

CONTRACT - II  
CHAPTER - VIII (Indemnity and Guarantee)

**Sec124 - CONTRACT OF INDEMNITY**

**-Indemnity Meaning:**

- To make good the loss incurred by another person
- To compensate the party who has suffered some loss
- To protect a party from incurring a loss

**-Parties:**

- Indemnifier(**person who indemnifies**)
- Indemnified or Indemnity holder(**person who is indemnified**)

**-Contract of Indemnity defined:**

A contract is called as a contract of indemnity, if –

One party promises to save the other from loss caused to him by the conduct of the promisor himself, or by the conduct of any other person.

**Example:**

A contracts to indemnify B against the consequences of any proceedings which C may take against B in respect of a certain sum of 200 rupees. This is a contract of indemnity.

In the case of **Mangladha Ram v. Ganda Mal**, the vendor's promise to the vendee to be liable if title to the land was disturbed was held to be one of indemnity.

**Illustrations:**

- X contracts to indemnify Y against the consequences of any legal proceedings that Q may bring against Y for a certain sum of money. This contract or promise is known as a contract of indemnity.
- A promises to indemnify B if his car is damaged in an accident. B met with a minor accident in which he did not suffer any injury, but his car was damaged completely. Here, A is obliged to indemnify B for the damage.
- A asks B to invest money in C's business and contract to indemnify him if he suffers any loss. B suffered a loss of Rs 1,00,000/-. According to the contract of indemnity entered into by A and B, A must indemnify the damages and other costs to B.

**-Modes of contract of Indemnity:**