

How to answer Theory Questions

Q. A stranger to contract cannot sue, however in some cases even a stranger to contract can enforce a claim. Explain

Answer. Stranger to contract cannot sue is discussed under the 'doctrine of privity of contract'. This rule is however, subject to certain exceptions. In other words even a stranger to contract may enforce a claim in the following cases -

- 1) In case of a trust
A beneficiary can enforce his right under the trust even though he was not a party to contract between the giver and the trustee.
- 2) In case of a family settlement
If the terms of the settlement are reduced to writing, the members of the family who originally were not parties to the settlement may enforce the contract.
- 3) In case of certain marriage contracts, or arrangements
Provision may be made for the benefit of a person. The person may enforce the agreement though he is not a party to the agreement.
- 4) In case of assignment of a contract
When the benefit under a contract has been assigned, the assignee can enforce the contract.
- 5) Acknowledgement or estoppel
Where the promisor by his conduct, acknowledges himself as an agent of the third party, it would result into a binding obligation towards the third party.
- 6) In case of covenant running with land
The person who purchases the land burdened with certain duties regarding the use of land, the covenants bind the third party (ie subsequent buyer) even though he never entered into a contract creating those covenants.
- 7) Contracts entered into through an agent
The principal can enforce the contracts entered by his agent where the agent has acted within the scope of authority and in the name of the principal.