

# CONTRACT OF GUARANTEE

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# CONTINUING GUARANTEE

- Section 129 of the Act provides for continuing guarantee. It states that a guarantee which extends to a series of transactions, is called a '*continuing guarantee*'.



- In *Syndicate Bank v. Channaveerappa Belari*, AIR 2006 SC 1874, it was held that in case of ordinary guarantee the surety is liable only in respect of a single transaction whereas in case of continuing guarantee the liability of the surety extends to any successive transactions which comes within its scope.



# EXAMPLES

- 'A', in consideration that 'B' will employ 'C' in collecting the rent of B's zamindari, promises 'B' to be responsible, to the amount of 5,000 rupees, for the due collection and payment by 'C' of those rents. This is a continuing guarantee.



- 'A' guarantees payment to 'B' of the price of 5 sacks of flour to be delivered by 'B' to 'C' and to be paid for in a month. 'B' delivers 5 sacks to 'C'. 'C' pays for them. Afterwards 'B' delivers 4 sacks to 'C', which 'C' does not pay for. The guarantee given by 'A' was not a continuing guarantee, and accordingly he is not liable for the price of the 4 sacks.



- In continuing guarantee, the surety undertakes to be answerable to the creditor for his dealings with the debtor for a certain time, in other words, surety is liable for the unpaid balance at the end of the guarantee. The liability of such surety extends to all the transactions contemplated until the revocation of the guarantee.

