



The Indian Journal for Research in Law and Management

Open Access Law Journal – Copyright © 2026

Editor-in-Chief – Dr. Muktai Deb Chavan; Publisher – Alden Vas; ISSN: 2583-9896

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ROLE OF DOCTRINE OF FRUSTRATION IN INDIAN CONTRACT LAW

~by *Paiyyavula Ramya*

ABSTRACT:

*This paper examines the application of Section 56 of the Indian Contract Act, 1872, widely known as the Doctrine of Frustration, which discharges a contract when an unexpected event makes performance impossible. By focusing on the landmark Supreme Court decision in *Satyabrata Ghose v. Mugneeram Bangur and Company (1954)*, the study explores how Indian jurisprudence established strict boundaries for this doctrine. The court clarified that "impossibility" under Section 56 does not merely mean literal physical impossibility, but rather a complete destruction of the commercial object and underlying purpose of the contract.*

*To evaluate how these foundational principles operate today, the paper contrasts the *Satyabrata Ghose* ruling with modern commercial challenges, specifically the COVID-19 lockdown lease disputes highlighted in cases like *Ramanand v. Girish Soni*. The comparison reveals a persistent legal tension between human empathy during financial crises and the commercial necessity for contractual stability. The analysis demonstrates that while the strict application of Section 56 can seem harsh on struggling parties—such as tenants facing zero income during lockdowns—it remains essential for maintaining predictability in business relations. Ultimately, the paper concludes that the doctrine serves as a narrow shield rather than an easy escape route, ensuring that contracts remain reliable commitments even during global disruptions.*

1. INTRODUCTION:

Imagine a normal middle-class person who saves up every single rupee or takes a huge bank loan to invest in a small shop. This shop is not just a building. It is the only way they can feed their family and secure a future for their kids. Suddenly a massive crisis happens like a government lockdown where the state says the shop cannot open at all. Their income goes down to zero overnight and the family is stuck in a terrible financial situation. Even then the landlord keeps demanding the exact same heavy rent every month. When this helpless person goes to court for help and explains that they are physically not allowed to open the shop the court gives a shocking answer. They say you have to pay the whole rent anyway.

Similarly, this sad situation is exactly what happened in a recent Delhi case called Ramanand versus Girish Soni. In that case a shopkeeper in Green Park New Delhi was forced by the court to pay rent even though a total lockdown was going on. To a normal person this kind of decision feels very cruel. It makes you wonder why judges who know about a family bad situation would take such a harsh stand.

The reason for this is a big conflict between human feelings and business rules. In Indian law there is a famous rule called Section 56¹ of the Indian Contract Act 1872 which is also known as the Doctrine of Frustration, it is a helpful shield that cancels a contract if an unexpected event makes it impossible to perform. But in reality, courts are extremely strict about using this rule.

This paper analyses the important old case called *Satyabrata Ghose versus Mugneeram Bangur and Company 1954*² to show how the Supreme Court first made these strict rules for Section 56. By looking at this historic case alongside modern rent problems like the Green Park crisis this paper highlights a basic legal fact. It explains why Indian courts choose to protect business promises instead of a person financial struggle and where the law draws the line between a contract that is truly impossible and one that is just very painful to continue.

2. FACTS OF THE CASE

In the case of *Satyabrata Ghose versus Mugneeram Bangur and Company 1954* the main problem started because of a real estate project that got messed up by World War II. The company owned a big piece of land in Calcutta and they decided to divide it into smaller plots to sell them to normal people. According to the agreement the company promised that they would construct roads and drains first before giving the actual land to the buyers. The buyers paid some advance money as a deposit and they were supposed to pay the remaining amount only after the construction work was finished. In 1941 a man named Bejoy Krishna Roy booked one of these plots and later he transferred his contract rights to Satyabrata Ghose.

But in late 1943 things changed completely because the British Indian Government took temporary military control of the whole land to build a military base for the war. Since the army

¹ The Indian Contract Act, No. 9 of 1872, § 56.

² *Satyabrata Ghose v. Mugneeram Bangur & Co.*, AIR 1954 SC 44: 1954 SCR 310.

took over the area the company was physically stopped from entering the land and they could not build the promised roads and drains.

Because of this the company claimed that the war made it completely impossible to finish their work. They sent notices to the buyers to cancel the contracts and said they would give the deposit money back. The company argued that the contract was automatically dead and over under Section 56. However, Satyabrata Ghose did not accept the refund and refused the cancellation. Instead, he sued the company in court to force them to keep their promise and finish the work.

3. ISSUES BEFORE THE COURT

The Supreme Court had to answer two main legal questions in this case.

1. First did the temporary wartime takeover of the land by the government make the contract permanently impossible and finish it under Section 56.
2. Second is the Indian law on contract frustration different from English Common Law or do Indian courts have to follow English legal rules.

4. ARGUMENTS OF BOTH SIDES

The Arguments of the Development Company

The company argued that the contract was completely dead and over. They said that the sudden military takeover was an unexpected event that totally ruined their construction plans. They also pointed out that nobody had any idea how long World War II would last. Because the army physically stopped them from entering the land to build the roads and drains, they argued that it was impossible to do their job during the war. Therefore, they believed Section 56 should apply automatically to cancel the deal.

The Arguments of Satyabrata Ghose

On the other side Satyabrata Ghose argued that the contract was still very much alive and valid. He pointed out that the agreement did not mention any strict date or deadline to finish the roads and drains. He also argued that when the government takes land during a war it is just a temporary thing. Once the war ended the military would leave and the company could easily go back and finish the construction work. Because of this he said that a temporary delay or a tough situation does not mean the contract is destroyed forever.

5. THE JUDGMENT

The Supreme Court of India decided completely in favour of the buyer Satyabrata Ghose and said that the contract was not dead or frustrated.

The judges explained that the word impossible in Section 56 should not be understood in a basic or literal way. A contract does not have to become physically unachievable to be cancelled. Instead, a contract is destroyed only when an unexpected event changes things so badly that the main purpose and commercial goal of the deal is totally wiped out.

When looking at the facts of this case the court pointed out that the contract was about selling land and that land was still physically there. The military takeover was just a temporary problem. Since there was no fixed deadline written in the agreement to finish making the roads a temporary pause during the war did not destroy the main root of the deal. The court decided that the contract was just delayed and not destroyed so they ordered the company to keep its word and fulfil its promise.

6. CRITICAL ANALYSIS

The old decision in Satyabrata Ghose explains exactly why today courts make such tough choices in cases like the Green Park rent problem.

When a poor shopkeeper who is struggling asks a court to save them from paying rent because of an unexpected government lockdown the court cannot just look at the case with pure feelings and emotions. The Satyabrata Ghose case clearly showed that Section 56 needs the main purpose of the contract to be totally destroyed. It cannot be used just because someone is going through a very hard financial time or a bad economic situation.

In a rent case like the one in Green Park the landlord already did their main job because they gave the keys and the right to use the shop to the tenant. The shop itself is still standing there physically and it did not burn down into ashes. So, the main item of the contract is still perfectly fine. If courts allowed every single person who loses money or faces a crisis to cancel their agreements by calling it impossible then the whole business world would fall apart. No landlord would ever give their property on rent and no bank would give loans because contracts would lose their value the moment times got tough for someone. Business rules must be stable and predictable.

Even though this rule looks very strict and unkind the Satyabrata Ghose decision actually saved the poor side back then. If the Supreme Court had allowed the big land company to cancel the deal using Section 56 the company would have just given back a tiny deposit amount which had lost its value because of wartime inflation. Then after the war was over the company would have sold those exact same pieces of land to rich people for way more money.

By saying very strictly that war problems do not destroy a contract the court blocked powerful companies from using a big crisis as an easy excuse to trick ordinary citizens out of their land investments.

7. CONCLUSION

The case of Satyabrata Ghose versus Mugneeram Bangur and Company 1954 is still the main foundation for Section 56 in India today. It shows us that even though the law understands the deep pain and hard times of human crises like a big world war or a modern city lockdown the Doctrine of Frustration cannot be used as an easy backdoor to escape. For a contract to end legally the work must become completely impossible to do and not just very expensive or heartbreakingly difficult. By forcing people to stick to their promises the law chooses to keep business stable. This ensures that a contract remains a reliable bond that people must follow even when the world outside turns completely chaotic.