

Doctrine of Unjust Enrichment And Judicial Trends In India



Law

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ABSTRACT

The doctrine of unjust enrichment was originally based in English law upon the principle of assumpsit or 'had and received', and was declared by Lord Mansfield in a famous case, that the gist of this kind of action is, that the defendant, upon the circumstances of the case, is obliged by the ties of natural justice and equity to refund the money. The doctrine of unjust enrichment states that a person who has been unjustly enriched at the expense of the other is required to reimburse the other party to the extent of the enrichment. Thus, the researcher, in this paper has analysed the doctrine of unjust enrichment in context of Indian scenario and focused on the trends of the courts in India and their response to the enrichment claimed by the claimant.

INTRODUCTION

The doctrine of unjust enrichment was originally based in English law upon the principle of assumpsit or 'had and received', and was declared by Lord Mansfield in a famous case,² that the gist of this kind of action is, that the defendant, upon the circumstances of the case, is obliged by the ties of natural justice and equity to refund the money. The doctrine of unjust enrichment states that a person who has been unjustly enriched at the expense of the other is required to reimburse the other party to the extent of the enrichment. Thus, the researcher, in this paper has analysed the doctrine of unjust enrichment in context of Indian scenario and focused on the trends of the courts in India and their response to the enrichment claimed by the claimant.

MEANING OF DOCTRINE OF "UNJUST ENRICHMENT":

Meaning of "Unjust":

Unjust can be termed as something which is not in accordance with the accepted standards of fairness or justice and which is also unfair.

Meaning of "Enrichment":

When a person gains something from another, then it is said that the person is enriched. This enrichment can be both just and unjust.

Meaning of "unjust enrichment":

When a person wrongfully uses other's property at the expense of other, then it is called "unjust enrichment".

DEFINITIONS OF DOCTRINE OF "UNJUST ENRICHMENT":

The doctrine of Unjust Enrichment has been explained in various different books in different terms, like:

• According to Encyclopaedic Law Dictionary:

"Unjust enrichment is where a person unjustly obtains a benefit at the expense of another. In certain cases where money is obtained by mistake or through fraud or for a consideration which has wholly failed, the law implies a promise to repay it."³

According to Black's Law Dictionary:

"Unjust enrichment⁴ is the:

- The retention of a benefit conferred by another, without offering compensation, in circumstances where compensation is reasonably expected.
- A benefit obtained from another, not intended as a gift and not legally justifiable for which the beneficiary must make restitution or recompense.
- The area of law dealing with unjustifiable benefits of this kind.

POSITION IN INDIA:

Unjust enrichment is another equitable form of relief that is somewhat similar but different from *quantum meruit*. Some of

the law professors would disagree with the distinction between the two. But the basic difference between *quantum meruit* and unjust enrichment is that in unjust enrichment there may not have ever been any agreement to begin with, where as in *quantum meruit*, there was an agreement but the agreement never specified a price.

"It is now commonly recognised that the concept of unjust enrichment is a pervasive one, and that the principle that restitution will be granted of an unjust enrichment has come into operation in all parts of law. But this recognition is a fairly recent development. Application of the principle grew up entirely independent of each other, especially as between law and equity."⁵

The Indian Contract Act, 1872 followed this line: under the heading of "Of certain relations resembling those created by contract", it included claims for necessities supplied to those without contractual capacity, claims for indemnity or contribution, claims to be paid for the beneficial services provided without the intention of making any gift, claims against the finder of goods and claims for the money paid by the mistake. It went on with certain changes through judicial interactions and came to be based more and more on the doctrine of restitution. In India, the principle was developed under section 69 and section 70 of Indian Contract Act, 1872. Within a decade of the passing of the act, it was held that the co-surety claims for contribution was in fact a contractual term after all and the earlier cases discussing its contractual nature, it was said, were delivered before the act came into existence, when legislation had not stepped in the plain language to give different strength and affect to certain relations between the parties out of those moral obligations one to another a legal fiction had grown up for implying a contract and while as learned expositions of law, they can be read with interest and advantage for practical purposes to the point under consideration they are absolute and irrelevant.

The judicial mind is unconsciously moved by the major speechless promises and in this category of the law; no one should be allowed to enrich himself unjustly at the expense of another. The law so developed by judicial conscience appears to discover obligations to defeat unjust enrichment or unplanned gaining by the restitution. The natural tendency of courts is that whenever and wherever they find unjust enrichment, they order restitution.

DOCTRINE OF UNJUST ENRICHMENT AND JUDICIAL TRENDS IN INDIA:

- So far as Sec.68 of Indian Contract Act, 1872 is concerned, in *Banaras Bank Limited v. Dip Chand*,⁶ it was held by the court that a creditor can recover money advanced to the minor for necessities supplied to him/her and can recover the money out of the estate of the minor.
- In a most recent case⁷, the Delhi High Court held that Section 69 of Contract Act, to the extent it is relevant, provides

that a person who is interested in the payment of money which another is bound by law to pay, and who therefore pays it, is entitled to be reimbursed by the other. Therefore, if it can be said that if the person liable for payment of tax does not pay the amount within 30 days from the service of notice of demand, the amount may be recovered by sale of immovable property of defaulter. It was further observed by the Court that Section 69 of Contract Act is based upon the doctrine of unjust enrichment so that a person, who is unjustifiably enriched at the expense of another, is made to make restitution. The interest envisaged in Section 69 of Contract Act is an interest in order to avert some loss or to protect some interest which would otherwise be lost to the person making the payment. This contractual obligation would also be covered within the expression "bound by law to pay" used in Section 69 of Contract Act. A similar issue came up for consideration before Privy Council in *Govindram Gordhandas Seksaria and Another vs. State of Gondal*.⁸

- In another recent judgment:⁹ the Bombay High Court observed that the Plaintiff would be entitled to receive and the defendant would be bound to pay reasonable expenses on account of that much construction which is done, under Section 70 of the Indian Contract Act which runs as: "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 delivered." Thus, the plaintiff's case for any damages on account of the delay by the defendants cannot be entertained.
- In *Union of India v. Amar Singh*,¹⁰ it was held that when the railway administration in Pakistan left the wagon containing goods within the borders of India and the forwarding railway administration took them into their custody, it could not deny liability under sec.71.
- In another important judgment given in *Associated Cement Company Ltd. v. Union of India*,¹¹ the court held that the railway authorities charged extra fare under the mistaken belief that the goods would have to be carried by longer route, they were ordered to return the extra fare by the court.

CONCLUSION:

The main objective of the research in this paper is to understand the doctrine of unjust enrichment and emerging trends of the judiciary with regard to this doctrine in Indian scenario. The unusual thing regarding the issues associated with pleading a claim for relief under unjust enrichment reflects how particularly it is different from the remedy of quantum meruit. The two remedies are not interchangeable. Because one sounds in equity and the other in law, they may not both be pleaded simultaneously for the same claim. The parties must analyze each case carefully before choosing the remedy that applies in their case.¹²

The concept of unjust enrichment came through English law. In all the cases of unjust enrichment whenever the court feels that one person has gained something at the cost of another person and has not given anything in return, the court makes the person liable and directs the person to compensate or restore the benefits.

Time will tell whether the line of arguments which is given in this research paper bring changes in this field of law or not. Hence, whether involvement from a plaintiff or defendant perspective, one would need to constantly review and gain further understanding of current cases to ensure that they understand the exposure and entitlements, and hopefully avoid the claim situations.

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