

# CONTRACT OF PLEDGE

## Introduction

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# Introduction

- Section 172 of the Act defines '*Pledge*', '*pawnor*', and '*pawnee*'. It states that the bailment of goods as security for payment of a debt or performance of a promise is called '*pledge*'.



- The bailor is in this case called the '*pawnor*'. The bailee is called the '*pawnee*'.



- '*Pledge*' or '*pawn*' is a kind of bailment of goods with the object that those goods shall serve as a security for the payment of a debt or performance of a promise.



- *For example,* keeping gold with banks to obtain loan is a pledge.



- Any kind of goods, documents or valuables may be pledged, however, pledge can be made of movables alone. If the property transferred is immovable, it will then be a mortgage, governed by the Transfer of Property Act.



# Essentials of a Pledge

- *Delivery of goods in pursuance of a contract –*  
Since pledge is a bailment, the delivery of the goods from the pawnor to the pawnee is a must.



- Delivery of goods may be actual or constructive. Handing over the key of a godown containing the goods amounts to delivery of goods.





- *Transfer of possession* – A transfer of possession is necessary to constitute a complete pledge. It must be juridical possession, mere physical possession is not sufficient.



- Thus, a servant in custody of his master's goods cannot make a valid pledge of the goods so as to bind the owner.



- *Delivery for securing a debt* – The purpose of pledge is that the goods bailed should serve as security for the payment of a debt, or performance of a promise.



- *Special interest of pawnee*
  - The bailee or pawnee under a contract of pledge does not become the owner, but as having possession and right to possess, he is said to have a special interest in such goods.

