CHAPTER III EFFECTS OF THE CONTRACT

Transfer of property as between seller and buyer

18. Goods must be ascertained

19. Property passes when intended to pass

20. Specific goods in a deliverable state

21. Specific goods to be put into a deliverable state

22. Specific goods in a deliverable state, when the seller has to do anything thereto in order to ascertain price

23. Sale of unascertained goods and appropriation

24. Goods sent on approval or “on sale or return”

25. Reservation of right of disposal

26. Risk prima facie passes with property

Transfer of title

27. Sale by person not the owner

28. Sale by one of joint owners

29. Sale by person in possession under voidable contract

30. Seller or buyer in possession after sale

18. Goods must be ascertained

No property in unascertained goods shall pass to the buyer until the goods are ascertained.

Section 18 of the Sale of Goods Act, 1930 governs contracts for unascertained goods: goods not identified when the contract is made and described only by kind, quality or quantity, such as a quantity out of a larger stock or goods yet to be produced. Ownership cannot pass under such a contract at its formation or on payment of the price, because there are as yet no particular goods to which the buyer's title can attach; the contract is only an agreement to sell (s. 4(3)). Goods become ascertained when the particular goods to be delivered are identified and separated from the seller's general stock, for instance by weighing, packing or marking them. Ascertainment is only a precondition: once it occurs, property passes when the parties intend (s. 19), and, failing a contrary intention, upon unconditional appropriation of the goods to the contract with the other party's assent (s. 23). Since risk ordinarily follows property (s. 26), goods lost before ascertainment are the seller's loss, and the buyer has only a personal claim for refund or damages,

not a claim to the goods themselves. For example, M contracts to sell 100 quintals of rice to N from his stock of 800 quintals, and N pays in advance. If the godown is flooded before any rice is set apart for N, no property had passed, so the loss is M's and N may recover his money. But if M had weighed out 100 quintals, bagged and labelled them for N, and N had agreed to take them, the rice would have been ascertained and appropriated, and ownership, with its risk, would have passed to N before the flood.

19. Property passes when intended to pass

19.1 Ownership of specific or ascertained goods shall pass to the buyer when the parties intend it to pass.

Section 19(1) of the Sale of Goods Act, 1930 lays down that, where the goods sold are identified, the parties' intention decides when ownership passes from seller to buyer. It covers two kinds of goods: specific goods, which are identified and agreed upon when the contract is made (s. 2(14)), and ascertained goods, which are identified after the contract is made. The provision does not link the transfer of ownership to any particular event, such as making the contract, paying the price or delivering the goods; the parties may choose any of these or any other point. As a result, the buyer may become owner before paying or before taking delivery, or the seller may remain owner even after handing the goods over, depending on what was agreed. The provision does not apply to unascertained goods, in which no property can pass until they are identified (s. 18). Fixing the time of transfer matters because risk of loss generally follows ownership (s. 26). For example, C agrees to buy a particular painting from D's gallery for ₹2 lakh, and the contract says that ownership will pass once C pays half the price. When C pays ₹1 lakh, C becomes the owner, even though the painting is still hanging in D's gallery and the balance is unpaid; if the painting is damaged after that without D's fault, the loss falls on C. If, instead, the contract had said ownership would pass only on delivery, D would remain owner, and bear the loss, until the painting was handed to C.

19.2 The intention of the parties as to when property passes shall be determined from the terms of the contract, the conduct of the parties and the circumstances of the case.

Section 19(2) of the Sale of Goods Act, 1930 supplements s. 19(1), which makes the parties' intention decide when ownership of specific or ascertained goods passes to the buyer. Since parties often do not state this intention expressly, s. 19(2) tells the court where to look for it. First, the terms of the contract: an express clause, such as "ownership passes on full payment", settles the matter, and other terms, such as those on payment, delivery or retention of documents, may also indicate it. Second, the conduct of the parties: what they said and did before, at and after making the contract, such as the seller keeping the title documents or the buyer insuring the goods, may show when they meant ownership to pass. Third, the circumstances of the case: the nature of the goods, trade usage and the setting of the deal may shed light on intention. Intention is thus judged objectively from all the material together, not from what one party privately thought. Only where no intention can be found this way do the presumptive rules in ss. 20 to 24 apply (s. 19(3)). For example, E agrees to sell a specific truck to F, and the written contract says nothing about when ownership passes. However, E keeps the registration certificate and the keys, tells F that he will release the truck only when the price is paid, and F makes no objection. From this conduct and the circumstances, a court may infer that the parties intended ownership to pass only on payment, so the truck remains E's property until then, even though s. 20 would otherwise have passed ownership at the time of the contract.

19.3 Unless a different intention appears, the time at which property passes to the buyer shall be determined by the rules in sections 20 to 24.

Section 19(3) of the Sale of Goods Act, 1930 completes the scheme of s. 19. Under s. 19(1) property passes when the parties intend, and under s. 19(2) that intention is gathered from the contract, the parties' conduct and the circumstances. Where these do not reveal a clear intention, s. 19(3) supplies ready-made rules in ss. 20 to 24, which the law presumes reflect what the parties would have intended. In brief: under s. 20, property in specific goods in a deliverable state passes when the contract is made, even if payment or delivery is postponed; under s. 21, where the seller must do something to put specific goods into a deliverable state, property passes only when that is done and the buyer has notice of it; under s. 22, where the seller must weigh, measure or test specific goods in a deliverable state to fix the price,

property passes only when that is done and the buyer has notice; under s. 23, property in unascertained or future goods passes when goods of the contract description in a deliverable state are unconditionally appropriated to the contract by one party with the assent of the other; and under s. 24, goods delivered on approval or on sale or return become the buyer's when the buyer approves or accepts them, does an act adopting the transaction, or keeps them beyond the fixed or a reasonable time without rejecting them. These are presumptions only: they yield whenever the parties have shown a different intention. For example, G agrees to buy a particular sofa set displayed in H's shop for ₹50,000, but H must first fix new cushions before delivery, and nothing is said about when ownership passes. Since no different intention appears, s. 21 applies through s. 19(3): ownership passes only when H has fitted the cushions and informed G. If the shop burns down before that, the loss is H's. But if the contract had expressly stated that G would become owner immediately upon signing, that different intention would prevail over s. 21, and the loss would fall on G.

20. Specific goods in a deliverable state

Under an unconditional contract for the sale of specific goods in a deliverable state, property shall pass to the buyer when the contract is made, even if payment or delivery, or both, is postponed.

Section 20 of the Sale of Goods Act, 1930 is the first of the presumptive rules applied, through s. 19(3), when the parties have not shown a different intention. It requires three conditions. First, the contract must be unconditional, meaning the transfer of ownership is not made to depend on any condition, such as payment of the price or the happening of some event. Second, the goods must be specific, that is, identified and agreed upon at the time the contract is made (s. 2(14)). Third, the goods must be in a deliverable state, meaning in such a condition that the buyer would, under the contract, be bound to take delivery of them (s. 2(3)), with nothing further to be done by the seller to make them ready. When all three are present, ownership passes the moment the contract is made. It does not matter that the buyer has not yet paid or that the seller still holds the goods, because the Act separates ownership from payment and possession. Since risk ordinarily follows property (s. 26), the buyer bears the loss of the goods from the time of the contract, even while they remain with the seller; and the

seller, though no longer owner, may retain possession until paid by exercising his lien as an unpaid seller (s. 47). For example, J goes to K's shop, selects a particular washing machine on display, and agrees to buy it for ₹30,000, with payment and delivery the next day. Nothing remains to be done to the machine and no condition is attached to the sale. Ownership passes to J as soon as the contract is made. If the shop is flooded that night without K's fault and the machine is ruined, the loss is J's, and J must still pay the price. But if the machine needed installation of a missing part before delivery, it would not be in a deliverable state, and s. 21, not s. 20, would apply.

21. Specific goods to be put into a deliverable state

Where the seller must do something to specific goods to put them into a deliverable state, property shall not pass to the buyer until that thing is done and the buyer has notice of it.

Section 21 of the Sale of Goods Act, 1930 is one of the presumptive rules which, under s. 19(3), apply only where the parties have not shown a different intention. It concerns specific goods, that is, goods identified and agreed upon at the time of the contract (s. 2(14)), which are not yet ready for delivery. Goods are in a "deliverable state" when they are in such a condition that the buyer would, under the contract, be bound to take delivery of them (s. 2(3)). If the contract obliges the seller to do something to bring the goods into that condition, such as repairing, assembling, dismantling, packing or finishing them, two conditions must both be met before ownership passes: the seller must complete the required act, and the buyer must be informed that it has been done. Until then the goods remain the seller's property and, since risk ordinarily follows property (s. 26), at the seller's risk. The rule reflects the sensible presumption that a buyer does not intend to own goods that are not yet in the form he agreed to buy. For example, J agrees to buy a specific used generator from K for ₹1.5 lakh, and K agrees to overhaul the engine and paint it before delivery. K completes the overhaul and painting on Monday, but before he informs J, the generator is stolen from his workshop on Tuesday. Since J had no notice that the work was done, ownership had not passed, and the loss is K's. Had K informed J on Monday evening, ownership would have passed to J at that point, and the theft on Tuesday would ordinarily be J's loss.

22. Specific goods in a deliverable state, when the seller has to do anything thereto in order to ascertain price

Where the seller must weigh, measure, test or do any other act to ascertain the price of specific goods in a deliverable state, property shall not pass until that act is done and the buyer has notice of it.

Section 22 of the Sale of Goods Act, 1930 is one of the presumptive rules that apply, by virtue of s. 19(3), when the parties have not shown a different intention. It covers specific goods that are already in a deliverable state, meaning the buyer would be bound to take delivery of them (s. 2(3)), but whose price cannot be worked out until the seller weighs, measures, tests or does some other act in relation to them. Ordinarily, property in specific goods in a deliverable state passes when the contract is made (s. 20); s. 22 postpones that moment until two conditions are both met: the seller has completed the required act, and the buyer has been informed that it has been done. The rule applies only where the duty lies on the seller; if it is the buyer who must weigh or measure the goods, s. 22 does not apply and property may pass under the general rule. Since risk ordinarily follows property (s. 26), goods lost before both conditions are met are the seller's loss. For example, J agrees to buy the entire heap of coal lying in K's yard at ₹8,000 per tonne, and K is to weigh the heap to fix the total price. The coal is identified and ready for delivery, but until K weighs it and tells J the weight, ownership remains with K. If the heap is washed away by a flood after K has weighed it but before he has informed J, the loss is still K's, because the buyer had no notice. Had K weighed the coal and informed J before the flood, ownership, and with it the risk, would already have passed to J.

23. Sale of unascertained goods and appropriation

23.1 Property in unascertained or future goods sold by description shall pass to the buyer when goods of that description, in a deliverable state, are unconditionally appropriated to the contract by one party with the assent of the other.

Section 23(1) of the Sale of Goods Act, 1930 states when ownership passes in a sale of unascertained goods (goods not identified at the time of the

contract) or future goods (goods to be manufactured, produced or acquired by the seller after the contract, s. 2(6)), sold by description. Because such goods cannot pass until identified (s. 18), this provision supplies the presumptive moment of transfer, subject to any different intention of the parties (s. 19(3)). Four conditions must be met. First, the goods must correspond to the contract description. Second, they must be in a deliverable state, meaning a state in which the buyer would be bound to take delivery (s. 2(3)). Third, they must be unconditionally appropriated to the contract, meaning irrevocably attached to this particular contract so that the seller can no longer substitute other goods; merely setting goods aside or packing them for convenience, while keeping the option to use them elsewhere, is not enough. Fourth, the appropriation must be made by one party with the assent of the other. The assent may be express or implied from conduct, and may be given in advance (for instance, when the buyer instructs the seller to dispatch goods, assenting beforehand to the seller's choice) or afterwards (for instance, when the buyer accepts goods the seller has selected). Once these conditions are satisfied, property passes at that very moment, and with it, ordinarily, the risk (s. 26). For example, J orders 100 metres of a particular grade of cotton cloth from K's mill, and asks K to send it by rail. K cuts 100 metres of that grade from his stock, packs and labels it in J's name, and hands it to the railway consigned to J without reserving any right of disposal. The cloth matches the description, is in a deliverable state, and has been unconditionally appropriated by the seller, with J's prior implied assent given through the instruction to dispatch. Property therefore passes to J upon handing over to the railway, and if the cloth is damaged in transit, the loss is J's. But if K had merely cut and kept 100 metres aside in his warehouse, intending to send it later and free to sell it to someone else meanwhile, there would be no unconditional appropriation, and the cloth would still belong to K.

23.2 Delivery of goods to the buyer, or to a carrier or other bailee for transmission to the buyer, without reserving the right of disposal, shall be deemed an unconditional appropriation of the goods to the contract.

Section 23(2) of the Sale of Goods Act, 1930 explains a common way in which the appropriation required by s. 23(1) takes place. Under s. 23(1),

property in unascertained or future goods sold by description passes to the buyer when goods of that description, in a deliverable state, are unconditionally appropriated to the contract by one party with the assent of the other. Section 23(2) provides that when the seller, acting under the contract, hands the goods to the buyer, or to a carrier (such as a transport company, railway or shipping line) or other bailee (such as a warehouse keeper) for sending to the buyer, the seller is treated by law as having unconditionally appropriated them. This applies whether or not the buyer named the carrier. The reason is that by parting with the goods for the buyer's benefit, the seller identifies them irrevocably as the goods meant for that contract, and the carrier holds them for the buyer. The deeming applies only if the seller does not reserve the right of disposal, that is, does not keep control over the goods until some condition, usually payment, is met. Under s. 25, the seller reserves this right, for instance, by taking the railway receipt or bill of lading in his own name or to his own order; in that case property does not pass on handing the goods to the carrier, but only when the condition is fulfilled. For example, J, a cloth dealer in Surat, contracts to sell 200 metres of silk to K in Patna. J cuts 200 metres from his stock, packs it and hands it to a transport company for delivery to K, taking the consignment note in K's name. J is deemed to have unconditionally appropriated the silk, so ownership passes to K when the goods are handed to the carrier, and if the truck is damaged on the way, the loss ordinarily falls on K (s. 26). But if J had taken the railway receipt in his own name and sent it through a bank to be released only against payment, J would have reserved the right of disposal, and ownership would pass to K only upon payment.

24. Goods sent on approval or “on sale or return”

Property in goods delivered on approval or on sale or return shall pass to the buyer when he accepts them, adopts the transaction, or keeps them beyond the fixed or a reasonable time without rejecting them.

Section 24 of the Sale of Goods Act, 1930 applies where goods are handed to the buyer so that he may decide whether to buy them, as on approval, on sale or return, or on similar terms. Delivery alone does not make the buyer owner; he holds the goods with an option to buy or return them, and the seller remains owner in the meantime. Property passes in any one of three

ways. First, the buyer may expressly tell the seller that he approves or accepts the goods. Second, he may do any other act adopting the transaction, meaning an act inconsistent with his remaining free to return the goods, such as selling, pledging or consuming them. Third, if he says nothing but keeps the goods without giving notice of rejection, property passes when the time fixed for return expires, or, if no time is fixed, after a reasonable time, which depends on the facts of each case. These rules, like the others in ss. 20 to 23, apply only unless a different intention appears (s. 19(3)). Until property passes, the goods are ordinarily at the seller's risk (s. 26). For example, J, a jeweller, sends a necklace to K on sale or return, with 7 days to decide. If K tells J on the third day that she will keep it, ownership passes then. If K instead gifts it to her sister on the second day, that act adopts the transaction and ownership passes at once, so K must pay the price. If K says nothing and keeps the necklace beyond 7 days without giving notice of rejection, ownership passes on the expiry of the seventh day. But if K returns it or gives notice of rejection within 7 days, no sale takes place and the necklace remains J's.

25. Reservation of right of disposal

25.1 Where the seller reserves the right of disposal, property in the goods shall not pass to the buyer until the seller's conditions are fulfilled, even if the goods have been delivered.

Section 25(1) of the Sale of Goods Act, 1930 allows a seller to protect himself, usually against non-payment, by keeping control over the goods until the buyer performs certain conditions. It applies to specific goods, and to goods that have been appropriated to the contract after it was made. The seller may reserve this right of disposal either in the terms of the contract or at the time of appropriation. Once reserved, it overrides the ordinary effect of delivery: even if the goods are handed to the buyer, or to a carrier, warehouseman or other bailee for transmission to the buyer, ownership stays with the seller until the conditions are met, most commonly payment of the price or acceptance of a bill of exchange. This operates as an exception to the rule in s. 23(2), under which delivery to a carrier without such reservation is treated as unconditional appropriation that passes property. The provision gives effect to the general principle in s. 19 that property passes when the parties intend, since the reservation shows an intention that

ownership should pass only on fulfilment of the conditions. Until then, the seller remains owner and, as risk ordinarily follows property (s. 26), the goods generally remain at the seller's risk unless otherwise agreed. For example, J, a manufacturer in Ludhiana, contracts to sell 200 bicycles to K, a dealer in Patna, on the term that ownership will pass only on payment of the full price. J dispatches the bicycles by rail and keeps the railway receipt in his own name. Although the goods have been delivered to the carrier, property remains with J because he reserved the right of disposal; K becomes owner only when he pays. If K fails to pay, J may redirect or resell the bicycles as their owner.

25.2 Where goods are shipped or sent by railway under a bill of lading or railway receipt making them deliverable to the order of the seller or his agent, the seller shall be presumed to have reserved the right of disposal.

Section 25(2) of the Sale of Goods Act, 1930 builds on s. 25(1), which allows a seller of specific or appropriated goods to reserve the right of disposal, that is, to keep ownership until certain conditions, usually payment, are met, even after the goods have been delivered to the buyer or to a carrier for the buyer. Ordinarily, handing goods to a carrier for the buyer amounts to appropriation and passes property (s. 23(2)). Section 25(2) provides that this is not so where the transport document, a bill of lading for goods shipped or a railway receipt for goods sent by rail, makes the goods deliverable to the order of the seller or the seller's agent. Such documents are documents of title, and whoever controls them controls the goods. By taking the document in his own name, the seller keeps control over the goods in transit, and the law presumes he intends to keep ownership until the buyer pays or meets the agreed conditions. The presumption is only prima facie: it may be rebutted by evidence that the parties intended property to pass on shipment, for example, where the seller took the document in his own name merely for convenience. The provision protects an unpaid seller from losing both the goods and the price if the buyer defaults or becomes insolvent. For example, J in Kanpur sells 100 bales of cotton to K in Mumbai and sends them by rail, but takes the railway receipt in his own name and sends it to his bank in Mumbai with instructions to hand it to K only on payment. The cotton is presumed to remain J's property

during transit and until K pays and obtains the receipt. If K becomes insolvent before paying, K's creditors cannot claim the cotton, and J may deal with it as owner. Had J taken the railway receipt in K's name and sent it directly to K, property would ordinarily have passed to K upon delivery of the goods to the railway.

25.3 A buyer who does not honour the bill of exchange shall return the bill of lading or railway receipt, and shall acquire no property in the goods by wrongfully retaining it.

This is Section 25(3) of the Sale of Goods Act, 1930, which deals with the seller's reservation of the right of disposal in documentary sales. When a seller sends goods to a distant buyer, he commonly protects himself by drawing a bill of exchange on the buyer for the price and sending it to the buyer, usually through a bank, together with the bill of lading (for goods sent by sea) or the railway receipt (for goods sent by rail). These documents of title are needed to obtain the goods from the carrier. The arrangement is that the buyer gets the documents only in exchange for accepting the bill of exchange (agreeing to pay it on its due date) or paying it. Section 25(3) enforces this bargain in two ways. First, it places a duty on the buyer: if he does not honour the bill of exchange, he must return the document of title. Second, it prevents the buyer from profiting from his own wrong: if he keeps the document without honouring the bill, ownership of the goods does not pass to him, so the seller remains owner and can recover the goods or their value. The provision therefore links the transfer of property to acceptance or payment of the bill, and reflects the general rule in s. 25(1) that property does not pass while the seller has reserved the right of disposal and the conditions he imposed remain unfulfilled. One limit should be noted: if the buyer, while holding the documents, sells or pledges the goods to a third person who takes them in good faith and without notice of the seller's rights, that third person may obtain good title under s. 30(2), and the seller is then left with a claim against the buyer. For example, J, a cotton merchant in Mumbai, sends 100 bales of cotton to K in Kolkata by rail. J draws a bill of exchange on K for ₹10 lakh and sends it to K's bank along with the railway receipt, with instructions to hand over the receipt only if K accepts the bill. K takes the railway receipt but refuses to accept the bill. K is bound to return the railway receipt to J, and since he has wrongfully

retained it, the cotton remains J's property. J can therefore claim the cotton from the railway or from K, rather than being left only with a claim for the price.

26. Risk prima facie passes with property

Risk in the goods shall pass with property.

Section 26 of the Sale of Goods Act, 1930 links the risk of accidental loss or damage to ownership: while the seller owns the goods, the seller bears the loss if they perish or are damaged; once ownership passes to the buyer, the buyer bears it. Delivery does not matter for this purpose, so a buyer who has become owner bears the risk even if the goods are still with the seller. This is a presumption ("prima facie"), and the parties may agree otherwise; for instance, they may agree that risk passes before property, or that the seller keeps the risk until delivery. The first proviso deals with delay: where delivery is delayed through the fault of the buyer or the seller, the party at fault bears any loss that would not have happened but for that delay, regardless of who owns the goods. The second proviso keeps intact the duties of either party as a bailee: a seller holding the buyer's goods, or a buyer holding the seller's goods, must still take reasonable care of them (Indian Contract Act, 1872, s. 151), and is liable for loss caused by negligence even though the risk of accidental loss lies with the owner. For example, J buys a specific bale of cotton from K, and ownership passes to J when the contract is made (s. 20), with delivery due on Monday. If the bale is destroyed by an accidental fire on Sunday while still in K's warehouse, the loss is J's, because risk followed ownership. If, however, J failed to collect the bale on Monday as agreed, and it was destroyed by a flood on Wednesday, the loss would also be J's, and this time because of the delay proviso as well. But if K had allowed the bale to be ruined by leaving it in an open yard in the rain, K would be liable for that loss as bailee, even though J was the owner and bore the ordinary risk.

27. Sale by person not the owner

A buyer shall acquire only such title to the goods as the seller possesses.

Section 27 states the general rule expressed by ***nemo dat quod non habet***, meaning “no one can give what they do not have.” It means that a person

who is not the owner and sells goods without the owner's authority or consent generally cannot give the buyer a better title than they possess. For example, A steals B's refrigerator and sells it to C, who purchases honestly without knowing that it was stolen. Since A has no title, C acquires no ownership, and B may recover the refrigerator from C despite C having paid for it in good faith.^[1] Thus, good faith and payment alone do not establish ownership. This rule is subject to statutory exceptions, including where the owner's conduct prevents them from denying the seller's authority (estoppel) or where a mercantile agent makes a sale satisfying Section 27's conditions.

Estoppel: Section 27 ("unless the owner of the goods is by his conduct precluded from denying the seller's authority to sell") also recognises estoppel, where the owner's conduct prevents them from denying the seller's authority.

Mercantile agent: A mercantile agent can pass good title when possessing the goods or documents of title with the owner's consent, selling in the ordinary course of business, and dealing with a buyer who acts in good faith without notice of the agent's lack of authority.^[2]

28. Sale by one of joint owners

A good-faith buyer without notice of lack of authority shall acquire ownership from a joint owner possessing the goods with the co-owners' permission.

Section 28 is an exception to *nemo dat quod non habet*. It means that where one of several joint owners has sole possession of goods with the permission of the other co-owners, a buyer acquires ownership of those goods if they purchase in good faith and without notice, at the time of the contract of sale, that the joint owner lacks authority to sell. For example, A, B and C jointly own a refrigerator and permit A to keep it in his sole possession. A sells it to

[1] The maxim *nemo dat quod non habet* is illustrated by *Rowland v Divall* [1923] 2 KB 500, where the buyer of a stolen car acquired no title and recovered the full price despite having used it; by *Cundy v Lindsay* (1878) 3 App Cas 459, where a fraudster obtained goods under a contract void for mistake as to identity and could therefore transfer no title to an innocent buyer; and by *Helby v Matthews* [1895] AC 471, where a hirer with a mere option to buy, free to return the piano, could not give a good pledge to a pawnbroker acting in good faith, because he had not "agreed to buy".

[2] Proviso to section 27 of Sale of Goods Act, 1930

D without B's and C's authority. If D purchases honestly without notice of A's lack of authority, D acquires good title to the entire refrigerator, and B and C cannot recover it from D merely because they did not authorise the sale. Thus, permission to possess is distinct from authority to sell: the provision protects the innocent buyer despite the absence of selling authority. It requires sole possession with the co-owners' permission; merely being a joint owner is insufficient.

29. Sale by person in possession under voidable contract

A buyer acting in good faith and without notice of defective title shall acquire good title from a seller in possession under an unrescinded voidable contract.

Section 29 is an exception to *nemo dat quod non habet*. It means that where a seller obtained possession of goods under a voidable contract—one that the aggrieved party may set aside because of fraud, misrepresentation, coercion or undue influence—a subsequent buyer acquires good title if the original contract has not been rescinded at the time of resale and the buyer acts in good faith and without notice of the seller's defective title. For example, B fraudulently persuades A to sell and deliver a refrigerator by falsely representing his financial position. Before A rescinds the contract, B sells it to C, who purchases honestly without notice of the fraud. C obtains good title, and A cannot recover the refrigerator from C by subsequently rescinding the original contract. Thus, "unrescinded voidable contract" means a contract that remains effective until the entitled party sets it aside. This protection does not apply under Section 29 if the original contract was void from the outset or had already been rescinded before the resale.

30. Seller or buyer in possession after sale

30.1 A transfer by a seller remaining in possession shall bind the owner where the transferee acts in good faith and without notice of the previous sale.

Section 30(1) is an exception to *nemo dat quod non habet*. It means that when a seller has already sold goods but retains possession of them or their documents of title, a subsequent sale, pledge or other disposition accompanied by delivery or transfer can bind the first buyer, provided the

recipient acts in good faith and without notice of the earlier sale. For example, A sells a specific refrigerator to B, and ownership passes to B, but B leaves it with A for later collection. A then resells and delivers it to C, who honestly has no notice of the earlier sale. C obtains good title, and B cannot recover the refrigerator from C. Thus, "shall bind the owner" means that the first buyer must recognise the later transfer as effective, as though they had authorised it. Mere resale without delivery or transfer of the goods or documents of title does not satisfy this provision.

30.2 A buyer in possession with the seller's consent shall pass the goods free of the seller's lien or other rights to a transferee acting in good faith without notice of those rights.

Section 30(2) is an exception to "*nemo dat quod non habet*." It means that when a person has bought or agreed to buy goods and obtains possession of them or their documents of title with the seller's consent, a subsequent sale, pledge or other disposition accompanied by delivery or transfer can defeat the original seller's lien or other rights, provided the recipient acts in good faith and without notice of those rights. For example, A agrees to sell a refrigerator to B and allows B to take possession, while reserving ownership until full payment. Before paying in full, B resells and delivers it to C, who acts honestly without notice of A's retained ownership. C obtains good title, and A cannot recover the refrigerator from C on the basis of that reservation. Thus, "free of the seller's lien or other rights" means that the original seller cannot enforce those rights against the protected transferee. The provision requires a purchase or an agreement to purchase; mere possession as a hirer with only an option to buy is insufficient.