



BAILMENT

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MEANING

- According to the Indian Contract Act, 1872, "bailment" means the delivery of goods by one person (the bailor) to another person (the bailee) for a specific purpose, with the understanding that the goods will be returned or disposed of according to the bailor's directions once the purpose is fulfilled; essentially, it's a temporary transfer of possession of goods for a particular reason with the obligation to return them later.

SECTION 148

According to Section 148, bailment can arise in three ways:

- (1) delivery of goods to the bailee for safe custody,
- (2) delivery of goods to the bailee for a specific purpose, and
- (3) bailment of goods without the bailee's knowledge.



BAILMENT

EXAMPLES OF BAILMENT

- Delivering a cycle for repair.
- Delivering garments to a dry cleaner.
- Delivering a book to student to study and return after the exams.
- Keeping cash or ornaments in the bank locker.
- Lending an ornament to the friend to attend a party.

WHO IS A BAILOR?

- Under the **Indian Contract Act, 1872**, a **bailor** is a person who delivers goods or property to another person (called the **bailee**) for a specific purpose, under a contract of **bailment**.
- The **bailor** has the right to demand the return of the goods once the purpose of the bailment is completed.

For example:

- If you leave your car with a mechanic for repair, you are the **bailor**, and the mechanic is the **bailee**.
- If you lend a book to a friend, you are the **bailor**, and your friend is the **bailee**.

WHO IS A BAILEE?

- As per the **Indian Contract Act, 1872**, a **bailee** is the person to whom goods or property are delivered by the **bailor** for a specific purpose, under a contract of **bailment**.
- The **bailee** is responsible for taking reasonable care of the goods during the period of bailment, and they must return the goods or deal with them according to the **bailor's** instructions once the purpose of the bailment is completed.

For example:

- If you leave your clothes at a dry cleaner for cleaning, the dry cleaner is the **bailee**.
- If you hire a cab to go to a destination, the cab driver is the **bailee** for the duration of the ride, as they are temporarily holding possession of the car.

Types of Bailment

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graph TD; A[Types of Bailment] --> B[Reward]; A --> C[Benefit]; B --> D[Gratuitious]; B --> E[Non-Gratuitious]; C --> F[Exclusive benefit of the bailor]; C --> G[Exclusive benefit of the bailee]; C --> H[Mutual benefit of the bailor and bailee.]
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Reward

Gratuitious

Non-
Gratuitious

Benefit

Exclusive
benefit of
the bailor

Exclusive
benefit of
the
bailee

Mutual
benefit of
the bailor
and
bailee.

1. ON THE BASIS OF REWARD

1.1 Gratuitous Bailment

A **gratuitous bailment** is when the **bailee** does not receive any compensation or reward for taking care of the goods or property of the **bailor**. In this case, the bailment is done purely out of goodwill or as a favor, without any expectation of monetary gain.

Example: If you lend your bicycle to a friend for free, without any payment or reward, this is a **gratuitous bailment**.

- In **gratuitous bailment**, the **bailee** is generally only required to take reasonable care of the goods but is not liable for damages unless they act negligently or recklessly.

1.2 Non-Gratuitous Bailment

- A **non-gratuitous bailment** is when the **bailee** receives compensation or reward for taking possession and care of the goods of the **bailor**. This type of bailment involves a contract where the bailee is paid for their services.

Example: When you give your car to a mechanic for repair, and the mechanic charges you a fee for the service, this is a **non-gratuitous bailment**.

- In **non-gratuitous bailment**, the **bailee** is required to take a higher standard of care and is liable for any loss or damage to the goods caused by negligence, even if the loss is not their fault

KEY DIFFERENCES

Aspect	Gratuitous Bailment	Non-Gratuitous Bailment
Definition	Bailment where the bailee does not receive any reward or compensation.	Bailment where the bailee receives a reward or compensation for their services.
Purpose	Done voluntarily, often as a favor or out of goodwill.	Done for commercial purposes or in exchange for a fee.
Reward/Compensation	No reward or compensation is involved.	A reward or compensation is given to the bailee.
Example	Lending a book to a friend without expecting anything in return.	Giving your car to a mechanic for repair and paying for the service.
Bailee's Duty of Care	The bailee is expected to take reasonable care, but the standard of care may be lower.	The bailee must take a higher standard of care due to the compensation

2. ON THE BASIS OF BENEFITS

2.1 Bailment for the exclusive benefit of the BAILOR:

- **Bailment for the exclusive benefit of the bailor** refers to a situation where the **bailment** is made solely to benefit the **bailor** (the person who owns or possesses the goods), and the **bailee** (the person receiving the goods) does not derive any benefit from it.

Example: A person (the **bailor**) asks a friend (the **bailee**) to keep a valuable piece of jewelry in their safe for safekeeping while the bailor is going on vacation. In this case, the **bailor** is the only one benefiting from the arrangement because the friend is not receiving any compensation or reward for holding the jewelry

2.2 Bailment for exclusive benefit of BAILEE:

- **Bailment for the exclusive benefit of the bailee** is a situation where the **bailee** (the person receiving the goods) derives the sole benefit from the **bailment**, while the **bailor** (the person who owns or possesses the goods) does not receive any direct benefit or compensation.

Example: A person (the **bailor**) lends their lawnmower to a neighbor (the **bailee**) because the neighbor needs it to mow their own lawn. In this case, the **bailee** is the one benefiting from using the lawnmower, while the **bailor** gets no direct benefit (other than possibly a friendly gesture). This is a **bailment for the exclusive benefit of the bailee**.

2.3 Bailment for the mutual benefit of BOTH:

- **Bailment for the mutual benefit of both the bailor and the bailee** refers to a situation where both the **bailor** (the person delivering the goods) and the **bailee** (the person receiving the goods) gain from the arrangement. This type of bailment is typically seen in commercial transactions, where both parties benefit in some way, either through service, payment, or use of the goods.

Example: A **bailor** (e.g., a person who owns a piece of property) gives their car to a **bailee** (e.g., a taxi driver or a car rental company) for hire. The **bailee** benefits by earning a fee for using the car, while the **bailor** benefits by having their car rented out for a payment.

*RIGHTS AND
DUTIES OF BAILOR
& BAILEE*

DUTIES OF BAILEE

1. Duty to Take Reasonable Care of the Goods
2. Duty to Follow Bailor's Instructions
3. Duty Not to Make Unauthorized Use of the Goods
4. Duty to Return the Goods
5. Duty to Return the Goods in the Same Condition
6. Duty to Inform Bailor of Any Defects in the Goods
7. Duty to Act According to the Terms of the Contract

RIGHTS OF THE BAILOR

1. Right to Claim Return of Goods.
2. Right to Claim Damages for Loss or Misuse.
3. Right to Request for the Goods to Be Used as Agreed.
4. Right to Terminate the Bailment.
5. Right to Receive the Goods in the Same Condition.
6. Right to Inspect the Goods.
7. Right to Recover Compensation for Infringement of Terms.

DUTIES OF THE BAILOR

1. **Duty to Disclose Defects in the Goods**
2. **Duty to Provide Goods Fit for the Purpose**
3. **Duty to Indemnify the Bailee**
4. **Duty to Reimburse Bailee for Expenses**
5. **Duty to Accept the Return of Goods**

RIGHTS OF THE BAILEE

- 1. Right to Receive Compensation**
- 2. Right to Lien on Goods**
- 3. Right to Indemnity**
- 4. Right to Return the Goods**
- 5. Right to Sue for Breach of Bailment Terms**

Thank You