

Breach of Contract 101

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Contracts arise in all kinds of situations - from rental agreements to cellphone contracts, or employment contracts to marital agreements. Nearly everyone will enter into several contracts in their lifetime.

A contract is an agreement between two or more parties where each party promises to do something in exchange for something else. It is a legally binding agreement that sets out the terms and conditions that each party agrees to follow. Contract terms often include details about what each party is supposed to do, when they should do it, and what happens if they don't.

Contracts can be either written or verbal. Written contracts are generally easier to enforce because they provide clear evidence of what was agreed upon.

Occasionally, one of the parties does not fulfill their obligations and breaches the terms of the contract. Whether intentional or unintentional, breaching a contract can lead to various legal repercussions.

What is a Breach of Contract?

A breach of contract is simply when one of the parties fails to fulfill one of their obligations under the contract. The breach can take various forms such as not paying the money, not delivering the product, or generally, failing to properly complete a requirement in the contract.

What happens if someone breaches the contract?

The remedies for breach of contract vary greatly depending on the nature of the breach. Often, parties will have to go to Court to obtain the remedy they are entitled to which include:

Monetary Compensation

The most common remedy for breach of contract is monetary damages or compensation. Monetary damages are intended to put the non-breaching party back into the position they would have been in had the breach not occurred.

For example, if a homeowner hires a carpenter to install a new door and the carpenter installs the door upside down, that would be a breach of contract since the carpenter did not install the door properly. The homeowner could seek damages for the cost of removing the

improper door and having it properly installed, but not the costs of installing a brand new and upgraded door.

- **Specific Performance**

If the breach cannot be remedied by monetary compensation, a Court may order that someone perform a specific obligation under the contract. An example of this is when someone purchases a house, and the seller fails to give the buyer ownership of the house. A Court may order that the seller give the buyer possession of the house and transfer the ownership.

- **Termination of the Contract**

In some instances, when someone breaches an obligation under a contract, the Court may order that the contract is no longer in force. The termination of a contract is usually applied with one of the other remedies.

For instance, a business owner hires a snow clearing company to shovel snow within five hours of a snowfall and the snow clearing company continues to show up two days late. This would be a breach of contract and a Court may determine that the contract is ended, and the business no longer has to hire that snow clearing company. There may also be monetary damages for the delayed snow clearing.

- **Mitigation of Damages**

When there is a breach of contract, the non-breaching party also has an obligation to 'mitigate their losses' or take reasonable steps to minimize the impact of the breach and limit their damages.

For example, if a landlord is renting out a property to a tenant and the latter moves out with one year left on the lease, the landlord must attempt to mitigate their damages by finding a new tenant. The landlord cannot allow the apartment to sit vacant for a year and sue the tenant for all the rent. If the landlord finds a new tenant in one month, then the landlord's damages are limited to one month of rent. If the landlord tries to rent it out and is unsuccessful, the landlord may have a claim for one year's rent.

These are just some examples of the consequences of breaching a contract. Ultimately, the remedies available will depend on the terms of the contract and the nature of the breach. Sometimes, people will agree with the other party on what will happen following a breach. However, the non-breaching party is often required to take Court action to enforce their rights.

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