

# News article related to liquidated damage clause

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Liquidated Damage Clause of the of Liquidated Damage Clause The 'Liquidated Damage Clause' refers to a term employed in the contract that determines the amount paid by one of the parties to the other on the event of breach of a contract (Bloomsbury Information Ltd, 2012). The news article relating to this clause mentioned here was provided by Bob Hunt at the Reality Times website. This article explains comprehensively what exactly this clause refers to in contracts. As mentioned in the article this clause sets beforehand, at the instance of development of a contractual agreement the monetary value of any sort of damages paid by one party in case of contract breach. It often includes a reading that the parties involved in the contract are agreeing beforehand, as it would probably be unmanageable to decide the compensatory damages in the event of contract breach, although, such a statement is not mandatory.

This clause may be conducted towards both parties involved in the contract. For instance in these words: "If both of us neglect to execute, one will be obliged to pay the other party \$20,000." But it is not essential too. Normally, a liquidated damages clause is conducted towards only one party, along with the specified date of delivery of amount. The California Association of Realtors has provided a benchmark contract involving residential purchase that entails a liquidated damages clause that emphasizes that if a buyer failed to fulfill the completion of purchase contract due to fault by buyer, the seller will retain the amount deposited actually as the liquidated damages. The most noteworthy items in the mentioned clause include the asymmetry of the provision; as it puts the whole burden on one party, its limitation to a specific unit of residential property set by the Civil Code 1675 and the requirement of agreement by signing to ensure damages are paid. The <https://assignbuster.com/news-article-related-to-liquidated-damage-clause/>

signatory agreement is required to ensure that both parties have agreed that the contract has breached. Otherwise an arbitration or judicial decision will be needed. Initialling or signatory agreement on a liquidated clause is not mandatory but optional. Though it is printed priorly in the agreement of CAR purchase, it is applicable only on the indication of both parties. Mostly in the encounter of a liquidating clause, a principle has the liability to inquire the meaning of the clause replied by the seller as defined by law. At times the contract has been breached by the buyer and this hurts the seller who desires to have more than the deposited amount so the inclusion of liquidated damage clause helps in avoiding such outcomes.

So it can be considered as a good as well as bad thing to include a liquidated damage clause in the residential contract as if the contract has been breached by the buyer in the initial stage of transaction not leading to a huge loss to the seller. In such a case the liquidated damage clause will benefit seller (Hunt, 2012). Otherwise if the agreement had followed a long course of transactions and breaching that case will lead to an increased damage to the seller and thus may leave him/her with an inadequate recovered amount. So it's preferable that both parties should know and agree upon the damage provision to at least have the knowledge of the amount each may have at stake (Spevack, 2012).

#### References

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