Subject Name: SRA

Topic Name: Specific Performance of Contract

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Principles and Application

Specific performance entails the precise fulfilment of obligations undertaken by a contracting party—either by performing or refraining from the exact actions specified in the contract. It is a form of equitable relief granted by the court in cases of contract breach, typically in the form of a judgement compelling the defendant to fulfil the contract according to its terms.

Since specific performance is an equitable remedy, the party seeking it may be required to adhere to certain conditions to ensure fairness to the opposing party. This principle is encapsulated in the maxim "he who seeks equity must do equity." It's important to note that a claim for specific performance presupposes the existence of a legally enforceable contract.

Criteria and Considerations under Section 10

Section 10 indicates the scenarios in which specific performance of a contract is enforceable:

1. Inability to Ascertain Damages: Specific performance is enforceable when there is no standard for determining the actual damage caused by the non-performance of the agreed act. This applies particularly to cases involving rare or precious articles where monetary compensation would be inadequate.

2. Inadequacy of Monetary Compensation: Specific performance is also warranted when compensation in money would not provide sufficient relief for the non-performance of the agreed act.

The explanation to Section 10 adds further clarity:

- It presumes that breach of a contract to transfer immovable property cannot be sufficiently compensated by monetary means.

- However, breach of a contract to transfer movable property can generally be remedied by monetary compensation, except in cases where the property is not readily available in the market, possesses special value or interest to the plaintiff, or is held by the defendant as the plaintiff's agent or trustee.

For instance, if A contracts to sell B a specific number of limited railway shares and later refuses to complete the sale, B can compel A to specifically perform the agreement. This is because the shares are limited in number, not easily obtainable in the market, and their possession holds significance beyond mere monetary value, such as shareholder status.

Similarly, contracts involving specific goods of unusual beauty, rarity, or sentimental value may warrant specific performance. However, if the contracting party themselves have assigned a monetary value to the goods, as seen in Dowling v Betjemann, specific performance may not be granted.

While filing a suit for specific performance may pose challenges, the petitioner can pursue an alternative remedy through a damages claim, as affirmed in Union Construction Co. v Chief Engineer, Eastern Command, Lucknow.

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Impact of the Specific Relief (Amendment) Act, 2018

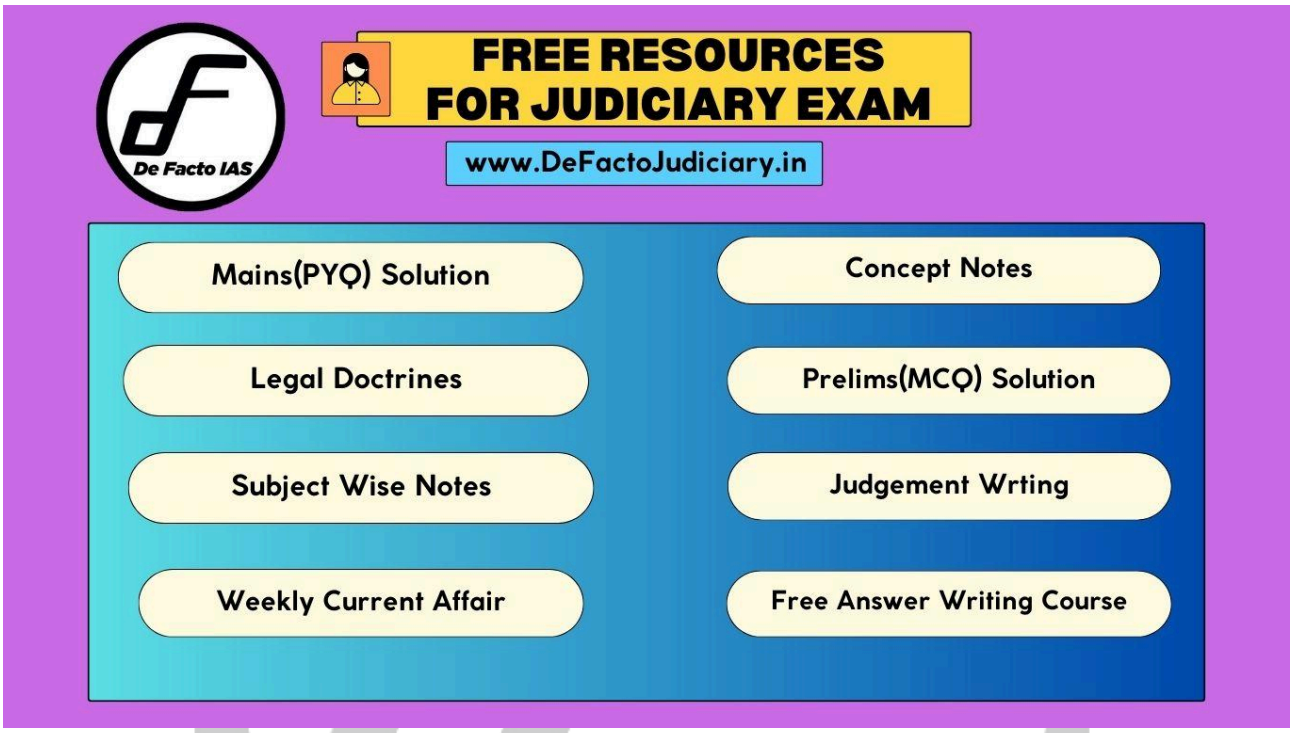
The Specific Relief (Amendment) Act, 2018, has significantly transformed the nature of specific relief in India, shifting it from an equitable, discretionary remedy to a statutory one. One of the most notable changes brought about by this amendment is the alteration of Section 14 of the Act, 1963.

Previously, sub-clause (a) of Section 14 stated that contracts for which monetary compensation provided adequate relief would not be specifically enforced. However, this provision has been deleted by the Amendment Act, 2018.

As a result of this change, the plea that a party could be compensated monetarily for breach of contract is no longer a valid ground to refuse specific performance. Courts are now mandated to

grant specific performance unless the claim for relief falls under limited grounds specified in the statute.

This legislative shift aims to offer greater protection to contractual expectations by ensuring that non-defaulting parties can obtain the performance they originally bargained for, thus promoting more effective contractual enforcement in India.



Katta Sujatha Reddy vs Siddamsetty Infra Projects Pvt. Ltd.

The case of Katta Sujatha Reddy vs Siddamsetty Infra Projects Pvt. Ltd. highlights an important aspect regarding the 2018 amendment to the Specific Relief Act. According to the court's interpretation, the amendment is prospective and does not apply to transactions that occurred prior to its enactment.

Normally, when an amendment involves substitution, the earlier provisions are repealed, and the amended provisions come into effect from the inception of that enactment.

However, if the substituted provisions contain substantive changes that introduce new rights, obligations, or revoke vested rights, then it cannot be automatically assumed that the substitution applies retrospectively. In such cases, the legislature must expressly specify whether the substitution is to be applied retrospectively or not.