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Contract Act, 1872

Section 74 - COMPENSATION FOR BREACH OF CONTRACT WHERE PENALTY STIPULATED FOR When a contract has been broken, if a sum is named in

SECTION 74: COMPENSATION FOR BREACH OF CONTRACT WHERE PENALTY STIPULATED FOR When a contract has been broken, if a sum is named in the contract as the amount to be paid in case of such breach, or if the contract contains any other stipulation by way of penalty, the party complaining of the breach is entitled, whether or not actual damage or loss is proved to have been caused thereby, to receive from the party who has broken the contract reasonable compensation not exceeding the amount so named or, as the case may be, the penalty stipulated for. Explanation: A stipulation for increased interest from the date of default may be a stipulation by way of penalty. Exception: When any person enters into any bail-bond, recognizance or other instrument of the same nature, or, under the provisions of any law, or under the orders of the Central Government or of any State Government, gives any bond for the performance of any public duty or act in which the public are interested, he shall be liable, upon breach of the condition of any such instrument, to pay the whole sum mentioned therein. Explanation: A person who enters into a contract with the Government does not necessarily thereby undertake any public duty, or promise to do an act in which the public are interested.