

ENDING A CONTRACT

In general, all contracts have an ending point. This will occur when both parties complete or “discharge” their obligations under the terms of the contract. It is otherwise known as “performance of contract”. However, this is not the only way contracts can end. Other ways of terminating contracts include:

1. Agreement. When contracts are discharged through agreement, it simply means that all parties came to an agreement as to the terms of ending a contract.
2. Impossibility of Performance. If events occur beyond a party’s control, such as a tornado destroying the workplace and equipment of one of the parties, then the contractual relationship can be ended.
3. Bankruptcy. If one of the parties declares bankruptcy, then generally speaking the contract will end.

BREACH OF CONTRACT

Contractual relationships can also be terminated through a breach of contract. A breach of contract occurs if one party fails to perform their part of the agreement. In this case, the other party is no longer obliged to perform their obligations under the contract. However, unlike the above ways of ending a contract, in a breach of contract situation the innocent party to the contract may be entitled to compensation. Options for the court could include:

- payment of damages for losses realized from not fulfilling the contract; or
- an order of specific performance, requiring the offending party to fulfill the original contract.

