A man obtained a bid of $10,000 to tear down an old structure on his newly purchased farm and another bid of $90,000 to replace it with a structure in which the man planned to house a new herd of dairy cows. Having only limited cash available, the man asked his uncle for a $100,000 loan. The next day, the man's uncle in a signed writing promised to lend the man $100,000 repayable over 10 years in equal monthly installments at 10% annual interest. The man promptly accepted the demolition bid and the old structure was removed, but the uncle thereafter refused to make the loan. Despite diligent efforts, the man was unable to obtain a loan from any other source.

In a successful claim for monetary relief against the uncle based on promissory estoppel, what is the probable measure of the man's recovery?

A. Expectancy damages, measured by the difference between the value of the new structure and the old structure, less the amount of the proposed loan ($100,000).

B. Expectancy damages, measured by the estimated profits from operating the dairy farm for 10 years, less the cost of repaying a $100,000 loan at 10% interest over 10 years.

C. Nominal damages only, because both expectancy and reliance damages are speculative.

D. Reliance damages, measured by the $10,000 expense of removing the old structure, adjusted by the decrease or increase in the market value of the man's land immediately thereafter.

Explanation:

Promissory-estoppel damages

Reliance	Intended to put enforcing party in same position as if promise had not been made Measured by out-of-pocket expenses incurred by enforcing party in reliance on promise
Expectation (rare)	Intended to put enforcing party in same position as if promise had been performed Measured by nonspeculative expectation of enforcing party

Promissory estoppel allows a party to recover damages stemming from another's failure to perform a promise when no valid contract exists. However, such damages may be limited as justice requires. This typically leads to an award of **reliance damages** based on the **out-of-pocket expenses** incurred by the enforcing party. This is designed to place the enforcing party in the **same position** as if the **promise had never been *made*** and to avoid unjust enrichment of the enforcing party.

However, in some promissory-estoppel cases, courts have awarded **expectation damages**. Expectation damages are designed to put the enforcing party in the **same position** as if the **promise had been *performed***. These damages usually exceed reliance damages but cannot be speculative—eg, the value of a nonexistent building, estimated profits from a nonexistent farm **(Choices A & B)**.

Therefore, the probable measure of the man's recovery is reliance damages, measured by the expense of removing the old structure in reliance on the uncle's promise ($10,000). This amount should then be adjusted by the decrease or increase in the market value of the land after demolition to further compensate the man for losses or avoid his unjust enrichment, respectively.

(Choice C) Nominal damages (eg, $1) may be awarded when no reliance or expectation damages can be shown. But here, the man's reliance damages of $10,000 can be shown, so an award of nominal damages is inappropriate.

Educational objective:

Damages for promissory estoppel may be limited as justice requires. This typically results in an award of reliance damages based on the claimant's out-of-pocket expenses, but some courts have awarded expectation damages to put the claimant in the same position as if the promise had been performed.

References

Restatement (Second) of Contracts § 90 (Am. Law Inst. 1981) (damages for promissory-estoppel claim).