

person in whose favour the contract was drawn up will have the option of cancelling the contract, unless the condition becomes impossible of fulfilment owing to some act of the person in whose favour the contract was drawn up.

#### Article 241.

In a contract it may be specified that one of the parties should give security or pledge for the fulfilment of his obligation.

#### Article 242.

If it is stipulated that one of the parties should pledge certain property and if that property is destroyed or damaged, the other party will have the right to cancel the contract but not the right to demand the delivery of the equivalent of the pledged property or any compensation for damages. If such pledged property is destroyed or damaged after delivery there will be no right of cancellation of the contract.

#### Article 243.

If a contract provides for a guarantor and if this condition is not fulfilled, the person in whose favour the condition was made will have the right to cancel the contract.

#### Article 244.

A party in whose favour a condition is made may surrender his claim to the fulfilment of that condition, and in that case the condition ceases to be part of the contract; conditions about the result of a contract cannot, however, be cancelled in this way.

#### Article 245.

The surrender of the right to a condition may be made either orally or by some act, which indicates such surrender.

#### Article 246.

When a contract is annulled by mutual consent or cancellation its condition becomes null and void and if one party has fulfilled his obligations under the contract he can claim compensation from the other party in whose favour he did this.

**SUB-SECTION (2)**  
**REGARDING PROVISIONS GOVERNING**  
**THESE CONDITIONS**

**Article 235.**

If there is a condition of qualification which is not fulfilled, the party who stands to benefit by the contract shall have the right to cancel it.

**Article 236.**

As regards the corollary of a contract, if the realisation of the result does not depend upon a special circumstance, it follows from the fulfilment of the condition itself.

**Article 237.**

If the condition, made as part of the contract, be a condition involving the performance or the non-performance of an act, a person who has undertaken to carry out such an act must do so; in the event of his failure to do so, the other party may apply to the judge asking that he may be compelled to execute the condition.

**Article 238.**

If the performance of some act has been undertaken under the terms of a contract, and if it proves impossible to force the party who should perform the act to fulfil his obligation, though the act could be performed by some other person, the judge can at the expense of the person at fault arrange for the performance of the act.

**Article 239.**

If it is not possible to force the fulfilment of an act by the person who should perform it and if the act is of such a kind that no one else could perform it on his behalf, then the other party shall have the right to cancel the contract.

**Article 240.**

If when a contract has been made it is found that the carrying out of its condition is impossible or if it becomes known that the carrying out was impossible when the contract was made, the

**CHAPTER 1.****SECTION 4.****REGARDING CONDITIONS FIXED  
AT THE TIME OF MAKING CONTRACTS****SUB-SECTION (1).****REGARDING DIFFERENT TYPES OF CONDITIONS****Article 232.**

The following conditions are of no effect though they do not nullify the contract itself.

- (1) Conditions which are impossible to fulfill.
- (2) Conditions which are useless and unprofitable.
- (3) Conditions which are not legal.

**Article 233.**

The following conditions are of no effect and will nullify the contract itself:

- (1) Conditions which are contrary to the requirements of the contract.
- (2) Conditions which are unknown and of which lack of knowledge entails ignorance of the two things the exchange of which forms the subject of the contract.

**Article 234.**

Conditions are of three different kinds :-

- (1) Conditions of qualification.
- (2) Conditions of corollary.
- (3) Conditions about the performance or non-performance of a contract.

Of these the first category to the quality or quantity of the object. The second provides for the fulfillment or the happening of some extraneous event: and the third arises when a condition is made as to the performance or non-performance by one of the two parties or by a third party.

him and if he proves that he asked for the fulfillment of the obligation.

#### **Article 227.**

The party who fails to carry out the undertaking will only be sentenced to pay damages when he is unable to prove that his failure was due to some outside cause for which he could not be held responsible.

#### **Article 228.**

If the object of an agreement consists of the payment of a sum in cash, the judge can, subject to the terms of Article 221, convict the debtor to pay compensation for losses incurred through delay in the payment of his debt.

#### **Article 229.**

If a man who has entered into an undertaking is prevented from fulfilling it by some accident not within his control, he, shall not be convicted to compensation for losses.

#### **Article 230.**

If in a contract the amount of compensation to be paid in the event of its non-fulfillment is laid down, the judge can condemn the offender to pay more or less than the sum fixed.

### **SUB-SECTION (3)**

### **REGARDING EFFECT OF CONTRACTS ON THIRD PARTIES**

#### **Article 231.**

Undertakings or contracts are only binding on the two parties concerned or their legal substitutes except in cases coming under Article 196.

in the event of his not carrying out this undertaking, provided the compensation for such losses is specified in the contract or is understood in the contract according to customary law or provided such compensation is by law regarded as guaranteed.

### **Article 222.**

In case of failure to comply with the above-mentioned stipulations, a judge can, while observing the above article, authorise the party in whose favour the undertaking was made to perform the act in question himself and can sentence the delinquent to pay any relevant expenses.

### **Article 223.**

Any contract entered into is understood to be genuine unless its false nature is proved.

### **Article 224.**

The wording of a contract shall be read according to the meaning understood by customary law.

### **Article 225.**

If certain points that are customarily understood in a contract by customary law or practice are not specified therein they are nevertheless to be considered as mentioned in the contract.

## **SUB-SECTION (2)**

### **LOSSES INCURRED THROUGH NON-FULFILLMENT OF CONTRACTS**

### **Article 226.**

In the event of non-fulfilment of an undertaking by one party, the other party cannot claim damages for loss sustained, unless a special period was fixed for fulfilment of the undertaking and that period has expired. If no period was fixed for the fulfilment of the undertaking a party can only claim damages if the power for fixing the period for such fulfilment was vested in

**Article 216.**

The object of a transaction should not be ambiguous except in special cases where a general knowledge of the matter would be sufficient.

**SUB-SECTION (4)  
REGARDING THE REASON FOR A TRANSACTION**

**Article 217.**

In a contract it is not necessary to explain the reason for making it, but if this is done, the reason must be a legitimate one; otherwise the contract will be null and void.

**Article 218.**

If it is shown that a contract has been made with the intention of evading some liability, such a contract is not binding.

**CHAPTER 1.**

**SECTION 3.**

**REGARDING THE EFFECT OF CONTRACTS**

**SUB-SECTION (1)**

**REGARDING GENERAL RULES**

**Article 219.**

Contracts made according to law are binding on the parties or their substitutes, unless they have been cancelled by mutual agreement or for some legal reason.

**Article 220.**

A contract not only binds the parties to execute what it explicitly mentions, but both parties are also bound by all consequences which follow from the contract in accordance with customary law and practice, or by virtue of a law.

**Article 221.**

If any party undertakes to perform or to abstain from any act, he is responsible to pay compensation to the other party

**Article 208.**

If one party fears the other, though not threatened by him, this is not regarded as being undue force.

**Article 209.**

A transaction signed after the removal of any undue force is binding.

**SUB-SECTION (2)****REGARDING THE COMPETENCE OF THE PARTIES****Article 210.**

Both parties should be competent to transact the business.

**Article 211.**

In order that a contract may be valid both parties to it must be of age, must be in their proper senses and must have reached maturity.

**Article 212.**

A transaction between people who are not of age, nor in their proper senses nor mature is invalid because of their incompetence.

**Article 213.**

A transaction made by persons under some disability cannot be valid.

**SUB-SECTION (3)****REGARDING THE OBJECT OF A TRANSACTION****Article 214.**

The object of a contract must be some property or act which both the parties agree to deliver or execute.

**Article 215.**

The object of a contract must be capable of being owned and must embody some reasonable and legitimate advantage.



**Article 201.**

A mistake made as to the identity of one party will not affect the interests of the other party in the transaction, except when the identity of this second party forms the principal reason of the transaction.

**Article 202.**

Reluctance is caused by acts which affect any sane person through threats against his person, property or honour in a way that he cannot be expected to withstand. In connection with such threats the age, personality, nature and sex of the person concerned must be taken into consideration.

**Article 203.**

Reluctance will invalidate a contract even when it is caused by an outside party other than the two parties concerned.

**Article 204.**

Threats made by one party against the body or soul or honour of close relatives (of the other party) such as husband, wife, fathers or children are regarded as causing reluctance. In connection with this article the closeness of the relationship must be considered, according to custom, in estimating the reluctance.

**Article 205.**

When a threatened person knows that the threat cannot be carried out or when he is able to defend himself without difficulty from the threat or from performing the contract, the man who made the threat cannot be regarded as having used undue force.

**Article 206.**

If anyone is constrained to make a transaction through distress, this is not regarded as undue force and such a transaction is considered valid.

**Article 207.**

A transaction entered into by a person because constrained by an order of competent judicial authorities is not considered as made under undue force.



**Article 193.**

The performance of a transaction may be effected by an act which indicates intention and agreement, such as taking delivery or handing over unless in circumstances excepted by the law.

**Article 194.**

The words, signs or other acts by which both parties perform the transaction must be co-ordinated so that each party accepts the transaction which the other intended to perform. Otherwise the transaction will be null and void.

**Article 195.**

If anyone makes a contract when drunk, unconscious or asleep, the contract is null owing to absence of intention.

**Article 196.**

Anyone who makes a contract is himself bound thereby, unless in making the contract the contrary is laid down or unless subsequent evidence to the contrary is produced. When making a contract, however, any one can make provision for the benefit of a third person.

**Article 197.**

If the price or the subject of a sale in a contract is a thing which belongs to a third party, the contract will be on behalf of the owner of that thing.

**Article 198.**

Either or both parties may represent another or conversely one person can represent both parties to a contract.

**Article 199.**

Agreement reached by mistake or with reluctance will not make a transaction effective.

**Article 200.**

Only mistakes connected with the subject of a transaction will invalidate it.

**Article 188.**

An optional contract can be cancelled by either party, by both parties or by a third party.

**Article 189.**

An unconditional contract is one which is not, in the intention of the makers, contingent upon any outside matter. Otherwise it is a conditional contract.

**CHAPTER 1.****SECTION 2.****ON THE ESSENTIAL CONDITIONS  
FOR THE VALIDITY OF A TRANSACTION****Article 190.**

For the validity of a contract the following conditions are essential.

- (1) the intention and mutual consent of both parties to the contract.
- (2) the competence of both parties.
- (3) there must be a definite thing which forms the subject-matter of the contract.
- (4) the cause of the transaction must be lawful.

**SUB-SECTION (1)****REGARDING THE INTENTION AND MUTUAL  
CONSENT OF BOTH PARTIES TO THE CONTRACT****Article 191.**

A contract only becomes complete through the real intention of the contractor, and this real intention must be accompanied by some factor which proves that there was such an intention.

**Article 192.**

If either party or both, are unable to speak, a sign which indicates intentions and acceptance will be sufficient.

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## Iranian civil code

**BOOK 2.**

**PART 2.**

**REGARDING CONTRACTS, TRANSACTIONS AND OBLIGATIONS**

**CHAPTER 1.**

**ON CONTRACTS AND OBLIGATIONS IN GENERAL**

**Article 183.**

A contract is made when one or persons make a mutual agreement with another one or more persons, on a certain thing, and that agreement is accepted by the latter persons.

**CHAPTER 1.**

**SECTION 1.**

**ON THE DIFFERENT TYPES OF  
CONTRACTS AND TRANSACTIONS**

**Article 184.**

Contracts and transactions are divided into the following categories-an irrevocable contract-a revocable contract-an optional contract - an unconditional contract - a conditional contract.

**Article 185.**

An irrevocable contract is one which cannot be broken by either party except under specified circumstances.

**Article 186.**

A revocable contract can be cancelled by either party whenever he likes.

**Article 187.**

A contract may be irrevocable on one party but revocable by the other.