

Unjust Enrichment

What is Unjust Enrichment?

Unjust enrichment occurs when one person gains a benefit unfairly at another's expense. The law of restitution, which deals with such scenarios, mandates that the person who has gained this undue advantage must compensate the person who suffered the loss. This legal doctrine is not based on wrongdoing or a contractual agreement but emerges as a distinct cause of action to rectify situations where equity demands intervention.

Essentials of Unjust Enrichment Claims

To establish a claim of unjust enrichment, several elements must be satisfied:

- ❖ **Enrichment of the Defendant:** The defendant has gained a benefit materially or financially.
- ❖ **At the Claimant's Expense:** The benefit was gained at the expense of the claimant.
- ❖ **Absence of a Legal Basis:** There was no legal justification for the defendant to retain the benefit, as it was not intended as a gift.
- ❖ **No Valid Defence:** The defendant has no lawful defence to retain the benefit.

Examples

Bank Error: Imagine a scenario where a bank mistakenly transfers funds to a third party, believing it was authorised by the client to do so. There is no contract between the third party and the bank, yet the third party has received a benefit. Under the principles of unjust enrichment, the third party is obliged to return the money to the bank, rectifying the unintentional enrichment.

Payroll Mistake: Consider a teacher who receives double payment in a single month due to a clerical error at the school. Even though the teacher did not cause the mistake, she has benefited at the school's expense. The law of restitution would require her to return the extra amount to prevent unjust enrichment.

Employer Overpayment: In another instance, an employer pays taxes on behalf of an employee as mandated under statutory obligations. If the employee departs the company before the salary deduction can be made, the employer is left unable to recoup the taxes paid. The employee, having benefited from the employer's payment

Important Links for Judiciary Free Resources (Click on Each to Open Respective Pages)

Subject Wise Mains PYQ Solution	Essay for Judiciary
Subject Wise Notes	Legal Doctrines
Landmark Judgements	GS Notes
Weekly Current Affair	Subject Wise Prelims PYQ Solution
Free Answer Writing Course	Judgement Writing
Telegram Link	Youtube Link

without contributing, would be required by the principles of restitution to repay the employer for the taxes.

Legal Expenses and Debt Claims: If “A” incurs legal expenses to recover a debt he believes is owed to him, but the court determines the debt is actually owed to “B,” the question arises: Should “B” reimburse “A” for the legal expenses? Since “B” benefits from the court’s decision at “A”’s expense, restitution principles might compel “B” to cover “A”’s legal costs, acknowledging “B”’s unjust enrichment.

Sections 68-72 in the Indian Contract Act

Sections 68 to 72 of the Indian Contract Act lay down the statutory foundation for claims related to unjust enrichment in India:

Section 68: Deals with claims for necessities supplied to a person incapable of contracting, or to someone whom the incapable person is legally bound to support. The supplier is entitled to be reimbursed from the property of the incapable person.

Section 69: States that if a person pays money which another is bound by law to pay, and does so to protect his own interests, he is entitled to be reimbursed by the other.

Section 70: Perhaps the most directly related to unjust enrichment, allows a person who lawfully does anything for another or delivers anything to him, not intending to do so gratuitously, and the other person enjoys the benefit thereof, to claim restitution.

Section 71: Covers the scenario where a person finds goods belonging to another and takes them into custody. The finder has the right to seek compensation for the expenses and trouble of preserving the goods and finding the owner.

Section 72: Allows a person to recover money or goods delivered by mistake or under coercion.



Significant cases like **Mafatlal Industries v. Union of India**, where the Supreme Court allowed an assessee to claim a refund for overpaid taxes unless passed to customers, and **Indian Council For Enviro-Legal Action Vs Union Of India & Ors**, where chemical industries were mandated to pay for environmental damages, illustrate the application of this principle.