International Journal of Innovative Research in Computer Science & Technology (IJIRCST)
ISSN: 2347-5552, Volume-10, Special Issue-11, November-2022
Innovative Projects 2022
Organized by Presidency University, Bangalore, India

A Brief Discussion on Discharge of a Contract

Zheer Ahmad
Assistant Professor, Department of Law, Presidency University, Bangalore, India,
Email Id-zheer.ahmad@presidencyuniversity.in

ABSTRACT:

The termination of a contract's duties and obligations is referred to as discharge of a contract. It marks the end of the contractual connection and absolves the parties of their obligations under it. Various mechanisms, such as performance, agreement, violation, frustration, or operation of law, might result in discharge. The most frequent method of contract termination is performance, which occurs when both parties carry out their responsibilities as specified in the contract. The parties are liberated from future responsibilities upon fulfilment of the conditions of the agreement, and the contract is deemed discharged. A contract may be discharged by agreement between the parties. They may jointly elect to rescind the contract via a procedure known as mutual rescission or by replacing the old contract with a new one. A breach of contract happens when one party doesn't carry out their commitments without a valid justification. In certain situations, the innocent party has the option to end the agreement, seek compensation for the violation, and discharge both parties from future responsibilities.

KEYWORDS:

Contract Breach, Radical Alteration, Substantial Performance, Vicarious Performance.

I. INTRODUCTION

The word "discharge" in contract law refers to the ending of the duties and legal obligations imposed by a contract. The contractual connection between the parties is thereby terminated. Discharge may take place in a number of ways, including by mutual consent, by operation of law, or as a result of specific occurrences of events or conditions mentioned in the contract. The procedure for discharging a contract is crucial because it establishes the parties' rights and responsibilities after the contract's conclusion or termination. It is essential for both people and firms involved in commercial agreements to comprehend the various techniques of discharge and their legal ramifications. The legal requirements and concepts included in each technique will be highlighted when they are reviewed in depth. The article will also go through the effects of discharge, such as how it affects any corresponding rights or liabilities and how it releases parties from their contractual commitments [1], [2].

This article attempts to offer a thorough review of the subject and improve awareness of the legal concepts and factors involved by carefully exploring the discharge of a contract. It is important to remember that contract law may differ across countries, and certain situations may have particular effects on whether a contract may be discharged. Therefore, it is advised to obtain legal counsel to guarantee that the law is correctly interpreted and applied in each circumstance [3], [4].

II. DISCUSSION

The phrase "discharge of a contract" describes the ending of the parties' respective contractual duties and obligations. It marks the conclusion of the contractual arrangement and releases the parties from additional obligations. Since all that is necessary for a contract to be terminated is that the parties do the duties they have committed to in accordance with its terms, this process should typically be quite simple. In reality, when a party believed that performance had been done, it was discovered that a violation had occurred. This is because the entire performance needed by law has caused certain issues [5], [6]. There are several ways that discharge might happen, and each has legal ramifications. Let's talk about the several ways to terminate a contract:

Performance: The most typical method of ending a contract is by performance, in which both parties carry out their specific commitments as stated in the agreement. The contract is deemed discharged and both parties are released from additional responsibilities after their commitments have been fulfilled. The courts need accuracy and completion for performance to be considered complete. The courts indicate that performance must adhere to

contractual duties when they anticipate precise performance. The court is only stating that any work done must be completed to the conclusion of the responsibilities when it says that a contract must be completed.

a) Substantial performance

When the agreed-upon work is almost complete, the court determines that the money must be paid, but withholds the necessary sum to fix a small error. This would only happen if the flaw constituted a breach of warranty, since the innocent party would be free to disavow any conditional breaches. The concept of significant performance acknowledges the realities of a scenario when it is impracticable to demand total fulfilment and where a slight compromise is acceptable to see a contract completed. The concept of significant performance is considered to have its roots in the somewhat condescending case of Boone v. Eyre (1779), in which a plantation containing slaves was sold, but it was later discovered that the slaves had vanished after the ownership had changed hands. The presence of the contract's primary subject matter qualified as evidence that the performance had largely occurred [7], [8].

An example of performance would be the installation of a new kitchen in a home. Consider that the fitter asked for payment after all but one wall cupboard had been installed. If the work was subpar, it wouldn't be fair to have to pay the whole cost, but if the fitter was obviously not going to install the last cabinet for any reason, it would be wiser to settle the bill and hire another fitting to finish the job. In this situation, the court would order the agreed-upon sum to be paid, but withhold the sum required to pay a different fitter to install the final cabinet [9], [10].

b) Partial performance

Partial performance is when part of the essential work has been completed, but not to the same extent as would be necessary for significant performance. However, it may often be difficult to distinguish between considerable and partial performance.

There are two significant distinctions that need attention:

i. Partial performance must be acknowledged by the other party; in other words, the innocent party must agree to forgo filing a breach claim in exchange for agreeing to make a smaller payment for the work that was actually completed.
ii. A different foundation than that for considerable performance is used for payment. It is constructed using a quantum meruit, which is exactly what is deserved. Therefore, if work was finished in half, for instance, just half of the money would be due.

This payment method was claimed to be based on the notion that the parties had really discharged the contract by agreement in Christy v. Row (1808), where it was said that if just a certain percentage of work is completed then only a specific percentage of payment would be provided. The party that is not at fault must really have the option of accepting incomplete performance. For instance, in Sumpter v. Hedges (1898), a builder completed half of the labour necessary to construct homes and stables before leaving. The defendant was forced to complete the task after starting it but before finishing it. After being sued for the whole amount, the court determined that since partial performance was not acceptable, the contract had been broken.

c) Time of performance

Time may be seen to be "of the essence" if it is critical to either one or both parties. Then, as a condition of the contract, the duties must be fulfilled within the anticipated time frame. But the deadline must be understood by all sides, and here is where problems are most likely to occur. In some cases, this will be evident; for instance, it is obvious that deliveries of perishable items need to be made as soon as possible. In certain circumstances, the fact that time is of the essence is not immediately obvious but becomes apparent as the contract progresses. For instance, if I ask someone to paint my home "during the summer" in June and they don't finish by the end of August, I'd definitely want to include a clause that says the contract would be broken if the job isn't finished by the end of September. Time would have been "of the essence" at that point.

d) **Vicarious performance**

Vicarious performance, also known as performance by a third person, is permitted in several situations. It is not crucial who really provides a job if it is not of a personal character, such as the delivery of a readily accessible item. In such instance, vicarious performance would be acceptable in lieu of performance by the original party as long as the key conditions are met, such as the item being precisely as anticipated, the price being accurate, etc. However, vicarious performance is unlikely to be acceptable if the assignment is of a personal character, such as painting a portrait.

In the case of Edwards v. Newland (1950), which dealt with the storage of furniture in a warehouse, it was said that the warehouseman's personal expertise and care are "of the essence" of such a contract. The responsibilities had not been fulfilled vicariously because it was deemed unacceptable to transfer the property to another person for storage. The court said that due diligence was performed when selecting a company to keep items and that a certain company may be picked to complete responsibilities due to their ability. In such circumstances, the transfer of this work to another would not be permitted as performance.

This makes sense in certain situations, such as when a storage company was picked because it had space available at a particular temperature or because its staff had expertise moving musical instruments. Vicarious performance is a feasible choice in other situations, such as coach hiring, when another company provides a coach with a comparable specification for a trip, allowing for the acceptance of more and perhaps more lucrative reservations.

Agreement: A contract may be terminated by the parties with their mutual consent. The original contract may be replaced or terminated by a new one that they engage into. This may be accomplished by a formal contract revision, a rescission agreement, or a novation, in which one of the original parties is replaced with a new one. In the aforementioned scenario, if the group booking the coach chose to use the provided coach to complete the journey and then, upon their return, agreed to pay less since the coach was of a lesser standard than expected, they would have agreed to discharge their contract. Discharge by agreement is when both parties agree that a contract should be abandoned or its conditions should be altered. In reality, both parties have given something up in order for the previous contract to cease or be changed. There would likely be a comparable obligation to modify the contract if there are additional formalities, such as where written proof is necessary in a land sale deal.

Frustration: Frustration happens when an unanticipated occurrence outside of the parties' control makes the contract unworkable or significantly alters the conditions surrounding its formation. In such circumstances, the parties may decide to cancel the agreement and free one another from future performance. Frustration has a high threshold and is frequently used in extreme situations, such natural catastrophes, fatalities, or impossible legal situations. An occurrence that happens within the term of a contract, without either party's fault, and renders it impossible, unlawful, or substantially different from what was first agreed upon, causes frustration. It is frequently asserted as an alternative to a claim of breach when a natural catastrophe beyond the control of the parties renders one party incapable of fulfilling commitments under the contract.

Once upon a time, a party was expected to fulfil all of its contractual commitments or be found in breach, regardless of the situation. The following example from the seventeenth century illustrates this stringent attitude. With the realities of economic transactions in mind, courts gradually started to approach contractual responsibilities less strictly, and in the seminal decision of Taylor v. Caldwell, frustration was determined to be a more equitable outcome than a judgement of breach.

Contract breach: If one of the parties violates their contractual commitments, the agreement may be dismissed. The innocent party may elect to discontinue the contract and see it as discharged depending on the kind and severity of the breach. The innocent person may also ask for compensation for the losses brought on by the violation. A party is said to have broken a contract if they have violated one of their contractual commitments, rendered a subpar performance, or discovered a deception in the contract. There are two primary remedies for contract breaches. If, as in the previous coach hiring scenario, the trip starts within business hours and a different coach is easily accessible, the innocent party may decide to terminate the contract and use the money to charter a coach from another company.

Repudiation, or cancelling the contract, is what this is. On the other hand, if the journey starts at night and another bus is not immediately available, the hirer could still choose to go on but ask for compensation for the inconvenience. Getting damages is what this is. Depending on the kind of term broken, an innocent party may or may not be permitted to terminate the contract. The following treatments are often offered:

1. If a condition or other important provision is broken, the innocent party may reject it or seek damages.
2. The innocent party may only seek damages for a modest warranty violation.

Similar to this, if one party breaks a contract by lying, the appropriate remedy will depend on whether the lie constitutes a violation of a condition or guarantee. However, there is a narrow line between a falsehood said during the course of a contract that results in violation and a lie told before to a contract that might result in misrepresentation.

Breach may be present or anticipated, which implies it might have already occurred or be about to do so. A provider of goods will have violated a contract if they fail to deliver on the scheduled date. The affected party may then bring legal action against the supplier. It would be an anticipatory breach if the supplier informed the customer before the due date that they would unquestionably be unable to fulfil. In this case, the buyer might file a lawsuit right away to recover any expenses and find another supplier for his products. The following instance included an anticipated breach.

Operation of Law: A contract may be dissolved under certain statutory events or conditions. Insolvency, impossibility or illegality developing after the contract was created, or the end of the contract's duration are a few examples of these. The contract may automatically terminate, for instance, if the object of the deal is destroyed or becomes unlawful. It's crucial to understand that a contract's discharge does not automatically release the parties from any previous commitments. For instance, even after the contract has been discharged, the parties may still be accountable for any violations or obligations. A contract's discharge ends the legal connection between the parties and releases them from any remaining obligations. It is essential for parties to correctly traverse their contractual rights and obligations if they are to know the different ways of discharge. To make sure that the discharge is carried out in line with the relevant laws and contractual requirements, it is important to contact legal counsel.

Impossibility

A contract may become unenforceable if the thing being hired or sold is lost, stolen, destroyed, or is otherwise no longer accessible. A notable illustration of an impossibility brought on by devastation (in this case, fire) is Taylor v. Caldwell. The case that follows is an illustration of unavailability. Similar to the case of Condor v. Barron Knights (1966), when a Barron Knights pop group member was unwell and unable to perform, a contract may be deemed frustrated where there is true incapacity due to illness.

Illegality

If neither party is at blame for the contract's illegality, it may be deemed that the contract has been frustrated. A common scenario is when a new law is written, a war breaks out, and a contract to deliver products, potentially to an enemy nation, is afterwards rendered unlawful. Another scenario is when property is requisitioned, as in the case of Metropolitan Water Board v. Dick Kerr (1918). However, in times of peace, this circumstance is less often than assertions of impossible or drastic change.

Radical alteration of the situation

This is an instance of a contract that started off good but has now lost all utility. Because King Edward VII's coronation was delayed due to sickness in 1903, a number of these contracts ended up in court. Because the monarch was not a party to the contracts, this is not an instance of sickness preventing availability; rather, the event that was a key component of many of the contracts was cancelled with no fault on the part of the parties. Then, it was said that many of the contracts were drastically out of the ordinary compared to expectations, and this shift was frustrating.

III. CONCLUSION

In conclusion, a crucial component of contract law that establishes when contractual responsibilities terminate is the discharge of a contract. Different techniques may be used to terminate a contract, thus it's important for parties to grasp them in order to successfully manage their rights and obligations. After a contract is discharged, the parties are freed from its duties, and the contract's rights and responsibilities are no longer in effect. To safeguard their interests and guarantee compliance with contractual duties, parties must be aware of the many ways a contract may be discharged. Additionally, it is advised to obtain legal counsel to learn about the rights and remedies available under contract law if there is doubt or dispute on the discharge of a contract. Maintaining honest and open commercial operations and fostering faith in the enforcement of contracts depend on how well a contract is discharged.

REFERENCES

[1] M. R. Maleki and A. Mohammadzadeh, “The Effects of Non-Performance of Contract as a Result of Frustration of Purpose,” J. Polit. Law, 2017, doi: 10.5539/jpl.v10n2p200.

[2] W. Meng et al., “Unraveling the Complex Delithiation and Lithiation Mechanisms of the High Capacity Cathode Material V6O13,” Chem. Mater., 2017, doi: 10.1021/acs.chemmater.7b00428.

[3] R. H. Clark, D. H. Chace, and A. R. Spitzer, “Impact of l-carnitine supplementation on metabolic profiles in premature infants,” J. Perinatol., 2017, doi: 10.1038/jp.2016.253.

[4] T. Ellegaard, V. Bliksted, K. Lomborg, and M. Mehlsen, “Use of patient-controlled psychiatric hospital admissions: patients’ perspective,” Nord. J. Psychiatry, 2017, doi: 10.1080/08039488.2017.1302505.

[5] S. Shao et al., “Exploring the electrochromic properties of poly(thieno[3,2-: B] thiophene)s decorated with electron-deficient side groups,” Polym. Chem., 2017, doi: 10.1039/c6py01847e.

[6] J. Klauber, “Employment status in the ‘gig economy,’” Russell-Cooke Solicit., 2017.

[7] M. S. Mitchell, C. M. Koen, and A. J. Carmichael, “Rightful Discharge: Making ‘Termination’ Mean It Is Really Over: Part 1-Issues and Legislation,” Health Care Manag. (Frederick)., 2017.

[8] D. Lana, L. Tarallo, and F. Catani, “A Rare Case of Triceps Brachii Injury after Electrocution,” J. Hand Microsurg., 2017, doi: 10.1055/s-0037-1608692.

[9] N. A.S., B. A., C. N., and W. R.M., “The impact of accountable care organization participation on post-acute care utilization among medicare beneficiaries,” J. Gen. Intern. Med., 2017.

[10] D. Cabrelli and R. Zahn, “Theories of domination and labour law: An alternative conception for intervention?,” Int. J. Comp. Labour Law Ind. Relations, 2017.