CONTRACT OF PLEDGE Introduction

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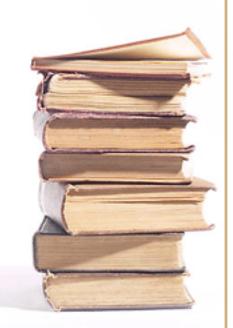


Introduction

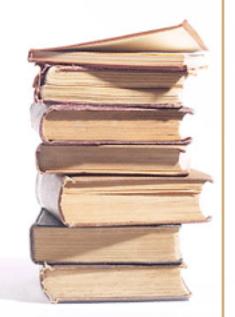
• Section 172 of the Act defines 'Pledge', 'pawnor', and 'pawnee'. It states that the bailment of goods as security for payment of a debt or performance of a promise is called 'pledge'.



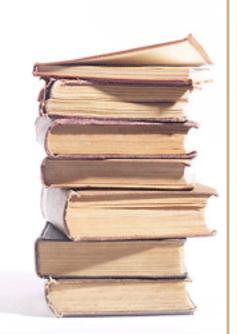
• The bailor is in this case called the 'pawnor'. The bailee is called the 'pawnee'.



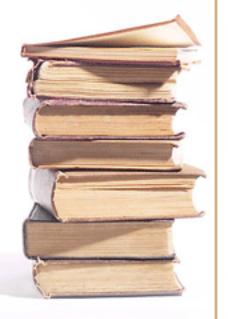
 'Pledge' or 'pawn' is a kind of bailment of goods with the object that those goods shall serve as a security for the payment of a debt or performance of a promise.



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

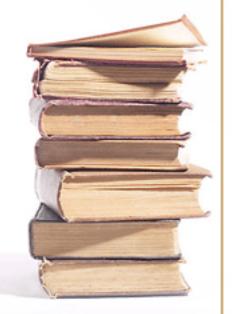


 Any kind of goods, documents or valuables may be pledged, however, pledge can be made of movables alone. If the property transferred is immovable, it will then be a mortgage, governed by the Transfer of Property Act.

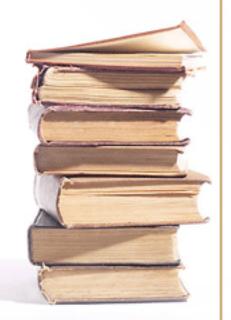


Essentials of a Pledge

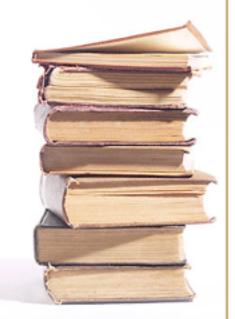
 Delivery of goods in pursuance of a contract – Since pledge is a bailment, the delivery of the goods from the pawnor to the pawnee is a must.



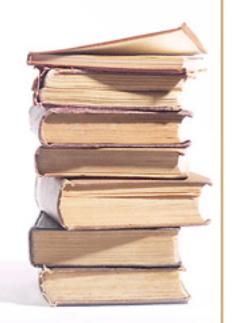
 Delivery of goods may be actual or constructive. Handing over the key of a godown containing the goods amounts to delivery of goods.



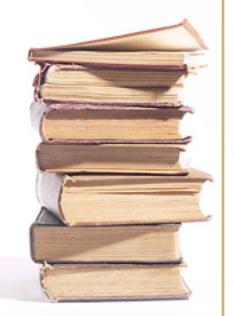
 Transfer of possession – A transfer of possession is necessary to constitute a complete pledge. It must be juridical possession, mere physical possession is not sufficient.



 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 posses, he is said to have a special interest in such goods.

