

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. This is otherwise known as performance of contract.

However, this is not the only way contracts can end. Other ways of terminating contracts include...

AGREEMENT

When contracts are discharged through agreement, it simply means that all parties come to an agreement of the terms to end a contract.

For example, if you had an nine-month-long contract to supply Acme Corporation with knit socks and they decided they no longer wanted your knit socks after five months, you and Acme Corporation could agree to ending the contract early.

IMPOSSIBILITY OF PERFORMANCE

If events occur beyond a party's control, then the contractual relationship can be ended.

For example, if a tornado destroys Acme Corporation's office, warehouse and showroom, leaving them unable to market socks for the coming winter, then your contractual relationship knitting socks for them could be ended.

BANKRUPTCY

If one of the parties declares bankruptcy, then generally speaking the contract will end.

For example, if Acme Corporation goes bankrupt then your knitting contact with them would end.

BREACH OF CONTRACT

Contractual relationships can 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.

For example, if Acme Corporation simply decided to stop buying your knit socks, they would be in breach of contract.

If a court finds a contract is breached, remedies that a court could find include:

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

