Decision Tree for Contractual Breaches

| **Step** | **Question / Condition** | **Yes (Action / Outcome)** | **No (Action / Outcome)** | **Penalty / Remedy** |
| --- | --- | --- | --- | --- |
| 1 | Has a breach occurred? | Proceed to Step 2 | End process | - |
| 2 | Is the breach related to the delay in project completion? | Proceed to Step 3 | Proceed to Step 6 | - |
| 3 | Does the contract specify liquidated damages for delay? | Apply Liquidated Damages as per contract (daily/weekly penalty) | Proceed to Step 4 | Liquidated Damages |
| 4 | Can actual damages due to delay be quantified? | Apply Actual Damages (extra costs, lost profits) | Proceed to Step 5 | Actual Damages |
| 5 | Are there consequential damages due to the delay? | Apply Consequential Damages (third-party penalties, business loss) | End process | Consequential Damages |
| 6 | Is the breach related to defective or substandard work? | Proceed to Step 7 | Proceed to Step 10 | - |
| 7 | Does the contract require repairs/replacement of defective work? | Enforce Warranty Obligations (repair/replace) | Proceed to Step 8 | Warranty Obligation |
| 8 | Can actual damages due to defective work be quantified? | Apply Actual Damages (repair/replacement costs) | Proceed to Step 9 | Actual Damages |
| 9 | Is the defective work causing consequential damages? | Apply Consequential Damages (damage to structures, loss of use) | End process | Consequential Damages |
| 10 | Is the breach related to non-payment or financial obligations? | Proceed to Step 11 | Proceed to Step 14 | - |
| 11 | Does the contract allow suspension of work for non-payment? | Suspend Work until payment is received | Proceed to Step 12 | Suspension of Work |
| 12 | Does the contract specify interest on overdue payments? | Apply Interest Charges | Proceed to Step 13 | Interest Charges |
| 13 | Does the breach justify contract termination for non-payment? | Terminate the Contract & claim damages | End process | Termination & Damages |
| 14 | Is the breach a fundamental/material breach (e.g., abandonment)? | Proceed to Step 15 | Proceed to Step 18 | - |
| 15 | Does the contract permit termination for fundamental breach? | Terminate Contract & claim all resulting damages | Proceed to Step 16 | Termination & Damages |
| 16 | Are there indemnity clauses for third-party claims? | Apply Indemnity for third-party claims | Proceed to Step 17 | Indemnity |
| 17 | Can specific performance be mandated? | Seek Specific Performance (compel obligations) | End process | Specific Performance |
| 18 | Are there other penalties/remedies not covered (e.g., reputational harm)? | Apply Relevant Penalties or Remedies (per contract/law) | End process | Other Remedies |

**📘 Explanatory Notes & Summary of Penalties**

This decision tree ensures **systematic handling of contractual breaches** in construction projects, with remedies aligned to the contract and law.

**Types of Remedies & Penalties**

* **Liquidated Damages (LDs):** Pre-agreed penalties for project delay, usually per day/week.
* **Actual Damages:** Quantifiable financial loss (extra costs, repair, lost profits).
* **Consequential Damages:** Indirect but foreseeable losses (third-party penalties, business loss, structural damage).
* **Warranty Obligations:** Contractor must repair or replace defective work.
* **Suspension of Work:** Permitted if non-payment occurs under contract terms.
* **Interest Charges:** Applied on overdue amounts if contractually agreed.
* **Contract Termination:** Applied in severe breaches (non-payment, abandonment).
* **Indemnity:** Compensation for third-party claims caused by the breach.
* **Specific Performance:** Court/arbitral order requiring party to fulfill obligations.
* **Other Remedies:** Covers non-standard harms (e.g., reputational damage).