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# A Case Comment on *Victoria Laundry Ltd v. Newman Industries Ltd* [1949] 2 KB 528

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AARAV SREJAN PRASAD<sup>1</sup> AND ISHIKA JAIN<sup>2</sup>

## I. INTRODUCTION

The case *Victoria Laundry Ltd v Newman Industries Ltd* was decided in 1949 for the King's Bench by the Court of Appeals. The subject matter of this case revolved around reasonable foreseeability and remoteness of damage. This case added onto the consequential damages rule laid down in the Hadley judgment by clarifying it by resolving a significant lacuna in it.

Victoria Laundry (plaintiff) had entered into a contract with Newman Industries (defendant) to build and deliver a large boiler with a heavy steaming capacity of 8000lbs an hour. As per the contract, the boiler had to be delivered in early June. The plaintiff had explicitly told the defendant regarding the need for the boiler being very urgent and wanted to use it immediately after delivery. The delivery was made twenty (20) weeks late even after knowing about the boiler's urgent need. Due to this delay, the plaintiff incurred significant losses in profits and many profitable contracts. Victoria Laundry then sued Newman Industries for the losses incurred by them. Newman Industries were charged both under ordinary as well as special damages. The Trial Court held that the defendant was liable, relying on the first rule of the remoteness of damage laid down in the case of *Hadley v Baxendale*<sup>3</sup>. The Court of Appeals later overruled this judgment for the King's Bench, which held that the defendant was liable for the plaintiff's damages.

## II. BACKGROUND

Victoria Laundry was into the business of Laundry and dyeing in Windsor. To expand their business and operating capacity, they signed a contract with Newman Industries, an electrical manufacturing firm, for a large Cochran vertical boiler with a heavy steaming capacity of 8000lbs an hour. In the contract, Newman Industries agreed to deliver by early June 1946. Victoria Laundry even specified the boiler's immediate requirement and it being put to use as soon as it gets delivered. Even after being aware of the situation, Newman Industries delivered the boiler late in November 1946. Due to this delay, the plaintiff incurred

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<sup>1</sup> Author is a student at School of Law, Christ (Deemed to be University), India.

<sup>2</sup> Author is a student at School of Law, Christ (Deemed to be University), India.

<sup>3</sup> *Hadley v. Baxendale* [1854] EWHC J70

significant losses in profits and many profitable contracts. Victoria Laundry then sued Newman Industries for the losses incurred by them. Victoria Laundry received 110 pounds sterling as ordinary damages but was denied special damages by the Trial Court relying on the first rule of the remoteness of damage laid down in the case of *Hadley v Baxendale* as the defendants were not aware of the special consequence of not delivering the boiler on time. The Court of Appeals later overruled this judgment for the King's Bench, which held that the defendant was liable for the plaintiff's special damages and established the 'second rule of the remoteness of damage. This rule stated that *apart from the general knowledge that the defendants possess, if there may have to be added in a particular case knowledge which he possesses, of special circumstances outside the "ordinary course of things," of such a kind that a breach in those special circumstances would be liable to cause more loss*<sup>4</sup>. The defendants argued that they didn't know about the urgency of the boiler and that it wasn't going to be used immediately; the Court set aside this argument, stating that it was quite evident from the urgency with which the plaintiffs were asking for the boiler to be delivered that the plaintiffs did intend to start using the boiler immediately. The Court cited the case of *Cory v. Thames Ironworks Company*<sup>5</sup>, according to which damages for loss can be claimed if the loss is incurred from the obvious use of sold by the defendant. Relying on it, the court said that the boiler's use was evident, and it could have been assumed that the plaintiff would have used the boiler for its business purposes. Thus, the loss was foreseeable as well as could have been contemplated by the defendant.

### III. ANALYSIS

In my opinion, the judgment given by the court is apt and appropriate for this case. This judgment provides clarity to the judgment in *Hadley's* case and the 'foreseeability test.' The court considered every possible angle of the case and looked into the existing rules revolving around the case. It is apparent that the defendant was aware of the fact the delay in delivery of the boiler would cause harm and damage to the business of the plaintiff, and even after being aware of the same, the defendant delayed the delivery. The fact that they were aware of it, in my opinion, makes them liable for the loss suffered by Victoria Laundry. The court addressed and considered the fact that a large part of the evidence in the case was unheard in the Trial Court, and it was evidence that could have proven the boiler's urgent requirement. The court did adequately justify its reasoning. It also interpreted the laws correctly. It also gave the existing laws at that time more clarity. It was a very logical and just decision and

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<sup>4</sup>Victoria Laundry Ltd v Newman Industries Ltd [1949] 2 KB 528

<sup>5</sup>Cory v. Thames Ironworks Company C 16/65/C69

was made considering both sides' arguments, and nothing was omitted. It is a critical case as it gave clarity on the rule of consequential damages and set a landmark judgment for further cases to follow. This decision does conform to the current existing laws as it covers the essentials to pay special damages. It took the rule laid down in *Hadley v Baxendale* a step further and gave it more clarity and direction. Along with *Hadley v Baxendale*, it is also considered as a landmark judgment in common law countries.

It is a crucial case as it clarifies the rule of consequential damages by resolving a major lacuna and forms a landmark judgment in that regard. The judgment should be appreciated and, in my opinion, fixes the lacuna in Hadley's case in the most efficient manner. This case also holds value to date.

#### **IV. CONCLUSION**

*Victoria Laundry Ltd. v. Newman Industries Ltd.* is an important case as it resolves the lacuna in the rule and adds to the consequential damages rule laid down in the case of *Hadley v Baxendale*. This case sets a landmark judgment for future cases to come, and the Court's approach to this case must be appreciated as it gave a well-thought decision by considering all the possible facts and arguments in the case.

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