

Claim on basis of
Quantum-meruit

Meaning of Quantum-meruit under Indian Contract Act 1872

Quantum meruit is Latin phrase related to Indian Contract Act, 1872 which means “What one has earned” or “as much as he earned” Quantum meruit means a demand for a justifiable sum in relation to services or commodities provided to the defendant Thus, the law of quantum meruit means a promise to pay a reasonable fee for the labour and materials provided even if there is no explicit contract.

For a layman’s understanding, quantum meruit means nothing but equitable remuneration. It is a different type of remedy from a lawsuit that can be filed for a breach of contract.

Quantum meruit means a situation when the person providing the service has completed some but not all of the work required of him and is requesting payment for the worth of the work completed.

Is Quantum meruit a contractual claim or can it be exercised in the absence of a contract?

Quantum meruit is a peculiar restitutionary remedy. The main idea behind this principle is that a person who has done certain work deserves to be paid for that work. So, it doesn't matter whether there is a legally enforceable contract or not. If a court of law feels that you should be compensated for the services you provided, you will receive benefits under quantum meruit.

Quantum meruit as a Quasi Contract (when there is no legally enforceable contract)

A quasi contract is nothing but an instance where although there isn't a legal contract but the circumstances implies the presence of a contract. Thus, quasi contracts make a party obligated to fulfill the needs of another party. Therefore, quasi contracts are also known as implied contracts.

A claim of quantum meruit hence is a form of quasi contract. So, even if there is no legal written contract between two parties, the aggrieved party may file a suit upon quantum meruit on the basis of an implication in the agreement. We have a case law to further explain this point.

Quantum meruit and Unjust enrichment

There are some pointers to be kept in mind regarding these two terms:

When a party unjustly benefits from an act of another party then the former party is said to be unjustly enriched. And such an act of unjust enrichment is prevented by measures such as quasi contracts.

The remedy which is exercised for such unjust enrichment is the doctrine of quantum meruit. So, quantum meruit is the measure for seeking relief for unjust enrichment.

Quantum meruit has wider applications in the sense that even if there was an express contract, which is not a case of unjust enrichment, a quantum meruit claim can be applicable

Quantum meruit as a contractual claim

As per the definition given by Munkman, we saw that quantum meruit claims are applicable in only contracts which have no fixed price. This is not entirely true. Let us understand this with the help of an example.

Say X agrees to build a house for Y under a legally enforceable agreement for a price of 1 lakh rupees. But X does the job badly. So, Y gets the repair work done by Z for 10 thousand rupees. In this situation, X can claim money for the work done by him which was worth 90 thousand rupees. So, we see that although there was a fixed price, a quantum meruit suit can still be filed.

Latest Judgments and Case Laws on Quantum Meruit

1-Mahanagar Telephone Nigam Limited v. Tata Communications (the MTNL case): This is a relatively newer case from 2019. In this case the Hon'ble Supreme Court held that a quantum meruit claim cannot be raised in the presence of a contract. If there is a stipulated amount in a contract for liquidated damages, only that amount is to be levied on breach as specified by section 74 of the Indian Contract Act. Any amount levied above such a stipulated sum has to be refunded.

2-Mann v Paterson Constructions Pty Ltd: This is a case from the Australian jurisdiction. In this case, the High Court of Australia held that the maximum compensation which can be claimed by an aggrieved party is limited by the sum stipulated in the contract. This judgement was a controversial one in the legal world because in most jurisdictions (excluding India and Australia), a quantum meruit claim can be in excess of the price stipulated in the contract. So, in a way we observe that Indian and Australian courts are in agreement when it comes to limiting a quantum meruit claim based on the contract (although in different ways).

3-Kamlesh Ahuja vs State Of Hry. And Ors: In this case, the Punjab-Haryana High Court relied upon its own judgement, Pritam Singh Dhaliwal vs. State of Punjab and Anr. (2004), and held that as per the principle of quantum meruit, an employee under a higher pay-grade has to receive the emoluments as per that pay grade. As such, if an employer is not paying his/her employee then a suit upon quantum meruit is applicable to recover the full salary. So, we see that the principle of quantum meruit can be used to provide relief in multiple ways.

What is section 73 to 75 the Indian Contract Act.

Compensation payable under section 73, 74 as also under section 75 is only for loss or damage caused by the breach and not account of the mere act of breach. If any case the breach has not resulted in or caused any loss or damage to the party, person concerned can not claim compensation.

How to claim remedy under quantum meruit ?

The aggrieved party may file a suit upon quantum meruit and may claim payment in proportion to work done or goods supplied in the following cases:

a) In case of void agreement or contract that becomes void [Section 65]
When an agreement is discovered to be void or when a contract subsequently becomes void, any person who has received any advantage under such agreement or contract is bound to restore it, or to make compensation for it, to the person from whom he received it. In simple words, this is a case in which an agreement is either void-ab-initio or the contract becomes void at a later time. Hence, the benefit received by either party shall have to be returned to the other party.

For example, A pays ₹10,000 to B, in consideration of B's promise to sell his horse to A. But unknown to both the parties, the horse is dead at the time of promise. The agreement is void and B must repay ₹10,000 to A.

Which section of the Indian Contract Act is Quantum meruit under ?

In India, a claim under Quantum Meruit is allowed by section 70 of the Indian Contract Act that says that when a person 'lawfully' does anything for someone and does so 'non-gratuitously', and the latter enjoys the benefit of it, he (the latter) is bound to compensate the former.

Examples of Quantum meruit in Indian Contract Act-

If A, a trader, leaves certain goods at B's house by mistake. B treats the goods as his own. He is bound to pay A for them. If a party does not complete the contract or prevents the other party to complete the contract, the aggrieved party can sue on quantum meruit.

What is Section 70 of Indian Contract Act.

Section 70. Obligation of person enjoying benefit of 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 delivered¹ .

Illustrations

- (a) A, a tradesman, leaves goods at Bs house by mistake. B treats the goods as his own. He is bound to pay A for them.
- (b) A saves Bs property from fire. A is not entitled to compensation from B, if the circumstances show that he intended to act gratuitously.

The concept of Quantum meruit in a Contract

The doctrine of Quantum meruit has its origins in English Common Law. Since, the Indian Contract Act, 1872 itself is based on the principles of English common law, this principle has found its place in Indian law. Moreover, the judgements of the English courts have been used to describe this doctrine in various Indian cases. In this section, we will discuss this doctrine in detail by taking the help of judgements from English as well as Indian courts.

Conclusion

After a proper analysis of the remedy of quantum meruit, it is clear that the law requires it to be fair and reasonable. The theory supports equality of the parties and helps to ensure that if a person provides a service or a good, then he should receive the benefit of the contract.

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