



SNS COLLEGE OF ENGINEERING

Kurumbapalayam (Po), Coimbatore – 641 107

An Autonomous Institution

Accredited by NBA – AICTE and Accredited by NAAC – UGC with ‘A’ Grade

Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai



DEPARTMENT OF MANAGEMENT STUDIES

SUBJECT NAME & CODE : 23BAT104 - LEGAL ASPECTS OF BUSINESS

YEAR/ SEMESTER : I MBA / I SEMSTER

UNIT 1 : THE INDIAN CONTRACT ACT 1872

Topic : Special Contracts: Bailment and Pledge



Special Contracts: Bailment and Pledge



Bailment

Bailment is a contract where one party (the bailor) delivers goods to another party (the bailee) for a specific purpose, with an agreement that the goods will be returned after the purpose is fulfilled or disposed of per the bailor's instructions.

Key Elements:

1. Transfer of Possession: The bailee temporarily holds the property without owning it.
2. Purpose: Often for safekeeping, repair, or transport.
3. Return of Goods: The bailee is obliged to return the goods in their original or specified form.



Special Contracts: Bailment and Pledge



➤ If a car owner (bailor) gives their car to a mechanic (bailee) for repair, the mechanic must return the car after the repairs are completed. Here, the mechanic temporarily holds the car only for the purpose of repairs.



Special Contracts: Bailment and Pledge



➤ Pledge

A pledge is a type of bailment in which personal property is transferred as security for a debt or obligation, with the understanding that it will be returned upon repayment of the debt or fulfillment of the obligation.

Key Elements:

1. Collateral for Debt: The goods serve as security.
2. Right of Sale: If the borrower defaults, the pledgee (the one receiving the pledge) has the right to sell the goods to recover the debt.
3. Return upon Fulfillment: The pledgor can reclaim the goods once the obligation is met.



Special Contracts: Bailment and Pledge



➤ A person (pledgor) borrows money from a bank and offers their gold jewelry as collateral. The bank (pledgee) holds the jewelry until the loan is repaid. If the borrower fails to repay, the bank can sell the jewelry to recover the amount owed.



Key Differences Between Bailment and Pledge:

Aspect	Bailment	Pledge
Purpose	Safekeeping, repair, or transport	Security for a debt or obligation
Parties Involved	Bailor and Bailee	Pledgor and Pledgee
Right to Sell	Bailee has no right to sell the goods	Pledgee can sell the goods if debt is unpaid
Obligation	Goods must be returned after purpose completion	Goods returned upon repayment of debt



RECAP

QUESTIONS???

THANK YOU