

What do you understand by Actual Breach and Anticipatory Breach of Contract under the Indian Contract Act, 1872 ? Explain with examples

MBA Previous Years Questions

The Indian Contract Act, 1872 recognizes two types of breaches of contract – actual breach and anticipatory breach. Let's understand these two types of breaches with examples.

Actual breach of contract under the Indian Contract Act:

An actual breach of contract under the Indian Contract Act occurs when a party fails to perform its obligations as agreed upon in the contract. The non-breaching party can seek remedies such as claiming damages or specific performance in case of a breach.

Actual breach can also be of two types:

1. Minor breach
2. Material breach

1. Minor breach:

A minor breach is a partial or minor violation of the contract that does not significantly impact the overall purpose of the contract. For example, if a builder agrees to deliver a property within six months but delivers it in seven months, it is a minor breach of the contract.

2. Material breach:

A material breach is a serious breach of the contract that affects the essence of the contract. For example, if a builder agrees to deliver a property with certain specifications but delivers a property with different specifications altogether, it is a material breach of the contract.

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Anticipatory breach of contract under the Indian Contract Act:

An anticipatory breach of contract under the Indian Contract Act occurs when a party indicates its intention to breach the contract before the performance is due. This means that the party has communicated to the other party that it will not perform its contractual obligations.

Express anticipatory breach:

An express anticipatory breach occurs when a party clearly and unequivocally indicates that it will not perform its contractual obligations. For example, if a seller informs the buyer that he will not be able to deliver the goods on the agreed date, it is an express anticipatory breach.

Implied anticipatory breach:

An implied anticipatory breach occurs when a party's conduct is inconsistent with its intention to perform its contractual obligations. For example, if a seller sells the goods to someone else after agreeing to sell them to the buyer, it is an implied anticipatory breach.