

the primary and immediate result is alone to be looked to. Complete compensation is not always awarded, even where damage flows in direct sequence. An instance of this is found in the case of the non-payment at maturity of a promissory note or bill of exchange. Default in payment might lead to the financial ruin of the holder, and yet such a result is never taken into consideration so as to entitle the party aggrieved to recover damages in respect of it. The only damages recoverable in such a case is interest on the principal sum from the date of the breach of contract.

Alderson, B., laid down the rule as to contracts in clear and distinct terms, in delivering the judgment of the Court in the great leading case of *Hadley v. Baxendale* (1854) 9 Ex., at p. 353, in these words: "Where two parties have made a contract which one of them has broken, the damages which the other party ought to receive in respect of such breach of contract should be such as may fairly and reasonably be considered either arising naturally, i.e., according to the usual course of things, from such breach of contract itself, or such as may reasonably be supposed to have been in the contemplation of both parties, at the time they made the contract, as the probable result of the breach of it."

The above exposition of this branch of the law has been followed with great regularity ever since. The following rules are held to be deducible from the decision in this case of *Hadley v. Baxendale*.

1. Damage is recoverable for the breach of a contract, when it arises naturally or in the usual course of things.
2. Damage is not recoverable where it does not arise naturally, but from special circumstances peculiar to the case.
3. Where the special circumstances are known to the one breaking the contract, he having contracted with such knowledge, and special damage flows from such breach, under such special circumstances, he is liable to the full extent of the damage consequent thereupon.

Since a concrete instance makes a far more vivid impression upon the mind than a mere abstract statement of a general rule, it may be well briefly to consider some of the leading cases upon this important branch of the law.