

Types of damages that can be claimed for Builder's breach of contract

When homeowners in Australia embark on the journey of building or renovating their homes, they place immense trust in their builders to deliver the project on time, within budget, and to the agreed-upon standards. However, there are instances where this trust is breached, leading to disputes that can be both financially and emotionally draining for the homeowner. Understanding the types of damages that can be claimed from a builder's breach of contract is crucial for homeowners to navigate these disputes effectively and seek appropriate compensation.

1. Direct or Actual Damages

Direct damages are the foundation of claims in construction disputes. They represent the cost necessary to rectify the issue and complete the project as per the original agreement. This encompasses the expenses to repair or replace substandard work, and any additional costs that arise due to the builder's failure to adhere to the contractual obligations. For instance, if a homeowner has to pay more than the agreed price to complete the construction due to the builder's default, these additional costs fall under direct damages.

2. Consequential Damages

Consequential damages, though more complex to quantify, are vital in understanding the full extent of a homeowner's loss. These damages refer to secondary effects that stem from the breach, such as delays in project completion, which can lead to lost profits or damages to the homeowner's reputation if the property was intended for business use. The principle behind consequential damages is that the breaching party is liable for all foreseeable losses at the time the contract was made. However, it's important for homeowners to demonstrate the causal link between the breach and the claimed losses.

3. Liquidated Damages

Liquidated damages are a predetermined form of compensation, outlined within the contract, to be paid in the event of specific breaches, such as project delays. This mechanism is designed to provide a straightforward remedy for breaches where calculating actual losses would be complex and contentious. For homeowners, ensuring that a liquidated damages clause is fair and reflects a genuine pre-estimate of potential losses is crucial.

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the right legal advice.

4. Costs Associated with Obtaining a New Builder

In situations where the original builder cannot or will not complete the project, homeowners may face additional costs in engaging a new builder. This not only includes the difference in contract prices, but also the expenses related to securing new building permits, insurance, and possibly architectural or engineering plans. Claiming these costs requires careful documentation of the differences in prices and the reasons for any changes in scope.

5. Extra Interest Payments

[Delays in construction](#) can lead to prolonged loan periods, meaning homeowners might incur additional interest payments on construction loans. These extra costs are recoverable as damages, provided there's a direct connection between the breach and the extended financing period.

6. Loss of Profit

For properties intended for sale or lease upon completion, a delay can result in significant lost profit opportunities. If the builder was made aware of the homeowner's intentions to sell or lease the property, the homeowner could claim for the lost profits that were directly caused by the delay or defect. This requires a clear demonstration of the anticipated profits and how the breach impacted these projections.

Secure Your Rights and Compensation

Navigating a dispute with a builder over [breach of contract](#) can be a daunting task for any homeowner. However, understanding the types of damages that can be claimed provides a solid foundation for seeking justice and compensation. Homeowners should approach such situations armed with knowledge, and where necessary, the support of legal professionals specialising in construction law. This ensures that they are adequately compensated and can move forward from the dispute in a position as close as possible to where they would have been had the contract been fulfilled as agreed.

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