UNIT – IV

Remedies for Breach of Contract & Quasi Contracts

Indian Contract Act, 1872 • Sections 73–75 & 68–72

Modern Legal Education Series

LEARNING ROADMAP

What We Will Cover

01 **Remedies for Breach**
Overview of available remedies under the Act

02 **Damages – Meaning & Kinds**
Ordinary, Special, Exemplary, Nominal, Liquidated

03 **Remoteness of Damages**
Hadley v. Baxendale rule & its application

04 **Ascertainment of Damages**
How courts measure and assess damages

05 **Quasi Contracts**
Sections 68–72 – Obligations resembling contracts

01 • REMEDIES FOR BREACH OF CONTRACT

What Can the Injured Party Claim?

Damages

Monetary compensation for loss caused by breach (Secs 73–75). Most common remedy.

Specific Performance

Court directs the party to perform the exact promise (Specific Relief Act).

Injunction

Court order restraining a party from doing something (negative specific performance).

Quantum Meruit

Reasonable compensation for work already done when contract is discharged.

Rescission

Cancellation of the contract. Parties restored to original position.

Restitution

Return of benefits received under the contract.

02 • DAMAGES

Meaning & Legal Basis

Section 73 provides that when a contract has been broken, the party who suffers by such breach is entitled to receive compensation for any loss or damage caused to him which **naturally arose** in the usual course of things from such breach, or which the parties knew when they made the contract to be likely to result from the breach.

Compensatory Nature

Damages aim to put the injured party in the position he would have been if the contract had been performed.

Not Punitive

Indian law generally does not award punitive damages for breach of contract (except in limited cases).

Causation Required

Loss must be caused by the breach. Remote or indirect losses are not recoverable.

02 • KINDS OF DAMAGES

Classification of Damages

Ordinary / General

Damages that arise naturally and directly from the breach in the usual course of things.

Special Damages

Damages that arise from special circumstances communicated to the other party at the time of contract.

Exemplary / Vindictive

Awarded to punish the wrongdoer. Rare in pure contract cases (e.g., breach of promise to marry).

Nominal Damages

Token amount awarded when there is a breach but no substantial loss is proved.

Liquidated Damages

Pre-estimated genuine amount agreed by parties as compensation for breach (Sec 74).

Penalty

Sum named in the contract which is extravagant and unconscionable. Courts award only reasonable compensation.

03 • REMOTENESS OF DAMAGES

The Rule in Hadley v. Baxendale

LANDMARK CASE

Hadley v. Baxendale (1854)

A mill’s crankshaft broke. The carrier delayed delivery of the new shaft. The mill remained closed. Court held that the carrier was not liable for loss of profits because the special circumstance was not communicated.

First Limb

Damages that arise naturally and in the usual course of things from the breach itself.

These are recoverable even if the defendant did not know of any special circumstances.

Second Limb

Damages that arise from special circumstances which were communicated to (or known by) the other party at the time of making the contract.

Without such knowledge, these losses are too remote.

03 • APPLICATION OF THE RULE

Important Indian & English Cases

Victoria Laundry v. Newman (1949)

Loss of ordinary profits recoverable; loss of specially lucrative contracts not recoverable unless the special nature was known.

Koufos v. C. Czarnikow (The Heron II)

House of Lords clarified the degree of probability required for remoteness in contract.

Madras Railway Co. v. Govinda Rau

Early Indian application of Hadley v. Baxendale principles.

A.K.A.S. Jamal v. Moola Dawood Sons

Measure of damages in case of breach of contract for sale of shares – difference in market price.

Section 73 Explanation

Compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach.

Duty to Mitigate

Injured party must take reasonable steps to minimise the loss. Failure to mitigate reduces the damages recoverable.

04 • ASCERTAINMENT OF DAMAGES

How Courts Measure the Loss

Market Price Rule

In sale of goods, damages are usually the difference between contract price and market price on the date of breach.

Cost of Cure

In some cases (especially building contracts), the cost of remedying the defective performance is awarded.

Loss of Profits

Recoverable if they were within the contemplation of parties or arose naturally from the breach.

Difficulty of Assessment

Mere difficulty in assessing the exact amount does not prevent the court from awarding damages.

Mitigation of Loss

Plaintiff must take reasonable steps to reduce the loss. He cannot claim for avoidable loss.

Section 74

In case of liquidated damages or penalty, the court awards reasonable compensation not exceeding the amount named.

05 • QUASI CONTRACTS

Obligations Resembling Those Created by Contract

Quasi contracts are not contracts in the true sense. They are **obligations imposed by law** on a person for the benefit of another even though no real contract exists between them. The basis is prevention of **unjust enrichment**.

No Agreement

There is no offer, acceptance or consensus ad idem.

Law Imposes Duty

The obligation is created by law, not by the parties.

Unjust Enrichment

A person should not be allowed to enrich himself unjustly at another's expense.

05 • QUASI CONTRACTS – KEY SECTIONS

Sections 68 to 72 Explained

Sec 68	**Necessaries Supplied to Incapable Person**	Person supplying necessaries to a minor or person of unsound mind is entitled to reimbursement from their property.
Sec 69	**Payment by Interested Person**	A person who is interested in the payment of money and pays it on behalf of another is entitled to be reimbursed.
Sec 70	**Obligation of Person Enjoying Non-Gratuitous Act**	When a person lawfully does something for another (not intending it to be gratuitous) and the other enjoys the benefit, he must compensate.
Sec 71	**Responsibility of Finder of Goods**	A finder of goods has the same responsibility as a bailee. He must take reasonable care and can claim expenses.
Sec 72	**Money Paid Under Mistake or Coercion**	A person to whom money has been paid or anything delivered by mistake or under coercion must repay or return it.

KEY TAKEAWAYS

Summary of Unit-IV

01 **Damages are Compensatory**

Aim is to compensate, not to punish. Section 73 is the foundation.

02 **Remoteness Rule**

Hadley v. Baxendale – only natural consequences or specially communicated losses are recoverable.

03 **Kinds of Damages**

Ordinary, Special, Nominal, Exemplary, Liquidated damages and Penalty (Sec 74).

04 **Mitigation is Compulsory**

Injured party must take reasonable steps to reduce the loss.

05 **Quasi Contracts**

Law imposes obligations (Secs 68–72) to prevent unjust enrichment even without a real contract.

Thank You

“Damages are awarded to compensate, not to punish.”

UNIT-IV | Indian Contract Act, 1872