to this limb.
(c)	A guarantees payment to B of the price of five sacks of flour to be delivered by B to C and to be paid for in a month. B delivers five sacks to C. C pays for them. Afterwards B delivers four sacks to C, which C does riot pay for. The guarantee given by A was not a continuing guarantee, and accordingly he is not liable for the price of the four sacks.	Test this (c) within the commercial rights and obligations framework. Operational focus: a guarantees payment to b of the price of five sacks of flour to be delivered by b.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 129 is a commercial rights and obligations provision dealing with “continuing guarantee”. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 130 - Revocation of continuing guarantee

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source]() prevails.

Current statutory text

130.Revocation of continuing guarantee.—A continuing guarantee may at any time be revoked by
the surety, as to future transactions, by notice to the creditor.
Illustrations
(a) A, in consideration of B's discounting, at A's request, bills of exchange for C, guarantees to B, for twelve months, the
due payment of all such bills to the extent of 5,000 rupees. B discounts bills for C to the extent of 2,000 rupees. Afterwards, at
the
end of three months, A revokes the guarantee. This revocation discharges A from all liability to B for any subsequent discount.
But A is liable to B for the 2,000 rupees, on default of C.
(b) A guarantees to B, to the extent of 10,000 rupees, that C shall pay all the bills that B shall draw upon him. B draws upon
C. C accepts the bill. A gives notice of revocation. C dishonours the bill at maturity. A is liable upon his guarantee.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	130.Revocation of continuing guarantee. —A continuing guarantee may at any time be revoked by the surety, as to future transactions, by notice to the creditor. Illustrations	Test this main limb within the formation and communication framework. Operational focus: 130.revocation of continuing guarantee.—a continuing guarantee may at any time be revoked by the surety, as to future.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	A, in consideration of B's discounting, at A's request, bills of exchange for C, guarantees to B, for twelve months, the due payment of all such bills to the extent of 5,000 rupees. B discounts bills for C to the extent of 2,000 rupees. Afterwards, at the end of three months, A revokes the guarantee. This revocation discharges A from all liability to B for any subsequent discount. But A	Test this (a) within the formation and communication framework. Operational focus: a, in consideration of b's discounting, at a's request, bills of exchange for c, guarantees to b, for.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

	is liable to B for the 2,000 rupees, on default of C.		
(b)	A guarantees to B, to the extent of 10,000 rupees, that C shall pay all the bills that B shall draw upon him. B draws upon C. C accepts the bill. A gives notice of revocation. C dishonours the bill at maturity. A is liable upon his guarantee.	Test this (b) within the formation and communication framework. Operational focus: a guarantees to b, to the extent of 10,000 rupees, that c shall pay all the bills that.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

> Section 130 is a formation and communication provision dealing with revocation of continuing guarantee. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.
>
> **Implementation control:** Build a dated offer-acceptance matrix, identify authorised senders and recipients, preserve dispatch and receipt evidence, and isolate counter-offers, conditions and revocations.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 131 - Revocation of continuing guarantee by surety’s death

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

131.Revocation of continuing guarantee by surety’s death.—The death of the surety operates, in the absence of any contract to the contrary, as a revocation of a continuing guarantee, so far as regards future transactions.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	131.Revocation of continuing guarantee by surety’s death.—The death of the surety operates, in the absence of any contract to the contrary, as a revocation of a continuing guarantee, so far as regards future transactions.	Test this main limb within the formation and communication framework. Operational focus: 131.revocation of continuing guarantee by surety’s death.—the death of the surety operates, in the absence of any contract.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 131 is a formation and communication provision dealing with revocation of continuing guarantee by surety’s death. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Build a dated offer-acceptance matrix, identify authorised senders and recipients, preserve dispatch and receipt evidence, and isolate counter-offers, conditions and revocations.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 132 - Liability of two persons, primarily liable, not affected by arrangement between them that one shall be surety on other's default

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source] prevails.

Current statutory text

132. Liability of two persons, primarily liable, not affected by arrangement between them that one shall be surety on other's default.—Where two persons contract with a third person to undertake a certain liability, and also contract with each other that one of them shall be liable only on the default of the other, the third person not being a party to such contract, the liability of each of such two persons to the third person under the first contract is not affected by the existence of the second contract, although such third person may have been aware of its existence.

Illustration

A and B make a joint and several promissory note to C. A makes it, in fact, as surety for B, and C knows this at the time when the note is made. The fact that A, to the knowledge of C, made the note as surety for B, is no answer to a suit by C against A upon the note.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	132. Liability of two persons, primarily liable, not affected by arrangement between them that one shall be surety on other's default.—Where two persons contract with a third person to undertake a certain liability, and also contract with each other that one of them shall be liable only on the default of the other, the third person not being a party to such contract, the liability of each of such two persons to the third person under the first contract is not affected by the existence of the second contract, although such third person may have been aware of its existence. Illustration A and B make a joint and several promissory...	Test this main limb within the partnership authority and liability framework. Operational focus: 132. liability of two persons, primarily liable, not affected by arrangement between them that one shall be surety.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 132 is a partnership authority and liability provision dealing with liability of two persons, primarily liable, not affected by arrangement between them that one shall be surety on other's default. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Reconcile the deed, ordinary course, internal limits, third-party knowledge, firm-name execution, admissions and holding out. Internal restrictions may not defeat external liability.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 133 - Discharge of surety by variance in terms of contract

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

133.Discharge of surety by variance in terms of contract.—Any variance, made without the
surety's consent, in the terms of the contract between the principal 1[debtor] and the creditor, discharges
the surety as to transactions subsequent to the variance.
Illustrations
(a) A becomes surety to C for B's conduct as a manager in C's bank. Afterwards, B and C contract, without A's consent,
that B's salary shall be raised, and that he shall become liable for one-fourth of the losses on overdrafts. B allows a customer to

1. Ins. by Act 24 of 1917, s. 2 and the first Schedule.

overdraw, and the bank loses a sum of money. A is discharged from his suretyship by the variance made without his consent, and
is not liable to make good this loss.
(b) A guarantees C against the misconduct of B in an office to which B is appointed by C, and of which the duties are
defined by an Act of the Legislature. By a subsequent Act, the nature of the office is materially altered. Afterwards, B
misconducts himself. A is discharged by the change from future liability under his guarantee, though the misconduct of B is in
respect of a duty not affected by the later Act.
(c) C agrees to appoint B as his clerk to sell goods at a yearly salary, upon A's becoming surety to C for B's duly accounting
for moneys received by him as such clerk. Afterwards, without A's knowledge or consent, C and B agree that B should be paid
by a commission on the goods sold by him and not by a fixed salary. A is not liable for subsequent misconduct of B.
(d) A gives to C a continuing guarantee to the extent of 3,000 rupees for any oil supplied by C to B on credit. Afterwards B
becomes embarrassed, and, without the knowledge of A, B and C contract that C shall continue to supply B with oil for ready
money, and that the payments shall be applied to the then, existing debts between B and C. A is not liable on his guarantee for
any goods supplied after: this new arrangement.
(e) C contracts to lend B 5,000 rupees on the 1st March. A guarantees repayment. C pays the 5,000 rupees to B on the 1st
January. A is discharged from his liability, as the contract has been varied, inasmuch as C might sue B for the money before the
1st of March.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	133.Discharge of surety by variance in terms of contract.—Any variance, made without the surety's consent, in the terms of the contract between the principal 1[debtor] and the creditor, discharges the surety as to transactions subsequent to the variance. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 133.discharge of surety by variance in terms of contract.—any variance,	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

		made without the surety's consent, in the terms.	
(a)	A becomes surety to C for B's conduct as a manager in C's bank. Afterwards, B and C contract, without A's consent, that B's salary shall be raised, and that he shall become liable for one-fourth of the losses on overdrafts. B allows a customer to 1. Ins. by Act 24 of 1917, s. 2 and the first Schedule. overdraw, and the bank loses a sum of money. A is discharged from his suretyship by the variance made without his consent, and is not liable to make good this loss.	Test this (a) within the commercial rights and obligations framework. Operational focus: a becomes surety to c for b's conduct as a manager in c's bank. afterwards, b and c.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(b)	A guarantees C against the misconduct of B in an office to which B is appointed by C, and of which the duties are defined by an Act of the Legislature. By a subsequent Act, the nature of the office is materially altered. Afterwards, B misconducts himself. A is discharged by the change from future liability under his guarantee, though the misconduct of B is in respect of a duty not affected by the later Act.	Test this (b) within the commercial rights and obligations framework. Operational focus: a guarantees c against the misconduct of b in an office to which b is appointed by c.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	C agrees to appoint B as his clerk to sell goods at a yearly salary, upon A's becoming surety to C for B's duly accounting for moneys received by him as such clerk. Afterwards, without A's knowledge or consent, C and B agree that B should be paid by a commission on the goods sold by him and not by a fixed salary. A is not liable for subsequent misconduct of B.	Test this (c) within the commercial rights and obligations framework. Operational focus: c agrees to appoint b as his clerk to sell goods at a yearly salary, upon a's becoming.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(d)	A gives to C a continuing guarantee to the extent of 3,000 rupees for any oil supplied by C to B on credit. Afterwards B becomes embarrassed, and, without the knowledge of A, B and C contract that C shall continue to supply B with oil for ready money, and that the payments	Test this (d) within the commercial rights and obligations framework. Operational focus: a gives to c a continuing guarantee to the extent of	Contract/deed, authority, chronology, notices, performance and

	shall be applied to the then, existing debts between B and C. A is not liable on his guarantee for any goods supplied after: this new arrangement.	3,000 rupees for any oil supplied by.	payment records tied to this limb.
(e)	C contracts to lend B 5,000 rupees on the 1st March. A guarantees repayment. C pays the 5,000 rupees to B on the 1st January. A is discharged from his liability, as the contract has been varied, inasmuch as C might sue B for the money before the 1st of March.	Test this (e) within the commercial rights and obligations framework. Operational focus: c contracts to lend b 5,000 rupees on the 1st march. a guarantees repayment. c pays the 5,000.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 133 is a commercial rights and obligations provision dealing with discharge of surety by variance in terms of contract. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 134 - Discharge of surety by release or discharge of principal debtor

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

134.Discharge of surety by release or discharge of principal debtor.—The surety is discharged by
any contract between the creditor and the principal debtor, by which the principal debtor is released, or by
any act or omission of the creditor, the legal consequence of which is the discharge of the principal
debtor.
Illustrations
(a) A gives a guarantee to C for goods to be supplied by C to B. C supplies goods to B, and afterwards B becomes embarrassed and contracts with his creditors (including C) to assign to them his property in consideration of their releasing him from their demands. Here B is released from his debt by the contract with C, and A is discharged from his suretyship.
(b) A contracts with B to grow a crop of indigo on A's land and to deliver it to B at a fixed rate, and C guarantees A's performance of this contract. B diverts a stream of water which is necessary for the irrigation of A's land and thereby prevents him from raising the indigo. C is no longer liable on his guarantee.
(c) A contracts with B for a fixed price to build a house for B within a stipulated time, B supplying the necessary timber. C guarantees A's performance of the contract. B omits to supply the timber. C is discharged from his suretyship.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	134.Discharge of surety by release or discharge of principal debtor.—The surety is discharged by any contract between the creditor and the principal debtor, by which the principal debtor is released, or by any act or omission of the creditor, the legal consequence of which is the discharge of the principal debtor. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 134.discharge of surety by release or discharge of principal debtor.—the surety is discharged by any contract between the.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	A gives a guarantee to C for goods to be supplied by C to B. C supplies goods to B, and afterwards B becomes embarrassed and contracts with his creditors (including C) to assign to them his property in consideration of their releasing him from their demands. Here B is released from his debt by the contract	Test this (a) within the commercial rights and obligations framework. Operational focus: a gives a guarantee to c for goods to be supplied by c to b. c supplies goods.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

	with C, and A is discharged from his suretyship.		
(b)	A contracts with B to grow a crop of indigo on A's land and to deliver it to B at a fixed rate, and C guarantees A's performance of this contract. B diverts a stream of water which is necessary for the irrigation of A's land and thereby prevents him from raising the indigo. C is no longer liable on his guarantee.	Test this (b) within the commercial rights and obligations framework. Operational focus: a contracts with b to grow a crop of indigo on a's land and to deliver it to.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	A contracts with B for a fixed price to build a house for B within a stipulated time, B supplying the necessary timber. C guarantees A's performance of the contract. B omits to supply the timber. C is discharged from his suretyship.	Test this (c) within the commercial rights and obligations framework. Operational focus: a contracts with b for a fixed price to build a house for b within a stipulated time.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 134 is a commercial rights and obligations provision dealing with discharge of surety by release or discharge of principal debtor. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 135 - Discharge of surety when creditor compounds with, gives time to, or agrees not to sue, principal debtor

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

135. Discharge of surety when creditor compounds with, gives time to, or agrees not to sue, principal debtor.—A contract between the creditor and the principal debtor, by which the creditor makes a composition with, or promises to give time to, or not to sue, the principal debtor, discharges the surety, unless the surety assents to such contract.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	135. Discharge of surety when creditor compounds with, gives time to, or agrees not to sue, principal debtor.—A contract between the creditor and the principal debtor, by which the creditor makes a composition with, or promises to give time to, or not to sue, the principal debtor, discharges the surety, unless the surety assents to such contract.	Test this main limb within the commercial rights and obligations framework. Operational focus: 135. discharge of surety when creditor compounds with, gives time to, or agrees not to sue, principal debtor.—a.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 135 is a commercial rights and obligations provision dealing with discharge of surety when creditor compounds with, gives time to, or agrees not to sue, principal debtor. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 136 - Surety not discharged when agreement made with third person to give time to principal debtor

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

136. Surety not discharged when agreement made with third person to give time to principal debtor.—Where a contract to give time to the principal debtor is made by the creditor with a third person, and not with the principal debtor, the surety is not discharged.
Illustration
C, the holder of an overdue bill of exchange drawn by A as surety for B, and accepted by B, contracts with M to give time to B. A is not discharged.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	136. Surety not discharged when agreement made with third person to give time to principal debtor.—Where a contract to give time to the principal debtor is made by the creditor with a third person, and not with the principal debtor, the surety is not discharged. Illustration C, the holder of an overdue bill of exchange drawn by A as surety for B, and accepted by B, contracts with M to give time to B. A is not discharged.	Test this main limb within the commercial rights and obligations framework. Operational focus: 136. surety not discharged when agreement made with third person to give time to principal debtor.— where a contract.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 136 is a commercial rights and obligations provision dealing with surety not discharged when agreement made with third person to give time to principal debtor. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 137 - Creditor’s forbearance to sue does not discharge surety

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

137. Creditor’s forbearance to sue does not discharge surety.—Mere forbearance on the part of the creditor to sue the principal debtor or to enforce any other remedy against him does not, in the absence of any provision in the guarantee to the contrary, discharge the surety.

Illustration

B owes to C a debt guaranteed by A. The debt becomes payable. C does not sue B for a year after the debt has become payable. A is not discharged from his suretyship.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	137. Creditor’s forbearance to sue does not discharge surety.—Mere forbearance on the part of the creditor to sue the principal debtor or to enforce any other remedy against him does not, in the absence of any provision in the guarantee to the contrary, discharge the surety. Illustration B owes to C a debt guaranteed by A. The debt becomes payable. C does not sue B for a year after the debt has become payable. A is not discharged from his suretyship.	Test this main limb within the commercial rights and obligations framework. Operational focus: 137. creditor’s forbearance to sue does not discharge surety.—mere forbearance on the part of the creditor to sue.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 137 is a commercial rights and obligations provision dealing with creditor’s forbearance to sue does not discharge surety. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 138 - Release of one co-surety does not discharge others

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

138.Release of one co-surety does not discharge others.—Where there are co-sureties, a release by the creditor of one of them does not discharge the others; neither does it free the surety so released from his responsibility to the other sureties1.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	138.Release of one co-surety does not discharge others.—Where there are co-sureties, a release by the creditor of one of them does not discharge the others; neither does it free the surety so released from his responsibility to the other sureties1.	Test this main limb within the commercial rights and obligations framework. Operational focus: 138.release of one co-surety does not discharge others.—where there are co-sureties, a release by the creditor of one.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 138 is a commercial rights and obligations provision dealing with release of one co-surety does not discharge others. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 139 - Discharge of surety of creditor's act or omission impairing surety's eventual remedy

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source] prevails.

Current statutory text

139. Discharge of surety by creditor's act or omission impairing surety's eventual remedy.—If
the creditor does any act which is inconsistent with the rights of the surety, or omits to do any act which
his duty to the surety requires him to do, and the eventual remedy of the surety himself against the
principal debtor is thereby impaired, the surety is discharged.
Illustrations
(a) B contracts to build a ship for C for a given sum, to be paid by instalments as the work reaches certain stages. A becomes
surety to C for B's due performance of the contract. C, without the knowledge of A, prepays to B the last two instalments. A is
discharged by this prepayment.
(b) C lends money to B on the security of a joint and several promissory note made in C's favour by B, and by A as surety
for B, together with a bill of sale of B's furniture, which gives power to C to sell the furniture, and apply the proceeds in
discharge of the note. Subsequently, C sells the furniture, but, owing to his misconduct and wilful negligence, only a small
price
is realized. A is discharged from liability on the note.
(c) A puts M as apprentice to B, and gives a guarantee to B for M's fidelity. B promises on his part that he will, at least once
a month, see M make up the cash. B omits to see this done as promised, and M embezzles. A is not liable to B on his guarantee.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	139. Discharge of surety by creditor's act or omission impairing surety's eventual remedy.—If the creditor does any act which is inconsistent with the rights of the surety, or omits to do any act which his duty to the surety requires him to do, and the eventual remedy of the surety himself against the principal debtor is thereby impaired, the surety is discharged. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 139. discharge of surety by creditor's act or omission impairing surety's eventual remedy.—if the creditor does any act.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	B contracts to build a ship for C for a given sum, to be paid by instalments as the work reaches certain stages. A becomes surety to C for B's due performance of the contract. C, without the knowledge of A, prepays to B the last	Test this (a) within the commercial rights and obligations framework. Operational focus: b contracts to build a ship for c for a given sum, to	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

	two instalments. A is discharged by this prepayment.	be paid by instalments as.	
(b)	C lends money to B on the security of a joint and several promissory note made in C's favour by B, and by A as surety for B, together with a bill of sale of B's furniture, which gives power to C to sell the furniture, and apply the proceeds in discharge of the note. Subsequently, C sells the furniture, but, owing to his misconduct and wilful negligence, only a small price is realized. A is discharged from liability on the note.	Test this (b) within the commercial rights and obligations framework. Operational focus: c lends money to b on the security of a joint and several promissory note made in c's.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	A puts M as apprentice to B, and gives a guarantee to B for M's fidelity. B promises on his part that he will, at least once a month, see M make up the cash. B omits to see this done as promised, and M embezzles. A is not liable to B on his guarantee.	Test this (c) within the commercial rights and obligations framework. Operational focus: a puts m as apprentice to b, and gives a guarantee to b for m's fidelity. b promises.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 139 is a commercial rights and obligations provision dealing with discharge of surety of creditor's act or omission impairing surety's eventual remedy. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 140 - Rights of surety on payment or performance

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source] prevails.

Current statutory text

140.Rights of surety on payment or performance.—Where a guaranteed debt has become due, or default of the principal debtor to perform a guaranteed duty has taken place, the surety upon payment or performance of all that he is liable for, is invested with all the rights which the creditor had against the principal debtor.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	140.Rights of surety on payment or performance.—Where a guaranteed debt has become due, or default of the principal debtor to perform a guaranteed duty has taken place, the surety upon payment or performance of all that he is liable for, is invested with all the rights which the creditor had against the principal debtor.	Test this main limb within the price, payment and financial consequence framework. Operational focus: 140.rights of surety on payment or performance.—where a guaranteed debt has become due, or default of the principal.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 140 is a price, payment and financial consequence provision dealing with rights of surety on payment or performance. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Reconcile base price, taxes, credits, deductions, interest, due dates and payment proof. Link every adjustment to the contract and statute.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 141 - Surety’s right to benefit of creditor’s securities

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

141.Surety’s right to benefit of creditor’s securities.—A surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time when the contract of suretyship is entered into, whether the surety knows of the existence of such security or not; and if the creditor loses, or, without the consent of the surety, parts with such security, the surety is discharged to the extent of the value of the security.
Illustrations
(a)C, advances to B, his tenant, 2,000 rupees on the guarantee of A. C has also a further security for the 2,000 rupees by a mortgage of B’s furniture. C cancels the mortgage. B becomes insolvent and C sues A on his guarantee. A is discharged from liability to the amount of the value of the furniture.
(b)C, a creditor, whose advance to B is secured by a decree, receives also a guarantee for that advance from A. C afterwards takes B’s goods in execution under the decree, and then, without the knowledge of A, withdraws the execution. A is discharged.
(c)A, as surety for B, makes a bond jointly with B to C, to secure a loan from C to B. Afterwards, C obtains from B a further security for the same debt. Subsequently, C gives up the further security. A is not discharged.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	141.Surety’s right to benefit of creditor’s securities.—A surety is entitled to the benefit of every security which the creditor has against the principal debtor at the time when the contract of suretyship is entered into, whether the surety knows of the existence of such security or not; and if the creditor loses, or, without the consent of the surety, parts with such security, the surety is discharged to the extent of the value of the security. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 141.surety’s right to benefit of creditor’s securities.—a surety is entitled to the benefit of every security which the.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	C, advances to B, his tenant, 2,000 rupees on the guarantee of A. C has also a further security for the 2,000 rupees by a mortgage of B’s furniture. C cancels the mortgage. B becomes insolvent and C sues A on his guarantee. A is discharged	Test this (a) within the commercial rights and obligations framework. Operational focus: c, advances to b, his tenant, 2,000 rupees on	Contract/deed, authority, chronology, notices, performance and

	from liability to the amount of the value of the furniture.	the guarantee of a. c has also a further.	payment records tied to this limb.
(b)	C, a creditor, whose advance to B is secured by a decree, receives also a guarantee for that advance from A. C afterwards takes B's goods in execution under the decree, and then, without the knowledge of A, withdraws the execution. A is discharged.	Test this (b) within the commercial rights and obligations framework. Operational focus: c, a creditor, whose advance to b is secured by a decree, receives also a guarantee for that.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	A, as surety for B, makes a bond jointly with B to C, to secure a loan from C to B. Afterwards, C obtains from B a further security for the same debt. Subsequently, C gives up the further security. A is not discharged.	Test this (c) within the commercial rights and obligations framework. Operational focus: a, as surety for b, makes a bond jointly with b to c, to secure a loan from.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

> Section 141 is a commercial rights and obligations provision dealing with surety's right to benefit of creditor's securities. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.
>
> **Implementation control:** Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 142 - Guarantee obtained by misrepresentation invalid

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

142. Guarantee obtained by misrepresentation invalid.—Any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	142. Guarantee obtained by misrepresentation invalid.—Any guarantee which has been obtained by means of misrepresentation made by the creditor, or with his knowledge and assent, concerning a material part of the transaction, is invalid.	Test this main limb within the validity and consent framework. Operational focus: 142. guarantee obtained by misrepresentation invalid.—any guarantee which has been obtained by means of misrepresentation made by the.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 142 is a validity and consent provision dealing with guarantee obtained by misrepresentation invalid. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Preserve negotiations, disclosures and approvals. Test capacity, free consent, lawful object, severability, restitution and ratification as separate questions.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 143 - Guarantee obtained by concealment invalid

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

143. Guarantee obtained by concealment invalid.—Any guarantee which the creditor has obtained
by means of keeping silence as to material circumstances, is invalid.
Illustrations
(a)A engages B as clerk to collect money for him. B fails to account for some of his receipts, and A in consequence calls
upon him to furnish security for his duly accounting. C gives his guarantee for B's duly accounting. A does not acquaint C with
B's previous conduct. B afterwards makes default. The guarantee is invalid.

1. See s. 44, supra.

(b)A guarantees to C payment for iron to be supplied by him to B to the amount of 2,000 tons. B and C have privately
agreed that B should pay five rupees per ton beyond the market price, such excess to be applied in liquidation of an old debt.
This
agreement is concealed from A. A is not liable as a surety.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	143. Guarantee obtained by concealment invalid.—Any guarantee which the creditor has obtained by means of keeping silence as to material circumstances, is invalid. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 143. guarantee obtained by concealment invalid.—any guarantee which the creditor has obtained by means of keeping silence as.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	A engages B as clerk to collect money for him. B fails to account for some of his receipts, and A in consequence calls upon him to furnish security for his duly accounting. C gives his guarantee for B's duly accounting. A does not acquaint C with B's previous conduct. B afterwards makes default.	Test this (a) within the commercial rights and obligations framework. Operational focus: a engages b as clerk to collect money for him. b fails to account for some of his.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

	The guarantee is invalid. 1. See s. 44, supra.		
(b)	A guarantees to C payment for iron to be supplied by him to B to the amount of 2,000 tons. B and C have privately agreed that B should pay five rupees per ton beyond the market price, such excess to be applied in liquidation of an old debt. This agreement is concealed from A. A is not liable as a surety.	Test this (b) within the commercial rights and obligations framework. Operational focus: a guarantees to c payment for iron to be supplied by him to b to the amount of.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

> Section 143 is a commercial rights and obligations provision dealing with guarantee obtained by concealment invalid. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.
>
> **Implementation control:** Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 144 - Guarantee on contract that creditor shall not act on it until co-surety joins

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

144. Guarantee on contract that creditor shall not act on it until co-surety joins.—Where a person gives a guarantee upon a contract that the creditor shall not act upon it until another person has joined in it as co-surety, the guarantee is not valid if that other person does not join.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	144. Guarantee on contract that creditor shall not act on it until co-surety joins.—Where a person gives a guarantee upon a contract that the creditor shall not act upon it until another person has joined in it as co-surety, the guarantee is not valid if that other person does not join.	Test this main limb within the commercial rights and obligations framework. Operational focus: 144. guarantee on contract that creditor shall not act on it until co-surety joins.—where a person gives a.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 144 is a commercial rights and obligations provision dealing with guarantee on contract that creditor shall not act on it until co-surety joins. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 145 - Implied promise to indemnify surety

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

145.Implied promise to indemnify surety.—In every contract of guarantee there is an implied
promise by the principal debtor to indemnify the surety, and the surety is entitled to recover from the
principal debtor whatever sum he has rightfully paid under the guarantee, but, no sums which he has paid
wrongfully.
Illustrations
(a)B is indebted to C, and A is surety for the debt. C demands payment from A, and on his refusal sues him for the amount.
A defends the suit, having reasonable grounds for doing so, but is compelled to pay the amount of the debt with costs. He can
recover from B the amount paid by him for costs, as well as the principal debt.
(b)C lends B a sum of money, and A, at the request of B, accepts a bill of exchange drawn by B upon A to secure the
amount. C, the holder of the bill, demands payment of it from A, and, on A's refusal to pay, sues him upon the bill. A, not
having
reasonable grounds for so doing, defends the suit, and has to pay the amount of the bill and costs. He can recover from B the
amount of the bill, but not the sum paid for costs, as there was no real ground for defending the action.
(c)A guarantees to C, to the extent of 2,000 rupees, payment for rice to be supplied by C to B. C supplies to B rice to a less
amount than 2,000 rupees, but obtains from A payment of the sum of 2,000 rupees in respect of the rice supplied. A cannot
recover from B more than the price of the rice actually supplied.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	145.Implied promise to indemnify surety. —In every contract of guarantee there is an implied promise by the principal debtor to indemnify the surety, and the surety is entitled to recover from the principal debtor whatever sum he has rightfully paid under the guarantee, but, no sums which he has paid wrongfully. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 145.implied promise to indemnify surety.—in every contract of guarantee there is an implied promise by the principal debtor.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	B is indebted to C, and A is surety for the debt. C demands payment from A, and on his refusal sues him for the amount. A defends the suit, having reasonable	Test this (a) within the commercial rights and obligations framework. Operational focus: b is	Contract/deed, authority, chronology, notices,

	grounds for doing so, but is compelled to pay the amount of the debt with costs. He can recover from B the amount paid by him for costs, as well as the principal debt.	indebted to c, and a is surety for the debt. c demands payment from a, and.	performance and payment records tied to this limb.
(b)	C lends B a sum of money, and A, at the request of B, accepts a bill of exchange drawn by B upon A to secure the amount. C, the holder of the bill, demands payment of it from A, and, on A's refusal to pay, sues him upon the bill. A, not having reasonable grounds for so doing, defends the suit, and has to pay the amount of the bill and costs. He can recover from B the amount of the bill, but not the sum paid for costs, as there was no real ground for defending the action.	Test this (b) within the commercial rights and obligations framework. Operational focus: c lends b a sum of money, and a, at the request of b, accepts a bill of.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	A guarantees to C, to the extent of 2,000 rupees, payment for rice to be supplied by C to B. C supplies to B rice to a less amount than 2,000 rupees, but obtains from A payment of the sum of 2,000 rupees in respect of the rice supplied. A cannot recover from B more than the price of the rice actually supplied.	Test this (c) within the commercial rights and obligations framework. Operational focus: a guarantees to c, to the extent of 2,000 rupees, payment for rice to be supplied by c.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 145 is a commercial rights and obligations provision dealing with implied promise to indemnify surety. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 146 - Co-sureties liable to contribute equally

Local statutory-text source control: Retained official India Code PDF extract. Official India Code source prevails.

Current statutory text

146. Co-sureties liable to contribute equally.—Where two or more persons are co-sureties for the same debt or duty, either jointly or severally, and whether under the same or different contracts, and whether with or without the knowledge of each other, the co-sureties, in the absence of any contract to the contrary, are liable, as between themselves, to pay each an equal share of the whole debt, or of that part of it which remains unpaid by the principal debtor1.
Illustrations
(a)A, B and C are sureties to D for the sum of 3,000 rupees lent to E. E makes default in payment. A, B and C are liable, as between themselves, to pay 1,000 rupees each.
(b)A, B and C are sureties to D for the sum of 1,000 rupees lent to E, and there is a contract between A, B and C that A is to be responsible to the extent of one-quarter, B to the extent of one- quarter, and C to the extent of one-half. E makes default in payment. As between the sureties, A is liable to pay 250 rupees, B 250 rupees, and C 500 rupees.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	146. Co-sureties liable to contribute equally.—Where two or more persons are co-sureties for the same debt or duty, either jointly or severally, and whether under the same or different contracts, and whether with or without the knowledge of each other, the co-sureties, in the absence of any contract to the contrary, are liable, as between themselves, to pay each an equal share of the whole debt, or of that part of it which remains unpaid by the principal debtor1. Illustrations	Test this main limb within the commercial rights and obligations framework. Operational focus: 146. co-sureties liable to contribute equally.—where two or more persons are co-sureties for the same debt or duty.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	A, B and C are sureties to D for the sum of 3,000 rupees lent to E. E makes default in payment. A, B and C are liable, as between themselves, to pay 1,000 rupees each.	Test this (a) within the commercial rights and obligations framework. Operational focus: a, b and c are sureties to d for the sum of 3,000 rupees lent to e. e.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

(b)	A, B and C are sureties to D for the sum of 1,000 rupees lent to E, and there is a contract between A, B and C that A is to be responsible to the extent of one-quarter, B to the extent of one- quarter, and C to the extent of one-half. E makes default in payment. As between the sureties, A is liable to pay 250 rupees, B 250 rupees, and C 500 rupees.	Test this (b) within the commercial rights and obligations framework. Operational focus: a, b and c are sureties to d for the sum of 1,000 rupees lent to e, and.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 146 is a commercial rights and obligations provision dealing with co-sureties liable to contribute equally. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Translate the provision into an owner, trigger, approval, evidence, deadline, exception and remedy control, then test connected law and State variation.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 147 - Liability of co-sureties bound in different sums

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source] prevails.

Current statutory text

147.Liability of co-sureties bound in different sums.—Co-sureties who are bound in different sums
are liable to pay equally as far as the limits of their respective obligations permit.
Illustrations
(a)A, B and C, as sureties for D, enter into three several bonds, each in a different penalty, namely, A in the penalty of each
10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes
default
to the extent of 30,000 rupees. A, B and C are each liable to pay 10,000 rupees.
(b)A, B and C, as sureties for D, enter into three several bonds, each in a different penalty, namely, A in the penalty of
10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes
default
to the extent of 40,000 rupees. A is liable to pay 10,000 rupees, and B and C 15,000 rupees each.
(c)A, B and C, as sureties for D, enter into three several bonds, each in a different penalty, namely, A in the penalty of
10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes
default
to the extent of 70,000 rupees. A, B and C have to pay each the full penalty of his bond.

1. See s. 43, supra.

CHAPTER IX
OF BAILMENT

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/control
Main rule	147.Liability of co-sureties bound in different sums.—Co-sureties who are bound in different sums are liable to pay equally as far as the limits of their respective obligations permit. Illustrations	Test this main limb within the partnership authority and liability framework. Operational focus: 147.liability of co-sureties bound in different sums.—co-sureties who are bound in different sums are liable to pay equally.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	A, B and C, as sureties for D, enter into three several bonds, each in a different	Test this (a) within the partnership authority and	Contract/deed, authority,

	penalty, namely, A in the penalty of each 10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes default to the extent of 30,000 rupees. A, B and C are each liable to pay 10,000 rupees.	liability framework. Operational focus: a, b and c, as sureties for d, enter into three several bonds, each in a different penalty.	chronology, notices, performance and payment records tied to this limb.
(b)	A, B and C, as sureties for D, enter into three several bonds, each in a different penalty, namely, A in the penalty of 10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes default to the extent of 40,000 rupees. A is liable to pay 10,000 rupees, and B and C 15,000 rupees each.	Test this (b) within the partnership authority and liability framework. Operational focus: a, b and c, as sureties for d, enter into three several bonds, each in a different penalty.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	A, B and C, as sureties for D, enter into three several bonds, each in a different penalty, namely, A in the penalty of 10,000 rupees, B in that of 20,000 rupees, C in that of 40,000 rupees, conditioned for D's duly accounting to E. D makes default to the extent of 70,000 rupees. A, B and C have to pay each the full penalty of his bond. 1. See s. 43, supra. CHAPTER IX OF BAILMENT	Test this (c) within the partnership authority and liability framework. Operational focus: a, b and c, as sureties for d, enter into three several bonds, each in a different penalty.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 147 is a partnership authority and liability provision dealing with liability of co-sureties bound in different sums. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Reconcile the deed, ordinary course, internal limits, third-party knowledge, firm-name execution, admissions and holding out. Internal restrictions may not defeat external liability.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Practical examples and calculations

Chapter scenario

A live transaction raises issues concerning indemnity and guarantee. Freeze the event date, map each statutory condition, preserve authority and performance evidence, quantify exposure and choose remedy only after limitation and forum review.

Calculation	Method	Evidence
Price / consideration	Reconcile base amount, GST/tax, credits, retention, deductions and payment terms.	Contract, invoice, ledger, tax documents and bank proof.
Loss / compensation	Separate direct loss, consequential loss, avoided cost, mitigation, restitution, interest and stipulated sum.	Loss model, market evidence and mitigation log.
Partner settlement	Reconcile capital, current accounts, loans, drawings, profit share, assets, liabilities and goodwill.	Deed, ledgers, bank records and valuation.
Limitation	Record accrual, breach/refusal, notice, acknowledgment, exclusion and filing date.	Chronology and limitation memorandum.

Practical transaction application

1. Identify the transaction, relationship, parties and event date.
2. Map every provision to the contract/deed and actual conduct.
3. Record conditions satisfied, disputed, waived, excused or prevented.
4. Reconcile authority, delivery/performance, acceptance, payment and notices.
5. Quantify exposure and choose cure, termination, recovery, settlement or litigation strategy.

Authority, consent and execution controls

Authority

- Correct legal entities and counterparties.
- Board, partner, power-of-attorney or delegated authority.
- Ordinary-course and implied-authority limits.
- Third-party knowledge of restrictions.

Consent

- Offer, acceptance and agreed version.
- Capacity, free consent and disclosures.
- Conditions precedent and approvals.
- No unauthorised post-execution alteration.

Execution

- Complete schedules and annexures.
- Witnessing, attestation and e-sign audit trail.
- Counterparts, date and place.
- Original and certified-copy custody.

Stamp duty and registration alerts

> Stamp duty is State/UT-specific. Classify the true instrument, place of execution or receipt, consideration and property. Registration is a separate enquiry. Insufficient stamping may require impounding; non-registration may affect property and third-party enforceability.

Instrument	Alert
Commercial agreement	Do not default to a generic article if the substance is indemnity, guarantee, security, transfer, lease or another specifically charged instrument.
Partnership deed/ reconstitution	Check capital contribution, immovable property, retirement/dissolution and Registrar filing separately.
Sale of movable goods	Coordinate contract, invoice, GST/e-invoice, transport and sectoral records.
Property-related relief	Check compulsory registration, title, court fee and decree-registration effects.

Evidence and document-retention checklist

Core file

- Executed agreement and every amendment
- Authority and approval trail
- Negotiation and version history
- Notices and receipt proof
- Performance and acceptance evidence
- Invoices, ledger and bank proof
- Loss and mitigation working
- Limitation and forum note

Electronic evidence

- Native email/message and metadata.
- Version history and e-sign certificate.
- System logs and acknowledgements.
- Legal hold and defensible export.

Retention

- Executed originals and amendments.
- Authority and entity records.
- Tax, payment and accounting records.
- Claims and litigation records through final disposal.

Forms, registers and operational records

Record/form	Control
No universal statutory form	The Act generally works through agreements, notices and evidence rather than prescribed Central forms.
Contract register	Maintain owner, counterparty, value, term, renewal, governing law and dispute route.
Breach/claim file	Preserve notice, causation, loss, mitigation and remedy decision.

Performance, delivery and payment controls

Stage	Control	Proof
Obligation matrix	List each reciprocal obligation, owner, due date, dependency and consequence.	Signed matrix tied to contract sections.
Delivery/ performance	Record dispatch, carrier, title/risk point, milestones, inspection and acceptance/rejection.	Delivery documents, certificates and correspondence.
Payment	Reconcile invoice, tax, credit, retention, set-off, due date and bank receipt.	Invoice, e-invoice, ledger and bank proof.
Change/cure	Use authorised variation and cure procedures; avoid informal waiver.	Change order, approval and cure closure.

Breach, loss, mitigation and remedy framework

1. Identify the exact obligation and legally material breach.
2. Confirm causation, remoteness, foreseeability and proof of loss.
3. Record mitigation, avoided cost and substitute performance.
4. Test damages, price, restitution, lien, stoppage, accounts, dissolution, specific performance, injunction, rescission, rectification, cancellation or declaration.
5. Check remedy election, double recovery, caps/exclusions and public policy.

Limitation and forum controls

Control	Analysis
Accrual	Classify cause of action and record breach, refusal, knowledge, demand and continuing-obligation dates.
Limitation	Apply the correct article; test acknowledgment, part-payment, exclusion and disability.
Jurisdiction	Check territorial/pecuniary rules, Commercial Courts threshold, exclusive forum and special court.
Interim relief	Assess preservation, injunction, receiver, security and evidence protection.
Appeal/ enforcement	Map decree/award challenge, execution, interest and cross-border enforcement.

Arbitration and mediation interface

- Validate agreement, signatories, scope, seat, rules and appointment mechanism.
- Separate substantive rights from forum selection and identify non-arbitrable issues.
- Check interim measures, consolidation, joinder and multi-contract issues.
- Preserve limitation during negotiation or mediation.
- Record settlement authority, confidentiality, tax, stamp and enforceability.

Company, partnership, GST and tax overlays

Overlay	Questions
Companies Act	Authority, objects, approvals, related-party, loan/guarantee/security and disclosure requirements.
Partnership/LLP	Deed/LLP authority, current constitution and public records.
GST	Supply, time/place/value, invoice/e-invoice, ITC, credit note, advance, damages and settlement treatment.
Income tax/TDS	Withholding, partner remuneration/interest, capital/revenue, bad debt, settlement and transfer consequences.
IBC/FEMA/ consumer	Moratorium and avoidance, cross-border payment/governing law, consumer and e-commerce protection.

Binding and foundational judicial principles

Authority	Principle	Verification
Mohori Bibee v. Dharmodas Ghose	Capacity: a minor cannot be made contractually liable through an agreement treated as enforceable against the minor.	Verify official judgment and later treatment.
Bhagwandas Goverdhandas Kedia v. Girdharilal Parshottamdas	Communication rules determine where and when acceptance creates a concluded contract.	Verify official judgment and later treatment.
Central Inland Water Transport Corp. v. Brojo Nath Ganguly	Unconscionable terms and unequal bargaining power may engage public-policy and undue-influence analysis.	Verify official judgment and later treatment.
Satyabrata Ghose v. Mugneeram Bangur & Co.	Section 56 covers practical impossibility and frustration, not merely literal physical impossibility.	Verify official judgment and later treatment.
Fateh Chand v. Balkishan Das	A stipulated sum does not automatically become recoverable; reasonable compensation remains the statutory measure.	Verify official judgment and later treatment.
Kailash Nath Associates v. DDA	Section 74 compensation requires legal injury and cannot operate as an automatic windfall.	Verify official judgment and later treatment.

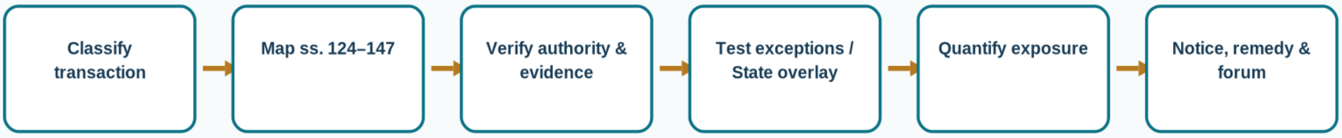
Central and State/UT variation alerts

> Stamp duty, registration, court fee, civil procedure and State amendments must be checked for the instrument and forum.

Use the State/UT variation register in the data folder for the live source checklist.

Chapter-specific decision flowchart

ICA-C09 · Finin2min decision path



Indemnity, surety liability, continuing guarantees, discharge and contribution. Verify the current official source before professional reliance.

Finin2min Q&A

What decision does ICA-C09 help a business make?

It determines how indemnity and guarantee should be classified, documented, performed and enforced under sections 124-147 of the Indian Contract Act, 1872.

Which provision should be read first in ICA-C09?

Begin with section 124 (“Contract of indemnity” defined) and then read the connected definitions, exceptions and remedy provisions in sequence.

What is the principal implementation risk in ICA-C09?

Applying a commercial label without proving the statutory conditions for indemnity and guarantee, or acting without authority, notice, performance and payment evidence.

Which execution checks are specific to ICA-C09?

Confirm the correct entities, signatory authority, consent, complete annexures, stamp and registration treatment, digital audit trail and approvals relevant to indemnity and guarantee.

How should evidence be indexed for ICA-C09?

Link every section in the chapter with the contract or deed, authority, chronology, notices, performance, delivery, payment, loss and remedy evidence supporting it.

What calculation should be retained for ICA-C09?

Retain the relevant price, tax, interest, partner-account, loss, mitigation, restitution or relief working with sources and assumptions, not only the final number.

How does limitation affect ICA-C09?

Classify the precise cause of action associated with indemnity and guarantee, record accrual, refusal, notice, acknowledgment and exclusion dates, and apply the correct Limitation Act article.

Can arbitration resolve every dispute arising under ICA-C09?

Arbitration may govern the forum, but it does not validate illegality, remove mandatory rules or make a non-arbitrable subject arbitrable. Check scope, seat and interim relief.

Which tax and entity overlays should be checked for ICA-C09?

Check Companies Act authority and related-party controls, partnership constitution, GST supply and invoice consequences, withholding, accounting and insolvency effects.

What is the final professional sign-off for ICA-C09?

Confirm the current statutory source, section conclusions, State variation, authority, calculation, limitation, remedy, forum and complete evidence trail.

Why is section 147 important to ICA-C09?

Section 147 (Liability of co-sureties bound in different sums) completes the chapter control and must be tested independently.

Official sources and verification status

- Indian Contract Act, 1872 - India Code
- Official Gazette and applicable State/UT Gazette, Registrar and court portals.
- Review date: 2026-07-18.