

Breach, Compensation, Liquidated Damages and Rescission

Indian Contract Act, 1872

Full local statutory text

Finin2min implementation edition

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Finin2min Summary - Chapter in 2 Minutes

Purpose

This unit converts breach, compensation, liquidated damages and rescission into statutory, transaction, evidence and remedy decisions.

Who is covered

Businesses, contracting parties, partners, buyers, sellers, principals, agents and litigants affected by this chapter.

Main obligations

Read the transaction documents and actual conduct against every statutory limb, exception and connected law.

Key timelines

Record event, breach, refusal, notice, acknowledgment and filing dates; apply the correct Limitation Act article.

Forms and evidence

Use the chapter evidence checklist and State/UT forms where registration or public notice applies.

Top risk

Wrong classification, missing authority, weak evidence, ineffective notice, unverified State process or wrong remedy.

Remedy

Preserve rights, mitigate loss, quantify exposure and confirm forum, arbitration, limitation and interim relief.

Finin2min takeaway

Classify - map law - verify authority - prove performance - quantify consequence - select remedy and forum.

Section-by-section provision map

Provision	Title	Status	Decision theme
s.73	Compensation for loss or damage caused by breach of contract. Compensation for failure to discharge obligation resembling those created by contract	operative	breach and remedies
s.74	Compensation for breach of contract where penalty stipulated for	operative	

			breach and remedies
s.75	Party rightfully rescinding contract, entitled to compensation	operative	title, property and risk

Legal status, amendments and source protocol

Act: Indian Contract Act, 1872; Act 9 of 1872; commencement 1 September 1872.

Source protocol: Complete central provision text is reproduced locally. Retained official India Code PDF extract. Official India Code and Gazette instruments prevail if any discrepancy is identified.

Full statutory text and Finin2min decode

Section 73 - Compensation for loss or damage caused by breach of contract. Compensation for failure to discharge obligation resembling those created by contract

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source](#) prevails.

Current statutory text

73.Compensation for loss or damage caused by breach of contract.—When a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby, 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 of it.

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

Compensation for failure to discharge obligation resembling those created by contract.—When an obligation resembling those created by contract has been incurred and has not been discharged, any person injured by the failure to discharge it is entitled to receive the same compensation from the party in default, as if such person had contracted to discharge it and had broken his contract.

Explanation.—In estimating the loss or damage arising from a breach of contract, the means which existed of remedying the inconvenience caused by the non-performance of the contract must be taken into account.

1. As to suits by minors under s. 70 in Presidency Small Cause Courts, see the Presidency Small Cause Courts Act, 1882 (15 of 1882), s. 32.

2. See ss. 151 and 152, *infra*.

Illustrations

(a) A contracts to sell and deliver 50 maunds of saltpetre to B, at a certain price to be paid on delivery. A breaks his promise. B is entitled to receive from A, by way of compensation, the sum, if any, by which the contract price falls short of the price for which B might have obtained 50 maunds of saltpetre of like quality at the time when the saltpetre ought to have been delivered.

(b) A hires B's ship to go to Bombay, and there take on board, on the first of January, a cargo, which A is to provide, and to bring it to Calcutta, the freight to be paid when earned. B's ship does not go to Bombay, but A has opportunities of procuring suitable conveyance for the cargo upon terms as advantageous as those on which he had chartered the ship. A avails himself of those opportunities, but is put to trouble and expense in doing so. A is entitled to receive compensation from B in respect of such

trouble and expense.

(c) A contracts to buy of B, at a stated price, 50 maunds of rice, no time being fixed for delivery. A afterwards informs B that he will not accept the rice if tendered to him. B is entitled to receive from A, by way of compensation, the amount, if any, by which the contract price exceeds that which B can obtain for the rice at the time when A informs B that he will not accept it.

(d) A contracts to buy B's ship for 60,000 rupees, but breaks his promise. A must pay to B, by way of compensation, the excess, if any, of the contract price over the price which B can obtain for the ship at the time of the breach of promise.

(e) A, the owner of a boat, contracts with B to take a cargo of jute to Mirzapur, for sale at that place, starting on a specified day. The boat, owing to some avoidable cause, does not start at the time appointed, whereby the arrival of the cargo at Mirzapur is delayed beyond the time when it would have arrived if the boat had sailed according to the contract. After that date, and before

the arrival of the cargo, the price of jute falls. The measure of the compensation payable to B by A is the difference between the price which B could have obtained for the cargo at Mirzapur at the time when it would have arrived if forwarded in due course, and its market price at the time when it actually arrived.

(f) A contracts to repair B's house in a certain manner, and receives payment in advance. A repairs the house, but not according to contract. B is entitled to recover from A the cost of making the repairs conform to the contract.

(g) A contracts to let his ship to B for a year, from the first of January, for a certain price. Freight rises, and, on the first of January, the hire obtainable for the ship is higher than the contract price. A breaks his promise. He must pay to B, by way of compensation, a sum equal to the difference between the contract price and the price for which B could hire a similar ship for a year on and from the first of January.

(h) A contracts to supply B with a certain quantity of iron at a fixed price, being a higher price than that for which A could procure and deliver the iron. B wrongfully refuses to receive the iron. B must pay to A, by way of compensation, the difference between the contract price of the iron and the sum for which A could have obtained and delivered it.

(i) A delivers to B, a common carrier, a machine, to be conveyed, without delay, to A's mill, informing B that his mill is stopped for want of the machine. B unreasonably delays the delivery of the machine, and A, in consequence, loses a profitable contract with the Government. A is entitled to receive from B, by way of compensation, the average amount of profit which would have been made by the working of the mill during the time that delivery of it was delayed, but not the loss sustained through the loss of the Government contract.

(j) A, having contracted with B to supply B with 1,000 tons of iron at 100 rupees a ton, to be delivered at a stated time, contracts with C for the purchase of 1,000 tons of iron at 80 rupees a ton, telling C that he does so for the purpose of performing

his contract with B. C fails to perform his contract with A, who cannot procure other iron, and B, in consequence, rescinds the contract. C must pay to A 20,000 rupees, being the profit which A would have made by the performance of his contract with B.

(k) A contracts with B to make and deliver to B, by a fixed day, for a specified price, a certain piece of machinery. A does not deliver the piece of machinery at the time specified, and in consequence of this, B is obliged to procure another at a higher price than that which he was to have paid to A, and is prevented from performing a contract which B had made with a third person at the time of his contract with A (but which had not been then communicated to A), and is compelled to make compensation for breach of that contract. A must pay to B, by way of compensation, the difference between the contract price of

the piece of machinery and the sum paid by B for another, but not the sum paid by B to the third person by way of compensation.

(l) A, a builder, contracts to erect and finish a house by the first of January, in order that B may give possession of it at that time to C, to whom B has contracted to let it. A is informed of the contract between B and C. A builds the house so badly that, before the first of January, it falls down and has to be re-built by B, who, in consequence, loses the rent which he was to have received from C, and is obliged to make compensation to C for the breach of his contract. A must make compensation to B for the cost of rebuilding the house, for the rent lost, and for the compensation made to C.

(m) A sells certain merchandise to B, warranting it to be of a particular quality, and B, in reliance upon this warranty, sells it to C with a similar warranty. The goods prove to be not according to the warranty, and B becomes liable to pay C a sum of money by way of compensation. B is entitled to be reimbursed this sum by A.

(n) A contracts to pay a sum of money to B on a day specified. A does not pay the money on that day, B, in consequence of not receiving the money on that day, is unable to pay his debts, and is totally ruined. A is not liable to make good to B anything except the principal sum he contracted to pay, together with interest up to the day of payment.

(o) A contracts to deliver 50 maunds of saltpetre to B on the first of January, at a certain price. B afterwards, before the first of January, contracts to sell the saltpetre to C at a price higher than the market price of the first of January. A breaks his promise.

In estimating the compensation payable by A to B, the market price of the first of January, and not the profit which would have arisen to B from the sale to C, is to be taken into account.

(p) A contracts to sell and deliver 500 bales of cotton to B on a fixed day. A knows nothing of B's mode of conducting his business. A breaks his promise, and B, having no cotton, is obliged to close his mill. A is not responsible to B for the loss caused

to B by the closing of the mill.

(q) A contracts to sell and deliver to B, on the first of January, certain cloth which B intends to manufacture into caps of a particular kind, for which there is no demand, except at that season. The cloth is not delivered till after the appointed time, and too late to be used that year in making caps. B is entitled to receive from A, by way of compensation, the difference between the

contract price of the cloth and its market price at the time of delivery, but not the profits which he expected to obtain by making caps, nor the expenses which he has been put to in making preparation for the manufacture.

(r) A, a ship-owner, contracts with B to convey him from Calcutta to Sydney in A's ship, sailing on the first of January, and

B pays to A, by way of deposit, one-half of his passage-money. The ship does not sail on the first of January, and B, after being in consequence detained in Calcutta for some time and thereby put to some expense, proceeds to Sydney in another vessel, and, in consequence, arriving too late in Sydney, loses a sum of money. A is liable to repay to B his deposit, with interest, and the expense to which he is put by his detention in Calcutta, and the excess, if any, of the passage-money paid for the second ship over that agreed upon for the first, but not the sum of money which B lost by arriving in Sydney too late.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	73.Compensation for loss or damage caused by breach of contract.—When a contract has been broken, the party who suffers by such breach is entitled to receive, from the party who has broken the contract, compensation for any loss or damage caused to him thereby, 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 of it. Such compensation is not to be given for any remote and indirect loss or damage sustained by reason of the breach. Compensation for failure to discharge obligation resembling those created by...	Test this main limb within the breach and remedies framework. Operational focus: 73.compensation for loss or damage caused by breach of contract.—when a contract has been broken, the party who.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	A contracts to sell and deliver 50 maunds of saltpetre to B, at a certain price to be paid on delivery. A breaks his promise. B is entitled to receive from A, by way of compensation, the sum, if any, by which the contract price falls short of the price for which B might have obtained 50 maunds of saltpetre of like quality at the time when the saltpetre ought to have been delivered.	Test this (a) within the breach and remedies framework. Operational focus: a contracts to sell and deliver 50 maunds of saltpetre to b, at a certain price to be.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(b)	A hires B's ship to go to Bombay, and there take on board, on the first of January, a cargo, which A is to provide, and to bring it to Calcutta, the freight to be paid when earned. B's ship does not go to Bombay, but A has opportunities of procuring suitable conveyance for the cargo upon terms as	Test this (b) within the breach and remedies framework. Operational focus: a hires b's ship to go to bombay, and there	Contract/deed, authority, chronology, notices, performance and payment

	advantageous as those on which he had chartered the ship. A avails himself of those opportunities, but is put to trouble and expense in doing so. A is entitled to receive compensation from B in respect of such trouble and expense.	take on board, on the first of january.	records tied to this limb.
(c)	A contracts to buy of B, at a stated price, 50 maunds of rice, no time being fixed for delivery. A afterwards informs B that he will not accept the rice if tendered to him. B is entitled to receive from A, by way of compensation, the amount, if any, by which the contract price exceeds that which B can obtain for the rice at the time when A informs B that he will not accept it.	Test this (c) within the breach and remedies framework. Operational focus: a contracts to buy of b, at a stated price, 50 maunds of rice, no time being fixed.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(d)	A contracts to buy B's ship for 60,000 rupees, but breaks his promise. A must pay to B, by way of compensation, the excess, if any, of the contract price over the price which B can obtain for the ship at the time of the breach of promise.	Test this (d) within the breach and remedies framework. Operational focus: a contracts to buy b's ship for 60,000 rupees, but breaks his promise. a must pay to b.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(e)	A, the owner of a boat, contracts with B to take a cargo of jute to Mirzapur, for sale at that place, starting on a specified day. The boat, owing to some avoidable cause, does not start at the time appointed, whereby the arrival of the cargo at Mirzapur is delayed beyond the time when it would have arrived if the boat had sailed according to the contract. After that date, and before the arrival of the cargo, the price of jute falls. The measure of the compensation payable to B by A is the difference between the price which B could have obtained for the cargo at Mirzapur at the time when it would have arrived if forwarded in due...	Test this (e) within the breach and remedies framework. Operational focus: a, the owner of a boat, contracts with b to take a cargo of jute to mirzapur, for.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(f)	A contracts to repair B's house in a certain manner, and receives payment in advance. A repairs the house, but not according to contract. B is entitled to recover from A the	Test this (f) within the breach and remedies framework. Operational focus: a contracts to	Contract/deed, authority, chronology, notices,

	cost of making the repairs conform to the contract.	repair b's house in a certain manner, and receives payment in advance. a repairs the.	performance and payment records tied to this limb.
(g)	A contracts to let his ship to B for a year, from the first of January, for a certain price. Freight rises, and, on the first of January, the hire obtainable for the ship is higher than the contract price. A breaks his promise. He must pay to B, by way of compensation, a sum equal to the difference between the contract price and the price for which B could hire a similar ship for a year on and from the first of January.	Test this (g) within the breach and remedies framework. Operational focus: a contracts to let his ship to b for a year, from the first of January, for a.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(h)	A contracts to supply B with a certain quantity of iron at a fixed price, being a higher price than that for which A could procure and deliver the iron. B wrongfully refuses to receive the iron. B must pay to A, by way of compensation, the difference between the contract price of the iron and the sum for which A could have obtained and delivered it.	Test this (h) within the breach and remedies framework. Operational focus: a contracts to supply b with a certain quantity of iron at a fixed price, being a higher.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(i)	A delivers to B, a common carrier, a machine, to be conveyed, without delay, to A's mill informing B that his mill is stopped for want of the machine. B unreasonably delays the delivery of the machine, and A, in consequence, loses a profitable contract with the Government. A is entitled to receive from B, by way of compensation, the average amount of profit which would have been made by the working of the mill during the time that delivery of it was delayed, but not the loss sustained through the loss of the Government contract.	Test this (i) within the breach and remedies framework. Operational focus: a delivers to b, a common carrier, a machine, to be conveyed, without delay, to a's mill informing.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(j)	A, having contracted with B to supply B with 1,000 tons of iron at 100 rupees a ton, to be delivered at a stated time, contracts with C for the purchase of 1,000 tons of iron at 80 rupees a ton, telling C that he does so for	Test this (j) within the breach and remedies framework. Operational focus: a, having contracted with b to	Contract/deed, authority, chronology, notices, performance

	the purpose of performing his contract with B. C fails to perform his contract with A, who cannot procure other iron, and B, in consequence, rescinds the contract. C must pay to A 20,000 rupees, being the profit which A would have made by the performance of his contract with B.	supply b with 1,000 tons of iron at 100 rupees a ton.	and payment records tied to this limb.
(k)	A contracts with B to make and deliver to B, by a fixed day, for a specified price, a certain piece of machinery. A does not deliver the piece of machinery at the time specified, and in consequence of this, B is obliged to procure another at a higher price than that which he was to have paid to A, and is prevented from performing a contract which B had made with a third person at the time of his contract with A (but which had not been then communicated to A), and is compelled to make compensation for breach of that contract. A must pay to B, by way of compensation, the difference between the contract price of the piece of...	Test this (k) within the breach and remedies framework. Operational focus: a contracts with b to make and deliver to b, by a fixed day, for a specified price.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(l)	A, a builder, contracts to erect and finish a house by the first of January, in order that B may give possession of it at that time to C, to whom B has contracted to let it. A is informed of the contract between B and C. A builds the house so badly that, before the first of January, it falls down and has to be re-built by B, who, in consequence, loses the rent which he was to have received from C, and is obliged to make compensation to C for the breach of his contract. A must make compensation to B for the cost of rebuilding the house, for the rent lost, and for the compensation made to C.	Test this (l) within the breach and remedies framework. Operational focus: a, a builder, contracts to erect and finish a house by the first of January, in order that.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(m)	A sells certain merchandise to B, warranting it to be of a particular quality, and B, in reliance upon this warranty, sells it to C with a similar warranty. The goods prove to be not according to the warranty, and B becomes liable to pay C a sum of money by	Test this (m) within the breach and remedies framework. Operational focus: a sells certain merchandise to b, warranting it to be of a	Contract/deed, authority, chronology, notices, performance and payment

	way of compensation. B is entitled to be reimbursed this sum by A.	particular quality, and b, in reliance.	records tied to this limb.
(n)	A contracts to pay a sum of money to B on a day specified. A does not pay the money on that day, B, in consequence of not receiving the money on that day, is unable to pay his debts, and is totally ruined. A is not liable to make good to B anything except the principal sum he contracted to pay, together with interest up to the day of payment.	Test this (n) within the breach and remedies framework. Operational focus: a contracts to pay a sum of money to b on a day specified. a does not pay.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(o)	A contracts to deliver 50 maunds of saltpetre to B on the first of January, at a certain price. B afterwards, before the first of January, contracts to sell the saltpetre to C at a price higher than the market price of the first of January. A breaks his promise. In estimating the compensation payable by A to B, the market price of the first of January, and not the profit which would have arisen to B from the sale to C, is to be taken into account.	Test this (o) within the breach and remedies framework. Operational focus: a contracts to deliver 50 maunds of saltpetre to b on the first of January, at a certain.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(p)	A contracts to sell and deliver 500 bales of cotton to B on a fixed day. A knows nothing of B's mode of conducting his business. A breaks his promise, and B, having no cotton, is obliged to close his mill. A is not responsible to B for the loss caused to B by the closing of the mill.	Test this (p) within the breach and remedies framework. Operational focus: a contracts to sell and deliver 500 bales of cotton to b on a fixed day. a knows.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(q)	A contracts to sell and deliver to B, on the first of January, certain cloth which B intends to manufacture into caps of a particular kind, for which there is no demand, except at that season. The cloth is not delivered till after the appointed time, and too late to be used that year in making caps. B is entitled to receive from A, by way of compensation, the difference between the contract price of the cloth and its market price at the time of delivery, but not the profits which he expected to obtain by	Test this (q) within the breach and remedies framework. Operational focus: a contracts to sell and deliver to b, on the first of January, certain cloth which b intends.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

	making caps, nor the expenses which he has been put to in making preparation for the manufacture.		
(r)	A, a ship-owner, contracts with B to convey him from Calcutta to Sydney in A's ship, sailing on the first of January, and B pays to A, by way of deposit, one-half of his passage-money. The ship does not sail on the first of January, and B, after being in consequence detained in Calcutta for some time and thereby put to some expense, proceeds to Sydney in another vessel, and, in consequence, arriving too late in Sydney, loses a sum of money. A is liable to repay to B his deposit, with interest, and the expense to which he is put by his detention in Calcutta, and the excess, if any, of the passage-money paid for the second ship...	Test this (r) within the breach and remedies framework. Operational focus: a, a ship-owner, contracts with b to convey him from calcutta to sydney in a's ship, sailing on.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 73 is a breach and remedies provision dealing with compensation for loss or damage caused by breach of contract. compensation for failure to discharge obligation resembling those created by contract. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Identify breach, causation, remoteness, mitigation, stipulated sums, restitution, interest and remedy election. Preserve a reproducible claim and defence working.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 74 - Compensation for breach of contract where penalty stipulated for

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source](#) prevails.

Current statutory text

74. Compensation for breach of contract where penalty stipulated for.—1[When a contract has been broken, if a sum is named in the contract as the amount to be paid in case of such breach, or if the contract contains any other stipulation by way of penalty, the party complaining of the breach is entitled, whether or not actual damage or loss is proved to have been caused thereby, to receive from the party who has broken the contract reasonable compensation not exceeding the amount so named or, as the case may be, the penalty stipulated for.]

Explanation.—A stipulation for increased interest from the date of default may be a stipulation by way of penalty.]

Exception.—When any person enters into any bail-bond, recognizance or other instrument of the same nature, or, under the provisions of any law, or under the orders of the 2[Central Government] or of any 3[State Government], gives any bond for the performance of any public duty or act in which the public are interested, he shall be liable, upon breach of the condition of any such instrument, to pay the whole sum mentioned therein.

Explanation.—A person who enters into a contract with Government does not necessarily thereby undertake any public duty, or promise to do an act in which the public are interested.

Illustrations

- (a) A contracts with B to pay B Rs. 1,000, if he fails to pay B Rs. 500 on a given day. A fails to pay B Rs. 500 on that day. B is entitled to recover from A such compensation, not exceeding Rs. 1,000, as the Court considers reasonable.
- (b) A contracts with B that, if A practises as a surgeon within Calcutta, he will pay B Rs. 5,000. A practises as a surgeon in Calcutta. B is entitled to such compensation; not exceeding Rs. 5,000, as the Court considers reasonable.
- (c) A gives a recognizance binding him in a penalty of Rs. 500 to appear in Court on a certain day. He forfeits his recognizance. He is liable to pay the whole penalty.

1. Subs. by Act 6 of 1899, s. 4, for the first paragraph of s. 74.

2. Subs. by the A.O. 1937, for “Government of India”.

3. Subs. by the A.O. 1950, for “Provincial Government”.

1[(d) A gives B a bond for the repayment of Rs. 1,000 with interest at 12 per cent. at the end of six months, with a stipulation that, in case of default, interest shall be payable at the rate of 75 per cent. from the date of default. This is a stipulation by way of

penalty, and B is only entitled to recover from A such compensation as the Court considers reasonable.

(e) A, who owes money to B a money-lender, undertakes to repay him by delivering to him 10 maunds of grain on a certain date, and stipulates that, in the event of his not delivering the stipulated amount by the stipulated date, he shall be liable to deliver

20 maunds. This is a stipulation by way of penalty, and B is only entitled to reasonable compensation in case of breach.

(f) A undertakes to repay B a loan of Rs. 1,000 by five equal monthly instalments, with a stipulation that in default of payment of any instalment, the whole shall become due. This stipulation is not by way of penalty, and the contract may be enforced according to its terms.

(g) A borrows Rs. 100 from B and gives him a bond for Rs. 200 payable by five yearly instalments of Rs. 40, with a stipulation that, in default of payment of any instalment, the whole shall become due. This is a stipulation by way of penalty.]

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	74. Compensation for breach of contract where penalty stipulated for.—1[When a contract has been broken, if a sum is named in the contract as the amount to be paid in case of such breach, or if the contract contains any other stipulation by way of penalty, the party complaining of the breach is entitled, whether or not actual damage or loss is proved to have been caused thereby, to receive from the party who has broken the contract reasonable compensation not exceeding the amount so named or, as the case may be, the penalty stipulated for. Explanation.—A stipulation for increased interest from the date of default may be a...	Test this main limb within the breach and remedies framework. Operational focus: 74. compensation for breach of contract where penalty stipulated for.—1[when a contract has been broken, if a sum.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(a)	A contracts with B to pay B Rs. 1,000, if he fails to pay B Rs. 500 on a given day. A fails to pay B Rs. 500 on that day. B is entitled to recover from A such compensation, not exceeding Rs. 1,000, as the Court considers reasonable.	Test this (a) within the breach and remedies framework. Operational focus: a contracts with b to pay b rs. 1,000, if he fails to pay b rs. 500 on.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(b)	A contracts with B that, if A practises as a surgeon within Calcutta, he will pay B Rs. 5,000. A practises as a surgeon in Calcutta. B is entitled to such compensation; not exceeding Rs. 5,000, as the Court considers reasonable.	Test this (b) within the breach and remedies framework. Operational focus: a contracts with b that, if a practises as a surgeon within calcutta, he will pay b rs. 5,000.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(c)	A gives a recognizance binding him in a penalty of Rs. 500 to appear in Court on a certain day. He forfeits his recognizance. He is liable to pay the whole penalty. 1. Subs. by Act 6 of 1899, s. 4, for the first paragraph of s. 74. 2. Subs. by the A.O. 1937, for	Test this (c) within the breach and remedies framework. Operational focus: a gives a recognizance binding him in a	Contract/deed, authority, chronology, notices, performance and payment

	“Government of India”. 3. Subs. by the A.O. 1950, for “Provincial Government”. 1[	penalty of rs. 500 to appear in court on a.	records tied to this limb.
(d)	A gives B a bond for the repayment of Rs. 1,000 with interest at 12 per cent. at the end of six months, with a stipulation that, in case of default, interest shall be payable at the rate of 75 per cent. from the date of default. This is a stipulation by way of penalty, and B is only entitled to recover from A such compensation as the Court considers reasonable.	Test this (d) within the breach and remedies framework. Operational focus: a gives b a bond for the repayment of rs. 1,000 with interest at 12 per cent. at.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(e)	A, who owes money to B a money-lender, undertakes to repay him by delivering to him 10 maunds of grain on a certain date, and stipulates that, in the event of his not delivering the stipulated amount by the stipulated date, he shall be liable to deliver 20 maunds. This is a stipulation by way of penalty, and B is only entitled to reasonable compensation in case of breach.	Test this (e) within the breach and remedies framework. Operational focus: a, who owes money to b a money-lender, undertakes to repay him by delivering to him 10 maunds.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(f)	A undertakes to repay B a loan of Rs. 1,000 by five equal monthly instalments, with a stipulation that in default of payment of any instalment, the whole shall become due. This stipulation is not by way of penalty, and the contract may be enforced according to its terms.	Test this (f) within the breach and remedies framework. Operational focus: a undertakes to repay b a loan of rs. 1,000 by five equal monthly instalments, with a stipulation.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.
(g)	A borrows Rs. 100 from B and gives him a bond for Rs. 200 payable by five yearly instalments of Rs. 40, with a stipulation that, in default of payment of any instalment, the whole shall become due. This is a stipulation by way of penalty.]	Test this (g) within the breach and remedies framework. Operational focus: a borrows rs. 100 from b and gives him a bond for rs. 200 payable by five yearly.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 74 is a breach and remedies provision dealing with compensation for breach of contract where penalty stipulated for. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Identify breach, causation, remoteness, mitigation, stipulated sums, restitution, interest and remedy election. Preserve a reproducible claim and defence working.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Section 75 - Party rightfully rescinding contract, entitled to compensation

Local statutory-text source control: Retained official India Code PDF extract. [Official India Code source](#) prevails.

Current statutory text

75. Party rightfully rescinding contract, entitled to compensation.—A person who rightfully rescinds a contract is entitled to compensation for any damage which he has sustained through the non-fulfilment of the contract.

Illustration

A, a singer, contracts with B, the manager of a theatre, to sing at his theatre for two nights in every week during the next two months, and B engages to pay her 100 rupees for each night’s performance. On the sixth night, A wilfully absents herself from the theatre, and B, in consequence, rescinds the contract. B is entitled to claim compensation for the damage which he has sustained through the non-fulfilment of the contract.

[CHAPTER VII.—SALES OF GOODS.] Rep.by the Indian Sale of Goods Act, 1930 (3 of 1930), s. 65.

Finin2min clause-by-clause decode

Clause	Statutory requirement	Finin2min meaning	Evidence/ control
Main rule	75. Party rightfully rescinding contract, entitled to compensation.—A person who rightfully rescinds a contract is entitled to compensation for any damage which he has sustained through the non-fulfilment of the contract. Illustration A, a singer, contracts with B, the manager of a theatre, to sing at his theatre for two nights in every week during the next two months, and B engages to pay her 100 rupees for each night’s performance. On the sixth night, A wilfully absents herself from the theatre, and B, in consequence, rescinds the contract. B is entitled to claim compensation for the damage which he has sustained through the...	Test this main limb within the title, property and risk framework. Operational focus: 75. party rightfully rescinding contract, entitled to compensation.—a person who rightfully rescinds a contract is entitled to compensation for.	Contract/deed, authority, chronology, notices, performance and payment records tied to this limb.

Finin2min implementation explanation

Section 75 is a title, property and risk provision dealing with party rightfully rescinding contract, entitled to compensation. Identify the actor, trigger, cumulative or alternative conditions, provisos, exceptions and legal consequence before reaching a conclusion.

Implementation control: Prepare a title-risk timeline covering identification, appropriation, notice, delivery, documents of title, reservation of disposal and good-faith third-party rights.

Section-level practical application

Transaction test

Apply this provision to the event-date facts and record every satisfied, disputed or inapplicable limb.

Consequence and remedy

Identify how it changes validity, title, authority, liability, payment, rejection, recovery, registration, evidence or relief.

Practical examples and calculations

Chapter scenario

A contract states Rs. 25 lakh as liquidated damages for each delay. The claimant must still prove breach, trigger, legal injury and reasonable compensation; the label is not conclusive.

Calculation	Method	Evidence
Price / consideration	Reconcile base amount, GST/tax, credits, retention, deductions and payment terms.	Contract, invoice, ledger, tax documents and bank proof.
Loss / compensation	Separate direct loss, consequential loss, avoided cost, mitigation, restitution, interest and stipulated sum.	Loss model, market evidence and mitigation log.
Partner settlement	Reconcile capital, current accounts, loans, drawings, profit share, assets, liabilities and goodwill.	Deed, ledgers, bank records and valuation.
Limitation	Record accrual, breach/refusal, notice, acknowledgment, exclusion and filing date.	Chronology and limitation memorandum.

Practical transaction application

1. Identify the transaction, relationship, parties and event date.
2. Map every provision to the contract/deed and actual conduct.
3. Record conditions satisfied, disputed, waived, excused or prevented.
4. Reconcile authority, delivery/performance, acceptance, payment and notices.
5. Quantify exposure and choose cure, termination, recovery, settlement or litigation strategy.

Authority, consent and execution controls

Authority

- Correct legal entities and counterparties.
- Board, partner, power-of-attorney or delegated authority.
- Ordinary-course and implied-authority limits.
- Third-party knowledge of restrictions.

Consent

- Offer, acceptance and agreed version.
- Capacity, free consent and disclosures.
- Conditions precedent and approvals.
- No unauthorised post-execution alteration.

Execution

- Complete schedules and annexures.
- Witnessing, attestation and e-sign audit trail.
- Counterparts, date and place.
- Original and certified-copy custody.

Stamp duty and registration alerts

Stamp duty is State/UT-specific. Classify the true instrument, place of execution or receipt, consideration and property. Registration is a separate enquiry. Insufficient stamping may require impounding; non-registration may affect property and third-party enforceability.

Instrument	Alert
Commercial agreement	Do not default to a generic article if the substance is indemnity, guarantee, security, transfer, lease or another specifically charged instrument.
Partnership deed/reconstitution	Check capital contribution, immovable property, retirement/dissolution and Registrar filing separately.
Sale of movable goods	Coordinate contract, invoice, GST/e-invoice, transport and sectoral records.
Property-related relief	Check compulsory registration, title, court fee and decree-registration effects.

Evidence and document-retention checklist

Core file

- Executed agreement and every amendment
- Authority and approval trail
- Negotiation and version history
- Notices and receipt proof
- Performance and acceptance evidence
- Invoices, ledger and bank proof
- Loss and mitigation working
- Limitation and forum note

Electronic evidence

- Native email/message and metadata.
- Version history and e-sign certificate.
- System logs and acknowledgements.
- Legal hold and defensible export.

Retention

- Executed originals and amendments.
- Authority and entity records.
- Tax, payment and accounting records.
- Claims and litigation records through final disposal.

Forms, registers and operational records

Record/form	Control
No universal statutory form	The Act generally works through agreements, notices and evidence rather than prescribed Central forms.
Contract register	Maintain owner, counterparty, value, term, renewal, governing law and dispute route.
Breach/claim file	Preserve notice, causation, loss, mitigation and remedy decision.

Performance, delivery and payment controls

Stage	Control	Proof
Obligation matrix	List each reciprocal obligation, owner, due date, dependency and consequence.	Signed matrix tied to contract sections.
Delivery/ performance	Record dispatch, carrier, title/risk point, milestones, inspection and acceptance/rejection.	Delivery documents, certificates and correspondence.
Payment	Reconcile invoice, tax, credit, retention, set-off, due date and bank receipt.	Invoice, e-invoice, ledger and bank proof.
Change/cure	Use authorised variation and cure procedures; avoid informal waiver.	Change order, approval and cure closure.

Breach, loss, mitigation and remedy framework

1. Identify the exact obligation and legally material breach.
2. Confirm causation, remoteness, foreseeability and proof of loss.
3. Record mitigation, avoided cost and substitute performance.
4. Test damages, price, restitution, lien, stoppage, accounts, dissolution, specific performance, injunction, rescission, rectification, cancellation or declaration.
5. Check remedy election, double recovery, caps/exclusions and public policy.

Limitation and forum controls

Control	Analysis
Accrual	Classify cause of action and record breach, refusal, knowledge, demand and continuing-obligation dates.
Limitation	Apply the correct article; test acknowledgment, part-payment, exclusion and disability.
Jurisdiction	Check territorial/pecuniary rules, Commercial Courts threshold, exclusive forum and special court.
Interim relief	Assess preservation, injunction, receiver, security and evidence protection.
Appeal/ enforcement	Map decree/award challenge, execution, interest and cross-border enforcement.

Arbitration and mediation interface

- Validate agreement, signatories, scope, seat, rules and appointment mechanism.
- Separate substantive rights from forum selection and identify non-arbitrable issues.
- Check interim measures, consolidation, joinder and multi-contract issues.
- Preserve limitation during negotiation or mediation.
- Record settlement authority, confidentiality, tax, stamp and enforceability.

Company, partnership, GST and tax overlays

Overlay	Questions
Companies Act	Authority, objects, approvals, related-party, loan/guarantee/security and disclosure requirements.
Partnership/LLP	Deed/LLP authority, current constitution and public records.
GST	Supply, time/place/value, invoice/e-invoice, ITC, credit note, advance, damages and settlement treatment.
Income tax/TDS	Withholding, partner remuneration/interest, capital/revenue, bad debt, settlement and transfer consequences.
IBC/FEMA/ consumer	Moratorium and avoidance, cross-border payment/governing law, consumer and e-commerce protection.

Binding and foundational judicial principles

Authority	Principle	Verification
Mohori Bibee v. Dharmodas Ghose	Capacity: a minor cannot be made contractually liable through an agreement treated as enforceable against the minor.	Verify official judgment and later treatment.
Bhagwandas Goverdhandas Kedia v. Girdharilal Parshottamdas	Communication rules determine where and when acceptance creates a concluded contract.	Verify official judgment and later treatment.
Central Inland Water Transport Corp. v. Brojo Nath Ganguly	Unconscionable terms and unequal bargaining power may engage public-policy and undue-influence analysis.	Verify official judgment and later treatment.
Satyabrata Ghose v. Mugneeram Bangur & Co.	Section 56 covers practical impossibility and frustration, not merely literal physical impossibility.	Verify official judgment and later treatment.
Fateh Chand v. Balkishan Das	A stipulated sum does not automatically become recoverable; reasonable compensation remains the statutory measure.	Verify official judgment and later treatment.
Kailash Nath Associates v. DDA	Section 74 compensation requires legal injury and cannot operate as an automatic windfall.	Verify official judgment and later treatment.

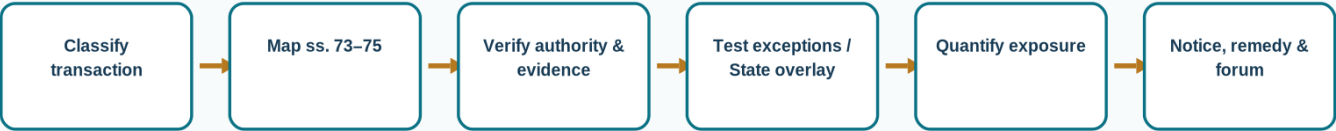
Central and State/UT variation alerts

Stamp duty, registration, court fee, civil procedure and State amendments must be checked for the instrument and forum.

Use the State/UT variation register in the data folder for the live source checklist.

Chapter-specific decision flowchart

ICA-C07 · Finin2min decision path



Damages, remoteness, mitigation, stipulated sums and rescission. Verify the current official source before professional reliance.

Finin2min Q&A

What decision does ICA-C07 help a business make?

It determines how breach, compensation, liquidated damages and rescission should be classified, documented, performed and enforced under sections 73-75 of the Indian Contract Act, 1872.

Which provision should be read first in ICA-C07?

Begin with section 73 (Compensation for loss or damage caused by breach of contract. Compensation for failure to discharge obligation resembling those created by contract) and then read the connected definitions, exceptions and remedy provisions in sequence.

What is the principal implementation risk in ICA-C07?

Applying a commercial label without proving the statutory conditions for breach, compensation, liquidated damages and rescission, or acting without authority, notice, performance and payment evidence.

Which execution checks are specific to ICA-C07?

Confirm the correct entities, signatory authority, consent, complete annexures, stamp and registration treatment, digital audit trail and approvals relevant to breach, compensation, liquidated damages and rescission.

How should evidence be indexed for ICA-C07?

Link every section in the chapter with the contract or deed, authority, chronology, notices, performance, delivery, payment, loss and remedy evidence supporting it.

What calculation should be retained for ICA-C07?

Retain the relevant price, tax, interest, partner-account, loss, mitigation, restitution or relief working with sources and assumptions, not only the final number.

How does limitation affect ICA-C07?

Classify the precise cause of action associated with breach, compensation, liquidated damages and rescission, record accrual, refusal, notice, acknowledgment and exclusion dates, and apply the correct Limitation Act article.

Can arbitration resolve every dispute arising under ICA-C07?

Arbitration may govern the forum, but it does not validate illegality, remove mandatory rules or make a non-arbitrable subject arbitrable. Check scope, seat and interim relief.

Which tax and entity overlays should be checked for ICA-C07?

Check Companies Act authority and related-party controls, partnership constitution, GST supply and invoice consequences, withholding, accounting and insolvency effects.

What is the final professional sign-off for ICA-C07?

Confirm the current statutory source, section conclusions, State variation, authority, calculation, limitation, remedy, forum and complete evidence trail.

Why is section 75 important to ICA-C07?

Section 75 (Party rightfully rescinding contract, entitled to compensation) completes the chapter control and must be tested independently.

Official sources and verification status

- [Indian Contract Act, 1872 - India Code](#)
- Official Gazette and applicable State/UT Gazette, Registrar and court portals.
- Review date: 2026-07-18.