

HOW A GLOUCESTER FLOUR MILL MADE LEGAL HISTORY

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The City Flour Mills in the Docks were built for Joseph and Jonah Hadley in 1850 and proved very successful. Unfortunately, however, the crank shaft of a steam engine fractured in 1853 and needed to be sent back to the manufacturers at Greenwich. It was delayed on its journey, and the consequences led to a court case that is still studied today. The case of Hadley versus Baxendale is well known to law students on both sides of the Atlantic as it set a precedent that has become the starting point for all discussions about how damages should be assessed in breach of contract cases. Joseph Baxendale was the senior partner of Pickford & Co. who were the carriers involved.

In the early days of the docks at Gloucester, imports of corn were sent on by boat to existing water-powered mills in the Midlands, but as imports increased, it made sense to build a new mill where the corn was arriving (1). Joseph and Jonah Hadley had experience of small water-powered mills on nearby streams at Cambridge and Berkeley, but with no water-power available in the docks area, they set up a steam-powered mill. Initially, this was a single building, similar to the nearby warehouses, with a small engine house adjoining (2). The business was immediately successful, and in 1853 the Hadleys added a much larger building on the site of the engine house and installed more machinery and two more steam engines to double the output of the mill (3).

It was during the installation of the new machinery that the crank shaft of one of the steam engines failed, and there was an urgent need to send it back to the manufacturer, Messrs Joyce & Co. of Greenwich. Pickford's agent in Gloucester said that if they received the shaft before twelve o'clock, it would be delivered in Greenwich the following day. Pickford's received the shaft at eleven o'clock on Saturday 14th May and it went by train to Birmingham, where it was transferred to the London & North Western line, arriving in London the next morning (Sunday). Unfortunately, Pickford's staff in London did not know of the promise made by their Gloucester agent, and they directed the shaft to the City Road Basin on the Regent's Canal and wrote to Joyce & Co. seeking instructions. Messrs Joyce wrote back asking for the crank to be forwarded immediately, but instead of it being sent at once by wagon, it was kept until the Friday, when it was sent by water with other goods consigned to the same firm. A further delay occurred because it could not be landed until the next morning on account of the tide. Thus the delivery of the shaft was delayed by five working days (4).

When the Hadley brothers complained about the delay, Pickford's acknowledged responsibility and offered £25 in compensation, but the Hadleys wanted more like £125 for their loss of profits during the additional period their mill was idle. The case was heard in the Crown Court at Gloucester's summer assizes before a special jury composed of respected local businessmen. Pickford's barrister argued that the shaft was only worth about £10 and their offer of £25 damages was more than reasonable. The judge, however, ruled that the value of the object was irrelevant and that the defendants were answerable for the natural consequences of their breach of contract. With this guidance, the jury awarded damages of £50 (5).

Pickford's considered that this basis for awarding damages was unreasonable, and in February 1854 they asked the Court of Exchequer to order a new trial. After hearing legal arguments,

the judge granted the request and set down the principles which any jury should consider when estimating damages. He said that where a party had entered into and broken a contract, the other party should only receive damages for consequences that might reasonably have been contemplated by both parties at the time that the contract was made. As the Hadley brothers had not made it clear that the profits from their mill were at stake, he considered that it was not reasonable for Pickford's to be expected to make good those profits (6).

No record has been found of any subsequent retrial before a jury, and it is assumed that the two parties settled out of court. What is certain is that the judge's ruling established the foreseeability test for consequential damages that has been followed in virtually every Anglo-American jurisdiction since. *Hadley v Baxendale* is studied in nearly all courses on contract law, it is discussed in academic papers by legal scholars and it is referred to in around 2000 sites on the internet (7). However, very few lawyers know anything of its geographical setting, and so to mark the 150th anniversary of the ruling, a conference was held in Gloucester in June 2004 to discuss the international influence of the English common law in general and the current relevance of this case in particular. Nineteen academic papers were presented by tutors from university law schools in America, Britain and Australia. The delegates were welcomed by the Mayor of Gloucester at a civic reception in the North Warehouse, and they were photographed outside the mill that had figured in the historic legal case. Sadly the mill ceased operation in 1994, but the delegates saw that the building, now known as Priday's Mill, is being given a new use by conversion to apartments with a bar and restaurant on the lower floors.

1. For the corn trade through the docks, see Conway-Jones, Hugh, *Gloucester Docks - An Illustrated History*.
2. 1851 Census; Board of Health map 1851.
3. Gloucester Journal 19 Mar 1853 page 3 col. 3.
4. Gloucester Journal 13 Aug 1853 Supplement page 1 col. 3.
5. Ibid.
6. Gloucester Journal 25 Feb 1854 page 3 col. 4.
7. Snyder, Frank, Professor at Texas Wesleyan University School of Law, private communication.



City Flour Mills in the 1920s