

INTERNATIONAL JOURNAL OF LAW
MANAGEMENT & HUMANITIES

[ISSN 2581-5369]

Volume 5 | Issue 4

2022

© 2022 *International Journal of Law Management & Humanities*

Follow this and additional works at: <https://www.ijlmh.com/>

Under the aegis of VidhiAagaz – Inking Your Brain (<https://www.vidhiaagaz.com/>)

This article is brought to you for “free” and “open access” by the International Journal of Law Management & Humanities at VidhiAagaz. It has been accepted for inclusion in the International Journal of Law Management & Humanities after due review.

In case of **any suggestions or complaints**, kindly contact Gyan@vidhiaagaz.com.

To submit your Manuscript for Publication in the **International Journal of Law Management & Humanities**, kindly email your Manuscript to submission@ijlmh.com.

Quantum Meruit Ensuring Justice in Commercial World

MUDIT JAIN¹ AND SONAM²

ABSTRACT

In certain circumstances, it may happen that an individual may obtain certain advantages to which the other individual is legally empowered. In commercial dealings, it may happen that obligations may arise upon the parties against one another because of law and without any contract entered between them. Such relationships are termed as Quasi Contract which includes claims for Quantum Meruit. Being a principle of commercial law, Quantum Meruit is often being used in daily commercial transactions by the parties without their knowledge. Quantum Meruit ensures justice in commercial law with or without the existence of any formal legally enforceable commercial contract, regulating the relations between the parties. The present article analyzes the nature, legal provisions and case laws dealing with the implementation of the Quantum Meruit postulate in Indian Commercial Law primarily dealing with contract law.

I. INTRODUCTION

In the commercial world, not every transaction requires contractual relations between the individuals for fixing legal obligations upon them. There can be instances where an individual can be held legally liable towards another not because of any contractual relationship but because of the operation of law. There are instances where the law considers that an individual shall pay another individual, even with the existence of any contract between them. Such relations are often termed as Quasi-Contract, even though there does not exist any contract/agreement³ between the individuals but law puts them in the position of parties to a contract. Such contracts are founded generally on the principle of equity, which states no one shall be permitted to enrich oneself wrongfully at the cost of someone else.

S.68-S.72 of Indian Contract Act, 1872 deals with five types of Quasi Contracts namely:-

- Supply of Necessaries (S.68)
- Payment by an Interested Person (S.69)

¹ Author is Pursuing PhD at Manav Rachna University, India.

² Author is an Assistant Professor at Fairfield Institute of Management and Technology, India.

³ N. D. Kapoor, *Quasi-Contracts*, in Elements of Mercantile Law 149–156 (33 ed. 2012).

- Obligation to pay for Non-Gratuitous acts (S.70)
- Responsibility of the Finder of Goods (S.71)
- Mistake or Coercion (S.72)

Claim for Quantum Meruit is available to the parties in almost all the above types of Quasi Contract. Before knowing the application of Quantum Meruit, one should know what Quantum Meruit postulate actually implies “*As Much As Earned*”. It may happen that a party may have done certain labour or provided certain service, he cannot claim anything for what he did because he has only done a portion of what was required of him. Similarly, it may happen that if an individual agrees to complete certain work for a lump sum or without remuneration, failure in completing the task may not entitle him to any remuneration for the work being carried out by him. However, the law provides an exception to this rule in the form of a claim for Quantum Meruit.

Quantum Meruit refers to a right wherein, whenever a contract partially accomplished by one individual is discharged resulting from the breach of contract by the other. The trite is based on an implied promise by the other person to pay for what's been rightfully performed, instead of on the initial contract, which has now been discharged or has become void. Further, it is called Quantum Meruit as compensation can be recovered based on the quantity of work done under the contract. It is frequently identified as a potential substitute for a breach of contract action.

It is not a contractual remedy in a strict sense as in some instances, relief is available for something like a breach of contract done by other contract parties. It is quasi-contractual. Therefore even if a person has provided any benefit under a void contract, a claim for Quantum Meruit still exists (S.65 Indian Contract Act, 1872- Benefits received under Void Agreement). In the case of *Craven-Ellis v Canons Ltd.* (1936) 2 KB 403) Justice Greer emphasized the fact that “*a claim of this kind does not depend upon implied contract arising by virtue of services having been accepted upon an inference of fact but upon a rule of law*”.

The principle of restitution is the essence of Quantum Meruit, placing the individual injured owing to the breach of contract in a position in which he would have been had the contract not been entered into. In *De Bernardy v. Harding* (1853) 3 Ex.822 the Court held that “*it merely entitles the injured party to be compensated for whatever work he may have already done or whatever expense he may have incurred*”.

II. CONDITIONS TO BE FULFILLED FOR CLAIMING QUANTUM MERUIT

There exist two essential conditions for claiming benefit under Quantum Meruit:-

1. Discharge of Contract:-

As mentioned above for claiming an action for Quantum Meruit, one of the parties in the contract should be in breach of contractual obligations or must have prevented the other party from performing his part of the obligation.

2. Claim by the Party, not at Fault:-

The non-fault party is legally entitled to bring a suit for Quantum Meruit. Thus, the party at fault is generally not legally capable to institute legal proceedings for Quantum Meruit.

Indian Courts allow the application of the Quantum Meruit postulate under S.70 of the Indian Contract Act, 1872 which states "*Obligation of person enjoying the benefit of the non-gratuitous act—where a person lawfully does anything for another person, or delivers anything to him, not intending to do so gratuitously, and such other person enjoys the benefit thereof, the latter is bound to make compensation to the former in respect of, or to restore, the thing so done or delivered.*"

III. QUANTUM MERUIT V. UNJUST ENRICHMENT

Quantum Meruit and Unjust enrichment are overlapping and confusing concepts because both aim at stopping one party from acting unjustly while dealing with another party in commercial transactions.

However, despite the similarities between the concepts they are not exactly the same. Unjust enrichment generally involves challenges entailing a failure to pay for services rendered while Quantum Meruit involves issues where a reasonable amount is required to be paid.

Claim for Quantum Meruit may arise in the following Instances

- **Agreement Discovered to be Void (S.65 ICA, 1872):-**

If an agreement is revealed to be void or becomes void, anybody who earned any advantage or benefits from it is obliged by law to reinstate it or reimburse the individual who received it.

- **Something did Without any Intention to do so Gratuitously (S.70 ICA, 1872):-**

When a thing is done by the law or merchandise is furnished by an individual without any intention of doing so gratuitously towards another individual and that person reaps the rewards, the latter is bound by law to compensate the former or restore the thing so done or supplied.

In *Hansraj Gupta v. Union of India* AIR1973 SC 2724, the Hon`ble Supreme Court stated that “the word person refers to the person who had actually supplied the goods or rendered services’ . In *Krishna Menon v. Cochin Dewaswon Board* AIR (1963) Ker 81, the Court held that “ Wherein a contract is performed partly, the other party is not obligated to pay unless it is evident that some benefits have been taken by him owing t part performance under circumstances sufficient to raise an implied promise to pay for the part performance.”.

- **Existence of express/implied contract to render services without any agreement as to remuneration:-** There may be instances in which contract may either be expressed or implied without specifying remuneration. In such cases a reasonable remuneration is payable however, what is reasonable remuneration is left to be determined by the Courts of Law and this reasonable remuneration is generally Quantum Meruit.

- **Accomplishment of the Contract Being Restrained by the Action of Other Party:-** In cases where an individual has been prevented from fulfilling his obligations in the contract because of being prevented by the act of another individual to the contract, he is allowed to receive payment for the act done by him or the benefit rendered by him to the other party. It runs on the principle of Quantum Meruit. In *De Bernady v. Harding* (1853) 8 Ex. 22 P wrongfully revoked his agent's authority before he could complete his duties. However, the court allowed Agent to recover Quantum Meruit concerning the work done by him and for the expenses being incurred by him.⁴

- **Divisible Contract:-** The contract may either be divisible or may not be divisible. In the case of a non-divisible contract complete performance of the contract is required as a condition for payment, a claim on the ground of Quantum Meruit is not available to the party at fault. However, in the case of a divisible contract, the fault party is obligated to make the payment for the benefit received from the part performance by another party under the principle of Quantum Meruit.

- **Indivisible Contract Performed Badly:-** In cases where an independent contractor for a lump sum is being fully performed, however in a bad or in a defective way, the individual who has performed such work is allowed to recover the lump sum payment for the task performed, but the other individual to the contract is free to make payment after making deductions for the defective or bad work⁵.

⁴ Kapoor, *supra* note 1 at 153.

⁵ *Id.*

In *Hoening v. Isaacs*, (1952) All E.R. 176 Plaintiff agreed to decorate Defendant's house for 750 pounds, based on certain specified requirements. to be paid upon completion of repairs as per the specifications. However, decoration work turned out to be defective and full of faulty workmanship which eventually cost Defendant 204 pounds for rectifying the defect. The Court allowed Plaintiff to recover the contractual amount after making a deduction for the defective work.

IV. ENSURING JUSTICE THROUGH QUANTUM MERUIT

The Quantum Meruit postulate is a judicial creation ensuring an individual recovery of the loss in the absence of any formal contract for any benefit being rendered by him upon another party. It thereby entitles the party to recover value for the labour and goods supplied by him to another party without the existence of any agreement or binding contract. In doing so Quantum Meruit prevents unjust enrichment of the other party. Through the recovery of loss or being compensated for the benefit rendered to another party in absence of any formal enforceable contract, Quantum Meruit provides justice to the party not at fault in such commercial dealings.

Case Laws Relating to Quantum Meruit

1. *Cutter v. Powell* (1795)6 T.L.R. 320

Plaintiff was promised a payment of 30 guineas by Defendant, if he agrees to be his companion, upon completion of the journey from Jamaica to Liverpool. Plaintiff, however, died just before the voyage was concluded. The Court ruled that the Defendant's widow is not allowed any proportionate compensation for the portion of the journey missed due to failure to perform individual contractual obligations.

2. *Craven Ellis v. Cannon Ltd* (1936) 2 K.B. 403

Defendant Co. appointed Plaintiff as its Managing Director for managing the affairs of the company. Plaintiff being appointed as managing director in Defendant Company. However, upon rendering services for three months. However, after a three-month, it was identified that the directors weren't competent to hire Plaintiff. The Court decided that Plaintiff is authorized to receive payment for his services based on Quantum Meruit.

3. *Dakin. v. Lee* (1916) 1 K.B. 566

Plaintiff promised to conduct repair work of Defendant's residence for 265 pounds, to be paid upon completion of repairs as per the specifications. However, repair work turned out to be defective. The Court allowed Plaintiff to recover the contractual amount after making a deduction for the defective work.

4. *Sumpter v. Hedges* [1898] 1 QB 673

Plaintiff being a builder entered into a contract to build two houses and one stable for Defendant against 965 pounds. The contract was abandoned by him on completing the work to the value of just 300 pounds. Defendant refused to pay for the work done by Plaintiff. It was held that Plaintiff is not entitled to the value of the work done by him as the payment was dependent upon the completion of the entire work. Furthermore, Defendant was left with no choice other than to accept the unfinished work of Plaintiff therefore, no claim for awarding remuneration based on Quantum Meruit exists.

V. CONCLUSION

Quantum Meruit is one of the essential commercial law doctrines which primarily runs like a golden thread across the Quasi Contracts. The doctrine is a judicial creation and ensures justice in the commercial dealings where a benefit is received by the party at fault without the presence of any legally binding contract between the parties. Overall, it means that one should get what he earned based on the work completed by him.
