

**Compensation**

As per Black's Law Dictionary (9<sup>th</sup> Edition):

*"Compensation is payment of damages or any other act that a court orders to be done by a person who has caused injury to another."*

As per Black's Law Dictionary (9<sup>th</sup> Edition):

*"Compensatory damages means damages sufficient in amount to indemnify the injured person for the loss suffered."*

**Compensation and Damages<sup>1</sup>**

'Compensation' is said to refer to the pecuniary recompense which a person is entitled to receive in respect of damage or loss which he has suffered, other than as a result of an actionable wrong, litigated in the civil court, committed by the person bound to make the recompense, viz, compensation paid on acquisition of property or under statute for damage to property, upon termination of employment, etc. In this sense, 'compensation' is distinct from 'damages' which are recoverable in respect of an actionable wrong. Compensation for loss arising out of breach of contract is proper damage, in this sense.

The expression 'compensation' is not ordinarily used as an equivalent to damages, although compensation may, often, have to be measured by the same rule as damages in an action for breach. Compensation signifies that which is given in recompense, an equivalent rendered. It suggests the image of balancing one thing against another; it primarily signifies equivalence, and secondarily something given or obtained as an equivalent. Damages, on the other hand, constitute the sum of money claimed or adjudged to be paid in compensation for loss or injury sustained, the value estimated in money, for something lost or withheld. This concept was first stated by Lord Blackburn in *Livingstone v. Rawyards Coal Co.*<sup>2</sup>

But the word 'compensation' is also used without making a distinction between the compensation and damages, to mean damages awarded by the court; and it appears that the Indian Contract Act, 1872 uses the word compensation and not damages, in section 73 and throughout its text, in this sense. The term 'damages' is thus used to mean 'nothing more than the compensation which the court determines in the circumstances of each case for the injury or loss which has been sustained by the other party'.<sup>3</sup> It also includes money due under a contract for its breach.

| Basis | Damages   | Compensation  |
|-------|---|---|
| 1.    | Damages are a sum of money claimed or awarded in compensation for a loss or an injury | Compensation is a concept that attempts to redress any wrongdoing to an individual or any losses suffered by him because of the |

<sup>1</sup> Mulla: Indian Contracts and Specific Relief Acts, 12<sup>th</sup> Edition

<sup>2</sup> (1980 AC 25)

<sup>3</sup> AIR 1956 Pun 174

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|    |   | guilt of any other person. Something, typically money, awarded to someone in recognition of loss, suffering, or injury |
| 2. | Damages are not always compensatory in nature e.g.- Punitive damages that are damages awarded to deter an individual from committing a crime again, contemptuous damages, aggravated damages etc. | Compensation is meant to make amends or to bring equilibrium.  |
| 3. | Always for actionable claim.  | May or may not be for actionable claim. E.g.- Awarded by Govt. for acquisition of land etc.                            |
| 4. | They signify the amount of claim made by the injured party for the loss suffered.   | It denotes the amount that is awarded to compensate the injured party for the loss suffered.                           |

**Precedents:**

- In *Oregano Chemical Industries and Another vs. Union of India and others*<sup>4</sup> it was observed that the expression 'damages' was neither vague nor over-wide. *"A plurality of variants stemming out of a core concept is seen in such words as actual damages, civil damages, compensatory damages, consequential damages, contingent damages, continuing damages, double damages, excessive damages, exemplary damages, general damages, irreparable damages, pecuniary damages, prospective damages, special damages, speculative damages, substantial damages, unliquidated damages. But the essentials are (a) detriment to one by the wrong doing of another, (b) reparation awarded to the injured through legal remedies and (c) its quantum being determined by the dual components of pecuniary compensation for the loss suffered and often not always a punitive addition as a deterrent-cum-denunciation by the law.*
- In *GDA vs. Balbir Singh*<sup>5</sup>, the court observed that the word 'compensation' is of very wide connotation. According to dictionary it means, 'compensating or being compensated; thing given as recompense;'. In legal sense it may constitute actual loss or expected loss and may extend to physical mental or even emotional suffering, insult or injury or loss. Thus the court held that when the National Commission was vested with the jurisdiction to award value of goods or services and compensation it was to be construed widely enabling the Commission to determine compensation for any loss or damage suffered by a consumer which in law is otherwise included in wide meaning of compensation.

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<sup>4</sup> (1979) 4 SCC 573

<sup>5</sup> (2004) 5 SCC 65

- In *Divisional Controller, Ksrtc vs. Mahadeva Shetty And Anr.*<sup>6</sup> it was observed that the expression 'compensation' is not ordinarily used as an equivalent to 'damages', although compensation may often have to be measured by the same rule as damages in an action for a breach. The term 'compensation' as pointed out in the Oxford Dictionary signifies that which is given in recompense, an equivalent rendered; 'damages' on the other hand constitute the sum of money, claimed or adjudged to be paid in compensation for loss or injury sustained. 'Compensation' is a return for a loss or damages sustained. Justice requires that it should be equal in value, although not alike in kind.

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<sup>6</sup> (2003) 7 SCC 197