



# SALE OF GOODS ACT, 1930

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# SALE OF GOODS ACT ,1930

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The Sale of Goods Act, 1930 primarily deals with the laws, rules and regulations governing the sale of goods in India.

**Title of act** : This Act may be called the Sale of Goods Act, 1930.

**Commencement of act** : It shall come into force on the 1st day of July, 1930.

**Extent of act** : It extends to the whole of India except J&K.

According to Section 4(1) of the Sale of Goods Act 1930, “Contract of Sale of Goods is a contract whereby the seller transfers or agrees to transfer the property in goods to the buyer for a price”. A contract of sale may be absolute or conditional.

# Important Terms U/S 2 of Sale of Goods Act, 1930

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In this Act, unless there is anything repugnant in the subject or context,—

- (1) “buyer” means a person who buys or agrees to buy goods;
- (2) “delivery” means voluntary transfer of possession from one person to another;
- (3) “deliverable state” when they are in such state that the buyer would under the contract be bound to take delivery of them;
- (4) “document of title to goods” includes a bill of lading, dock warrant, warehouse keeper’s certificate, wharfingers’ certificate, railway receipt,



## **CONTD.**

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(5) “fault” means wrongful act or default;

(6) “future goods” means goods to be manufactured or produced or acquired by the seller after the making of the contract of sale,

(7) “goods” means every kind of moveable property other than actionable claims and money; and includes stock and shares, growing crops, grass, and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale;

8) “Specific goods” means goods identified and agreed upon at the time a contract of sale is made.

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(9) “property” means the general property in goods, and not merely a special property;

(10) “quality of goods” includes their state or condition;

(11) “seller” means a person who sells or agrees to sell goods;



# Essentials of Contract of Sale

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## 1. Two Parties

There must be a seller as well as a buyer. 'Buyer' means a person who buys or agrees to buy goods. 'Seller' means a person who sells or agrees to sell goods

## 2. Goods

There must be some goods. 'Goods' means every kind of movable property other than actionable claims and money includes stock and shares, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before sale or under the contract of sale [Section 2(7)].



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## **3. Transfer of property**

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Transfer of ownership of goods or an agreement to transfer the ownership of goods. The ownership may transfer either immediately on completion of sale or sometime in future in agreement to sell.

## **4. Price**

There must be a price. Price means the money consideration for a sale of goods. When the consideration is only goods, it amounts to a 'barter' and not sale. When there is no consideration, it amounts to gift and not sale.

## **5. Essential elements of a valid contract**

All the essential elements of a valid contract as specified under Section 10 of Indian Contract Act, 1872 must also be present since a contract of sale is a special type of a contract.

# Sale And Agreement to Sell

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**Sale :** Where under a contract of sale the property in the goods is transferred from the seller to the buyer, the contract is called a sale. It is also called absolute sale.

**Agreement to sell :** where the transfer of the property in the goods is to take place at a future time or subject to some condition thereafter to be fulfilled, the contract is called an agreement to sell. An agreement to sell becomes a sale when the time elapses or the conditions are fulfilled subject to which the property in the goods is to be transferred. It is also called conditional sale.



# Difference between sale and agreement to sell

Basics of Difference	Sale	Agreement to Sell
<b>Meaning</b>	Immediate transfer of ownership once the payment is made.	The agreement of selling to a buyer under certain conditions on the specified future date.
<b>Type of Contract</b>	It is an executed contract.	It is an executory contract.
<b>What happens if there is a breach of contract</b>	The buyer can return the product or get a refund if the product or service does not meet expectations.	The buyer can claim only for damages and not the price.
<b>Reselling</b>	The seller cannot resell after a sale.	The seller can resell when conditions are not met.
<b>Existence of property/product</b>	The property already exists, and only then is a sale made.	The property doesn't need to exist when signing an agreement to sell because the sale is made on a future date.
<b>Confidentiality</b>	Buyer has immediate access to confidential information, necessitating the enforcement of confidentiality provisions from the outset.	Buyer's access to confidential information is contingent upon the fulfillment of the agreement's terms. NDAs may be executed before confidential information is exchanged, but their enforcement may be delayed until the ownership is transferred.

# Subject matter of sale contract

- **Existing Goods**

**Definition:** Goods that are owned or possessed by the seller at the time of the contract.

**Examples:** A car that the seller currently owns or a batch of books on hand.

## **Subcategories of Existing Goods:**

- **Ascertained Goods:** Goods that are identified after the contract is made, but still specific in nature. For example, a seller agrees to deliver 10 laptops from a batch, and those 10 laptops are later identified.
- **Unascertained Goods:** Goods that are not specifically identified at the time the contract is made. For instance, a contract for "10 tons of wheat" from a seller's stock.

- **Future Goods**

**Definition:** Goods that are not in existence at the time the contract is made, but are expected to be produced or acquired in the future.

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**Examples:** A farmer's future crop or goods to be manufactured later based on the contract.

The contract for the sale of future goods is enforceable, but it can become void if the goods do not come into existence.

- **Contingent Goods**

**Definition:** Goods that are dependent on a certain event happening before they are made available for sale.

**Examples:** Goods that are subject to a condition, like a shipment of goods contingent upon approval or arrival of materials.

A contract for the sale of contingent goods becomes void if the specified event does not occur.



# Who is a unpaid seller

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- An **unpaid seller** is a seller who has not received the full payment for the goods they have sold to a buyer under a sale contract. According to section 45 of sales of goods act an unpaid seller is :
  1. Who has not been paid the price of the goods he has supplied ,or has been partially paid for the goods.
  2. Who has been given a negotiable instrument like a bill of exchange that has been dishonoured.

# Rights of an Unpaid Seller:

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- **1. Right of Lien (Section 41 of Sale of Goods Act)**

The right of lien allows an unpaid seller to **retain possession** of the goods until payment is made by the buyer. This right applies when the seller still has physical possession of the goods, meaning they haven't been delivered or transferred to the buyer.

- **Key Conditions:**

- The seller must still have possession of the goods.
- The goods must not have been sold or been delivered under a contract requiring payment in advance.
- The seller can exercise the lien until the buyer pays the full price of the goods.

- **Example:** A supplier delivers furniture to a store but hasn't been paid yet. If the supplier still has the goods in their warehouse, they can refuse to release them until full payment is made.

- **2. Right of Stoppage in Transit (Section 42 of Sale of Goods Act)**

If the goods have already been shipped or are in transit to the buyer, the unpaid seller has the right to **stop** the goods before they reach the buyer and **regain possession**.

This right applies when the goods are in transit (e.g., being carried by a courier, shipper, or other transport) and the buyer has either become insolvent or failed to pay for the goods.

- **Key Conditions:**

- The seller must not have already delivered the goods to the buyer.
- The buyer must have become insolvent or the seller must have reasonable grounds to believe the buyer will not pay.
- The seller must act promptly to exercise the right to stop the goods.

- **Example:** A retailer sells goods to a buyer on credit, and the goods are being shipped. If the buyer's financial condition deteriorates and they can't pay, the retailer can contact the carrier and instruct them to stop the goods from reaching the buyer.



- **3. Right to Resell the Goods (Section 48 of Sale of Goods Act)**

If the buyer defaults on payment, the unpaid seller has the right to **resell** the goods to recover their costs, under certain conditions.

This right applies when the seller has tried other remedies like stopping in transit or holding the goods under lien but chooses to sell the goods to recover the outstanding price.

- **Key Conditions:**

- The seller must give reasonable notice to the buyer before reselling the goods.
- The seller must act within a reasonable time and in a commercially reasonable manner.

- **Example:** A supplier sells a batch of electronics to a retailer, but the retailer defaults on payment. The supplier decides to resell the goods to another buyer to recover the money owed.

- **4. Right to Sue for the Price (Section 49 of Sale of Goods Act)**

An unpaid seller can take **legal action** to recover the price of the goods from the buyer.

This remedy is available when the buyer has refused to pay for the goods or has failed to pay by the agreed-upon date.

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- **Key Conditions:**

- This right applies even if the goods have been delivered to the buyer, and the seller has not yet been paid.

- **Example:** A wholesaler delivers goods to a store on credit, but the store refuses to pay. The wholesaler can file a lawsuit to recover the price of the goods.

- **5. Right to Sue for Damages for Non-Acceptance (Section 60 of Sale of Goods Act)**

The unpaid seller has the right to sue the buyer for damages if the buyer has **refused to accept** the goods or repudiated the contract.

This right is available when the buyer refuses to take delivery of the goods, rejects them, or does not fulfill the contract terms in a way that causes the seller financial harm.

- **Key Conditions:**

- The goods must have been ready for delivery.
- The buyer must have refused to accept the goods or breached the contract.

- **Example:** A customer orders a large number of computers but then refuses to take delivery when the goods are ready. The supplier can sue for damages resulting from the buyer's refusal.



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***THANK YOU***