LAW AND COMMERCE: THE MALAYSIAN PERSPECTIVE

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LAW AND COMMERCE:
THE MALAYSIAN
PERSPECTIVE

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CHAPTER 2

THE NATURE OF THE LAW OF CONTRACT

by

MOHAMMAD NAQIB ISHAN JAN

The law of contract is the foundation to all aspects of commercial law and is therefore important to understand at the outset the nature of this law. This chapter defines the term contract, briefly refers to its types and thereafter deals with its governing law – a law that basically regulates and thereby facilitates legitimate business conduct in the society.

THE DEFINITION AND TYPES OF CONTRACT

Definition of Contract

A contract is basically an agreement between two or more parties that is intended to be legally binding. It consists of “a promise or set of promises which the law will enforce.” Section 2(h) of the Contracts Act 1950 provides: “An agreement enforceable by law is a contract.” Only lawful agreements are enforceable by law and are therefore contracts. Agreements which are unlawful are not contracts and are therefore not enforceable in a court of law. A court of law will not enforce an agreement the object or