ABSTRACT

In the middle of the nineteenth century the common law judges reached a decisive conclusion upon the scope of a contract according to which no one would be entitled to or bound by the terms of a contract who is not an original party. The principle is still the determining factor in the common law. The doctrine of privity is strictly a creature of the Common Law.

The doctrine of privity is a combined result of privity and contract. It signifies something private or secret about the contract. Privity of contract is that connection or relation which exists between two or more contracting parties.

Under the English law the doctrine of privity of contract thus make it clear that a stranger to a contract is neither entitled to get benefits of the contract, nor is bound by contractual liabilities. Contractual rights and liabilities are confined only to the parties of the contract; they do not extend to a stranger. Thus, the doctrine of privity of contract emphasises that a person who is not a party to a contract (i.e. who is a stranger to the contract) cannot bring an action on the contract.

The doctrine of privity of contract was for the first time, applied in the case Jordan vs. Jordan 1594, cro Eliz, 369. Nevertheless, it has been toiling hard for its existence. Consequently, it was crystallized in the leading case of Tweddale vs. Atkinson (1861) 1 B.K.S. 393, and had ultimately succeeded in getting the final seal of approval by the
House of Lords in **Dunlop Pneumatic Tyre Co. Ltd. vs. Selfridge Co. Ltd. in the year 1915.**

Ever after the doctrine was established in Tweddle vs. Atkinson 1861, attempts were made to abolish it. **In 1937, the Law Revision Committee** in its Sixth Interim Report recommended that certain provision should be abolished. The provision recommended by the committees were:

First, a third party can acquire benefit given to him only by an express contract.

Secondly, the promisor should be entitled to raise against the third party any defence, such as fraud or mistake, that would have been valid against the promisee.

Thirdly, the right of the promisor and of the promisee to cancel the contract, at any time, ought to be preserved unless the third party has received the notice of the agreement and has adopted it either expressly or by conduct, but these were not implemented.

**In 1991, the Law Revision Committee** produced a consultative paper which suggested radical changes in the law. Although the proposal to change, obtained wide spread support, the technical questions of exactly how to bring about the changes proved much more difficult than had been anticipated and it was not in fact until 1999 that the contract (Rights of third parties) Act became law. The Contract (Rights of third parties) Act 1999 enables a third party to enforce a contract where the parties so intend.
The 1999 Act creates potentially 'General' and 'wide' ranging exceptions of the first aspect of the privity principle, it does not abolish it and leave it intact for cases not covered by the Act.

Second aspect of the rule under which a burden cannot be imposed on a third party. Accordingly, it remains necessary to consider the common law principle and exceptions to and circumventions of it.

Finally, we should note that the doctrine of privity means only that a non-party cannot bring an action on contract. This does not exclude the possibility that may have some other cause of action.

In India, although the doctrine of privity of contract has not been defined under any specific provision of the Indian Contract Act, 1872, yet it applies equally in India. It is implicit in various provisions of the Indian Contract Act.

For instance, Sec. 2(h) of the Indian Contract Act, 1872 defines the term contract in the form of an agreement. Sec 2(e) of the Indian Contract Act, 1872, "every promise and every set of promises forming the consideration for each other is an agreement".

Sec. 73, 74 75 of the Indian Contract Act, 1872, deal with the consequences of breach of contract, only that person is entitled to sue for breach of the contract who is a party to the contract and has suffered loss due to such breach. Consequently, a person who is not a party to the contract i.e. a stranger can not, bring an action for breach of contract.

In Jamna Das vs. Ram Avtar and others I.L.R. 1912 34 All. 63; the privity council rejected the stranger's Claim.
The privy Council, in Nanku Prasad Singh vs. Kamta Prasad Singh AIR (1923) P.C. 54 reaffirmed the privity rule and applied the rule laid down in Tweddie vs. Atkinson (1869).

M.C. Chacko vs. The State Bank of Travancore, A.I.R. 1970 S.C. 504 in an important case wherein the Supreme Court approved the doctrine of privity of contract and also defined probable exceptions to it. The principle laid down by Supreme Court in M.C. Chacko's case was again reaffirmed by the full bench of Supreme Court, in P.R. Subramaniam Iyar vs. Lakshmi Ammal and other 1973.


However, in course of time, it was realised that the doctrine is too rigid to cope with the social demands, for a contract affects not only the parties to it but society at large.
PRIVITY OF CONTRACT AND PRIVITY OF CONSIDERATION

There is distinction between the two expressions, the 'doctrine of privity of contract' and 'doctrine of privity of consideration'. The 'doctrine of privity of consideration' means that the consideration must move from the promisee and not from a stranger Sec. 2 clause (d) of the Indian Contract Act 1872 widens the definition of consideration. Under the Contract Act 1872 consideration need not necessarily move from the promisee. The rule that a party wishing to enforce the contract must furnish or have furnished consideration must be distinguished from the doctrine of privity.

The rules of privity and consideration may not always coincide. Both the doctrines are, basically different from each other. A person may be a party to a contract, but he may be a stranger to the consideration. Similarly, a person may not be a party to a contract, but he may be a party to the consideration. The utility of both these doctrines was emphasised under the English Law in the leading cases of Tweddle vs. Atkinson 1861 and Dunlop Pneumatic Tyre Co. Ltd. vs. Selfridge & Co. Ltd. (1915) A.C. 847.

In these two cases it was held that in order to maintain an action on a contract, the plaintiff must be a party to the contract and he should have also furnished consideration (except in case of a contract made under real because it does not require consideration). It is not
enough that the consideration should have been given, but it must have been given by the promisee\(^1\).

The Indian Law on this point is, thus, more liberal than the provisions of the English Law. The Madras High Court in Chinnaya Vs. Rammaya, 1882 allowed plaintiff to recover annuity, consideration given by "any other person" is equally effective.

The 'Benefit aspect' of a contract is an exception to the doctrine of privity of contract. The question is whether a stranger to a contract, to whom the benefit of the contract is agreed to be transferred by mutual consent of parties to the contract, can sue on the contract to recover such benefit.

**EXCEPTIONS OF THE PRIVITY OF CONTRACT**

The exception to privity 'rule' admitted in the first half of the eighteenth century when the rule was itself obscure, are as under :-

The doctrine of privity is however neither rigid nor absolute. It is subject to certain statutory and Non statutory exceptions which have been discussed under English Law and Indian Law. **Under English Law These exceptions are as follows:-**

- **(A) Non Statutory exceptions**
  - (I) Trust, (II) Covenants Concerning land, (III) Tort of Negligence,
  - (IV) Agency, (V) Assignment, (VI)Collateral Contract,
  - (VII) Benefit Exclusion Clauses, (VIII) Remedies.

(B) **Statutory Exceptions**

(I) Contract of Insurance

   (i) Road Traffic

   (ii) Third Parties (Right Against Insurers) Act, 1930

   (iii) Married women's property Act, 1882

   (iv) Limited Interest

   (v) Fire Insurance

(II) Commercial Practice

   (i) Negotiable Instruments (a) Bills of exchange Act, 1882
   (b) Bills of Lading Act, 1855

   (ii) Letters of credit

   (iii) Law of Property Act, 1925

   (iv) Companies Act, 1985


**EXCEPTIONS UNDER INDIAN LAW**


(II) Trust Act, 1882.

(III) Partnership Act, 1932
EXCEPTIONS UNDER THE ENGLISH LAW

(A) Non Statutory Exceptions

(I) Trust Act, 1882

In 1753 Lord Hardwicke indicated the possibilities of the trust. In the case of Timilson vs. Gill 1756. Judicature Act, 1873 the propriety of this device was affirmed. In the case of Lloyd’s vs. Harper (1880) but this equitable doctrine was recognised by the House of Lords in Les Affreterus Reunis SAVS Walford (1919) Darlington Borough Council vs. Wiltshier (Northern) 1995.

(II) Covenant Concerning Land

The Law allows certain covenants to sue with land so as to benefit people other than the original party.

The Law on Covenants relating to leasehold land has recently been formed by the Land Lord and Tenant (Covenants) Act, 1995.

(III) Tort of Negligence

It can be viewed as an exception to the privity rule where the negligence in question constitutes the breach of a contract to which the plaintiff is not a party e.g. Donoghue vs. Stevenson, 1932 AC 562.

The third party was awarded the expectation loss of the benefits that he would have received under the will. This decision was confirmed by the House of Lords in White vs. Jones (1995) 2 AC 207.

(IV) Agency

Many contracts are made through intermediaries and will be subject to the Law of Agency.
(V) Assignment

Third parties Act, 1999, assignment constitute a particularly significant exception.

(VI) Collateral Contracts

A collateral contract may in effect allow a third party to enforce the main contract.

(B) Statutory Exceptions

A number of statutory exceptions of third party rule exist, Which are discussed as follows:-

(I) Contracts of Insurance

The potential application of the 1999 Act to insurance contract has been noted. This section considers other statutory exceptions.

Under The Road Traffic Act, 1988, Sec. 148. It provides a better remedy for a third party.

The Third Parties (Right against Insurers) Act 1930, provides benefits to third parties.

The Married Women's Property Act, 1882 Sec. 11, allows a husband to effect an insurance on his life for the benefits of his wife and children.

Under Fire protection (Metropolis) Act, 1774 Sec. 83 of Fire protection (Metropolis) Act, 1774, where an insured house or building is destroyed by fire, the insurer may be required "upon the request of any person or persons interested" to lay out the insurance money for the restoration of the building.
(II) **Commercial Practice**

Certain exceptions have been introduced into the doctrine of privity of contract as concessions to Commercial Practices, which are discussed as follows:-

(i) **Negotiable Instruments and bill of lading**

It provides important illustrations of statutory exceptions, and additionally excluded from the operation of the Act, 1999.

(a) **Under the Bills of Exchange Act, 1882 Sec. 38(1)** the holder of a bills of exchange may sue on the bill in his own name.

(b) **Bills of lading Act, 1855** was replaced by the Carriage of Goods by Sea Act, 1992. Which separates the right to sue the carrier from the passing of property in the goods under the sale contract.

(ii) **Letters of Credit**

The irrevocable letter of credit has often been said to be an example of an exception to privity of contract.

(iii) **The Law of Property Act, 1925**

**Sec. 56(1) of the Law of property Act, 1925** declared that: A person may take an immediate or other property, or the benefit of any condition, right of entry, covenant or agreement over or respecting land or other property, although he may not be named as a party to the covenant or other instrument.
(iv) **Companies Act, 1985**

**Sec. 14 of the Companies Act, 1985**

The registered memorandum and articles of a company bind the company and its members to the same extent as if they respectively had been signed and sealed by each member.

(i) **Package Travel, Package Holidays and Package Tours Regulation 1992**

Where a contract for the benefit of a package holiday is made between an organiser or retailer and a consumer, the organisee is liable to the consumer for the proper performance of the obligations under the contract whether those services are to be performed by the organisee or retailer or not.

**EXCEPTIONS UNDER THE INDIAN LAW**

The possibility of third party's action was examined in *Rakhma Bai vs. Govind Moreshwar* (1904) 6 BOM, LR 421.

The third party's action was firmly established in *Nawab Khawaja Muhammad Khan vs. Nawab Hussani Begum* (1910, 37, I.A. 152).

There are certain statutory exceptions to the privity rule, which are discussed as follows:

**I. Contracts of Insurance**

Under Sec. 37 of the Life Insurance Corporation Act, 1956, A person can take out an insurance policy for the benefit of his wife and children.
**Motor Vehicle Act, 1988**

Under Sec. 146(i) the owner of a Motor Vehicle is bound to get the vehicle insured not against his own risk but also against risk of third party.

*In Bajaj Allianz General Insurance Co. Ltd. vs. B.M. Niranjan and Another. 2008 A.C.J. 534.* Insurance Company covers not only own damage but also that of third party.

*Bhav Singh vs. Savirani and others 2008(3) I.A.C. 134 (M.P.)* Sec. 147(1) (b) – The Insurance Company is liable to cover any liability in respect of death or bodily inquiry of an employee or owner of vehicle who falls in categories of (a) (b) (c) of clause (i) of sec. 147(1).

*Ramesh Kumar Singh and Another v. S. Kristo Sao and Another 2008 T.A.C. 356 (Chhatrisgarh).* Insurance Company is liable to pay compensation in respect of third party risk.

*Jayavarapu Rajamma and Others vs. Jayavarapy Laxinarayana and Others 2008, T.A.C. 483 (A.P.)*

**Motor Vehicles Act, 1988, Sec. 147**

Claims by the Kith and Kin of the insured for injuries or legal representatives in case of death in accident have to be treated as third party Claims.

ICICI Lombard General Insurance Co. Ltd. vs. Vinod bhai Hirabhai, 2009 (Guj.) Motor Vehicles Act, 1988 Sec. 147 liability of insurer Act policy covering risk of third parties also. It would include risk caused by death or injury


II. The Trusts Act, 1882

Sec. 56 of the Trust Act, 1882 provides that the beneficiary is entitled to have the intention of the author of the trust specifically executed to the extent of beneficiary’s interest.

III. Indian Partnership Act, 1932

Sec. 30 of the Indian Partnership Act, 1932 deals with another exception of the doctrine of privity of contract.

It may, therefore, be submitted that the exceptions incorporated in various Act, such as the Indian Contract, 1872, the Indian Partnership Act, 1932, and The Indian Companies Act, 1956 have highly narrowed down the scope of the doctrine of privity of contract, because in modern society a stranger’s right are likely to be affected by contracts in different dimensions.
MANY LEGISLATIVE AND COMMON LAW EXCEPTIONS DEMONSTRATES BASIC INJUSTICE

A number of statutory and common law exceptions to the third party rule exist. These have been discussed above. Where an exception to the third party rule has been either recognised by case-law or created by statute, the rule may now not cause difficulty. Self-evidently, this is not the case where the situation is a novel one in which devices to overcome the third party rule have not yet been tested. We believe that the existence of exceptions to the third party rule have not yet been tested. We believe that the existence of exceptions to the third party rule is a strong justification for reform. This is for two reasons.

Firstly the existence of so many legislative and common law exceptions to the rule demonstrates its basic injustice. Secondly the fact that these exceptions continue to evolve and to be the subject of extensive litigation demonstrates that the existing exceptions have not resolved all the problems.

PRIVITY IN OTHER COMMON LAW COUNTRIES

The doctrine of privity is peculiar to the common law countries. A number of countries recognise the rights of third parties to enforce the contract. These countries are Scotland, France, Germany, Italy, Australia, Spain, Portugal, Netherlands, Belgium, Greece.

The rule that a third party cannot enforce a contract has been abrogated by statute in a number of 'Common Law'
countries. Even in the United Kingdom the contracts (Right of Third Party) Act 1999 provides for enforcement of contractual terms by third party.

**The Contracts (Rights of Third parties) Act 1999** reforms the privity rule so as to enable contracting parties to confer a right to enforce the contract on a third party.

This Act gives a two-limbed test for the circumstances in which a third party may enforce a term of a contract. The first limb is where the contract expressly so provides. The second limb is where the term purports to confer a benefit on the third party, unless it appears on a true construction of the contract that the contracting parties did not intend to have the right to enforce it. The third party need not be in existence when contract is made (namely, unborn child, future spouse, company not yet incorporated) etc.

The right of the third party for enforcement of the contract is subject to the terms and conditions of the contract. The parties to the contract are free to limit or place conditions on the third party’s rights, for example, requiring him to enforce the right only by arbitration. A third party seeking to enforce his rights as above is entitled to all the remedies which are available to a person bringing a claim for breach of contract (damages, injunctions, specific performance or other relief). Thus, the normal rules about the remedies apply to such claims, namely, causation, remoteness, duty of mitigation etc. The third party can take advantage of exclusion or limitation clauses in the contract.
Where the promisee has recovered damages (or the agreed sum) from the promisor in respect of either the third party’s loss or the promisee’s expense in making good that loss, the court or tribunal shall reduce any award to the third party for taking account of the sum already recovered. This protects the promisor from double liability. The Act does not affect any existing right or remedy of the third party. A third party shall not be treated party to a contract for the purposes of any other Act or instrument made under any other Act. The third party is treated as a party to an arbitration agreement between the promisor and the promisee as regards the disputes between him and the promisor, and he is able not only to enforce his right to arbitration, but is also bound to enforce that right by agreement.

**Section 11 of the Western Australian Property Law Act 1969** enables the enforcement of a contract by the third party on whom benefit is conferred expressly by the contract. All parties to the contract must be joined in an action by the third party. It permits variation or cancellation of the contract by the parties until the third party adopts the transaction, either expressly or by conduct.

**Section 55 of the Queensland Property Act 1974**, provides that the promisor shall be subject to a duty enforceable by the (third party) beneficiary to perform that promise upon acceptance by the beneficiary; variation or discharge by the parties to the contract being possible without consent of the third party before such acceptance. On acceptance, the beneficiary is bound to perform any acts that may be required of
him by the terms of the promise. Defences normally raised against an action to enforce a promissory duty can be raised by the promisor against the beneficiary.

**The New Zealand Contracts (Privity) Act 1982,** does not limit enforceability by a beneficiary to express promises only. It reverses the onus of proof by requiring that the parties to the contract have to establish that their promise was not intended to have the effect of creating a legally enforceable obligation in favour of the third party. It requires that the third party must be sufficiently designated in the contract. Parties to the contract cannot vary or alter the promises benefiting the third person after he has materially altered his position in reliance on the promise, or has obtained judgment or award on the promise.

A further factor to support the third party rule in English law is the fact that the legal systems of most of the member states of the European Union recognise and enforce the rights of third party beneficiaries under contracts. In **France,** for example, the general principle that contracts have effect only between the parties to them\(^2\) is qualified by Art 1121 of the Code Civil, which permits a stipulation for the benefit of a third party as a condition of a stipulation made for oneself or of a gift made to another. The French courts interpreted this as permitting the creation of an enforceable stipulation for a person in whose welfare the stipulator had a moral interest. In so doing, they widened the scope of the Article so as to permit virtually any

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stipulation for a third person to be enforced by him or her, where the agreement between the stipulator and the promisor was intended to confer a benefit on the third person.\(^3\) In Germany, contractual rights for third parties are created by Art 328 of the Burgerliches Gesetzbuch permitting stipulations in contracts for performances to third parties with the effect that the latter acquires the direct right to demand performance, although the precise scope of these rights depends on the terms and circumstances of the contract itself.\(^4\) Surveying the member states of the European Union, we are aware that the laws of France, Germany, Italy,\(^5\) Austria,\(^6\) Spain,\(^7\) Portugal,\(^8\) Netherlands,\(^9\) Belgium,\(^10\) Luxembourg,\(^11\) and Greece\(^12\) recognise such rights (as does Scotland).\(^13\)

\(^3\) For further detailed discussion of the stipulation pour autrul in French law, see B Nicholas, The French Law of Contract (2nd ed, 1992) 181 ff; Consultation Paper No. 121, Appendix, paras 24-27
\(^4\) Consultation Paper No. 121, Appendix paras 28-29
\(^5\) Art 1411, Italian Civil Code 1942.
\(^6\) Art 881, Austrian Civil Code 1811.
\(^7\) Art 1257, par 2, Spanish Civil Code 1889.
\(^8\) Art 443, Portuguese Civil Code 1966.
\(^11\) Again modelled on the French Civil Code; see n 15 above.
\(^12\) Art 411, Greek Civil Code 1941.
CRITICAL VIEW ON PRIVITY OF CONTRACT

The rule of "privity of contract" which means that a stranger to contract cannot sue has taken firm roots in the English Common Law.

But the principle has been generally criticised. In 1937, the Law Revision Committee, under Chairmanship of Lord Wright, also criticised the doctrine of privity and recommended its abolition. Lord Justice Denning, has also criticised the rule in a number of cases, in one of which his Lordship observed. The privity principle has never been able entirely to supplant of another principle whose roots go much deeper. The considerable criticism of the principle that a third party cannot acquire rights under a contract is as follows.

Its desirability as a matter of policy has been questioned by judges, law reform bodies, and commentators. Its pedigree has also been criticized on the ground that it was doubtful that the nineteenth century cases on which it is based in fact established its existence and that it was only a rule of

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procedure. It is said that it serves only to defeat the legitimate expectation of the parties and the third party, who often organize their affairs on the faith of the contract; that it undermines the social interest of the community in the security of bargains; and that it is commercially inconvenient. Above all it defeats the intentions of the parties to the contact.

Firstly the third party rule prevents effects being given to the intentions of the contracting parties. If remedy is denied to the third party when the contracting parties intended it to be so, it frustrates their intentions. Secondly it causes injustice to the third party who may have relied on the contract to regulate his affairs, and thus upsets the reasonable expectations of the third party to the benefit under the contract. Thirdly such a third party who suffers a loss cannot sue, and the promisee who has suffered no loss can. Fourthly, therefore, the third party who suffers loss cannot claim compensation, and the promisee not having suffered any loss can claim nominal damages only. Fifthly even if the promisee were to obtain a satisfactory remedy, he may not be able to, or may not wish to sue.

Lastly the third party rule causes difficulties in commercial life, particularly where transactions and projects involve a ‘network’ of contracts allocating risks, responsibilities and liabilities between the parties. In the standard situation the person who has suffered the loss cannot sue, while the person


18 For difficulties in construction and insurance contracts, see Law Com. No. 242 (1996), 3.10.-3.27.

who has suffered no loss can sue but may be able to obtain only nominal damages. Where the object of the contract is to benefit the third party, the effect of this is tantamount to ruling that the object of the contract is unenforceable.

The third party rule nowadays causes real difficulties in commercial life. There are two types of contract (i) constructions contracts and (ii) insurance contracts to illustrate some of the difficulties caused by the rule\textsuperscript{20} discussed as follows.

(i) Construction contracts

Both simple construction contracts involving only an employer and a builder, and complex construction contracts involving several main contractors, many subcontractors and design professionals are affected by the third party rule.

(ii) Insurance Contracts

There are several common situations where one party takes out an insurance policy for the benefit of another. The third party rule would prevent the third party enforcing the contract of insurance against the insurer. The inconvenience of this has led to a number of statutory inroads. For example, by section 11 of the Married Women’s Property Act 1882, a life insurance policy taken out by someone on his or her own life, and expressed to be for the benefit of his or her spouse or children, creates a trust in favour of the objects named in the policy. By section 148(7) of

\textsuperscript{20} For practical difficulties in relation to shipping contracts (but see now the Carriage of Goods by Sea Act 1992), sale of goods contracts, contracts to pay money to a third party and contractual Licenses, see Consultation Paper No. 121, paras 4.8-4.11, 4.19-4.21, 4.23-4.24, 4.26.
the Road Traffic Act 1988 a person covered by a liability insurance policy for motor accidents, even though taken out by someone else (for example, by a spouse or employer) is able to enforce that policy against the insurer.

Section 11 of Western Australian Property Law Act 1969, in line with the proposal of the English Law Revision Committee, amended the third party rule by providing that:

Where a contract expressly in its terms purports to confer a benefit directly on a person who is not named as a party to the contract, the contract is enforceable by that person in his own name\textsuperscript{21}. There is a vast literature on third party rights in the United States.\textsuperscript{22}

In New York Court of Appeals in \textbf{Lawrence v. Fox 20 NY 268 (1859)}, it has become generally accepted that third party is able to enforce a contractual obligation made for his benefit. However, the problem of defining what is meant by a third party beneficiary has never adequately been solved.

The extent of the criticism and reform is itself a strong indication that privity is flowed, but most members of states of the European Union allow Third Parties to enforce contract.

\textsuperscript{21} Western Australia Property Law Act 1969, s 11(2) (W. Australian Acts 1969, No. 32).

The doctrine is very useful, for it helps in preserving the sanctity of the contract. The sanctity of the contract is preserved if the parties to a contract are held answerable to each other and not to a third person. It would be illogical and unjust to abolish the doctrine totally. If it is abolished, each and every member of society will become free to sue the contracting parties. Consequently, chaos will result and the social fabric and bond of brotherhood may be weakened. However, it is also clear that the doctrine cannot be applied strictly. With the passage of time, it was found that a contract between the parties did not affect only the contracting parties but, in certain circumstances, it affected third person also. Consequently, it was felt desirable and logical that the person who is a stranger to a contract should also get contractual benefits. Similarly, contractual liabilities should also be imposed on him, with a view to help such persons, the courts in due course recognised certain exceptions to the privity rule.

The existence of the privity of Contacts, together with the exceptions, has given rise to a complex body of law and to the use of elaborate and often artificial stratagems and structures in order to give third parties enforceable rights. Reform is necessary in exceptions which enables the artificiality and some of the complexity to be avoided. The technical hurdles which must be overcome if one is to circumvent the rule in individual cases also lead to uncertainty, since it will often be possible for a defendant to raise arguments that a technical requirement has not been fulfilled. Such uncertainty is commercially inconvenient.
A reform in third party rule is necessary. Contracting parties may not, under the present law, create provisions in their contract which are enforceable directly by a third party unless they can take advantage of one of the exceptions to the third party rule. Reform should be straightforwardly possible for contracting parties to confer on third parties the right to enforce the contract. The rule of English law whereby a third party to a contract can not enforce, should be reformed so as to enable contracting parties to confer a right to enforce the contract on a third party. The right of third party to sue on a contract made for its benefit is recognised by the law of Scotland and the legal system of the United States. It has also been introduced by Statute in Several Commonwealth Countries. Contract (Rights of Third Parties) Act 1999 provides enforcement of contractual terms by third party In India, the Indian Law Commission should formed a proper body on Third Parties rights.