

PUNITIVE DAMAGES IN MEXICO: THE ECONOMIC IMPACT OF NEGLIGENT CONDUCT

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Executive Summary:

- In Mexico, the Supreme Court has recognized that civil liability compensation may include a punitive component in cases of grossly negligent conduct, even in the absence of express statutory regulation.
- Punitive damages aim to deter cost-cutting decisions in areas such as safety, maintenance, or regulatory compliance when prevention would otherwise be less economically attractive than assuming the risk of harm.

Traditionally, in civil liability matters, compensation has been primarily intended to repair the damage caused. However, in certain cases, financial compensation can serve an additional purpose: to discourage particularly serious and socially reprehensible conduct. This dimension of compensation is known as punitive damages.

This concept is particularly relevant because, for example, a poor cost decision can end up being much more expensive than anticipated, especially when reductions in spending on safety, maintenance, or regulatory compliance result in serious damage.

In Mexico, punitive damages are not expressly regulated by law. Their development has been primarily jurisprudential, based on criteria issued by the Supreme Court of Justice of the Nation ("SCJN"). The most widely known precedent is the Mayan Palace case, in which the First Chamber of the SCJN analyzed civil liability arising from the death of a hotel guest due to serious deficiencies in safety measures and a delayed response to a significant risk.

In that case, the SCJN held that compensation should not necessarily be limited to compensating for the

damage suffered, but may incorporate an exemplary element when the conduct of the responsible party reveals a serious breach of its duty of care. Based on this precedent, the concept of punitive damages has been progressively shaped and applied within the Mexican civil liability system.[1]

Other relevant cases -such as the Amparo case file 36/2017 (Buenavista del Cobre and Grupo México) and Amparo Case file 992/2014 (CMR, S.A.B. de C.V.)-have further contributed to the development of punitive damages in Mexico. Likewise, the existence of proceedings still pending -such as those involving Google Mexico or Cabify- demonstrates that the deterrent function of compensation, even though not expressly provided for in the law, is in full force and evolving.

From this perspective, the SCJN has emphasized that the right to "fair compensation" is not limited to mere reparation for the damage but may include an additional component when the seriousness of the conduct so warrants. This component serves a function of social reproach and prevention, sending a clear message that certain behaviors cannot be treated as simple mistakes without significant

consequences.

Accordingly, punitive damages serve a dual purpose. On the one hand, they allow the victim to see their expectation of justice fulfilled by ensuring that the harm suffered results in tangible consequences for the party responsible. On the other hand, they perform a preventive and deterrent function, discouraging the repetition of similar conduct in the future. [2]

In some cases, limiting compensation to strictly compensatory damages amount may be insufficient, for example, when reducing costs in safety, maintenance, or regulatory compliance proves economically more attractive than assuming the risk of potential liability. In such scenarios, punitive damages seek to prevent non-compliance from becoming a profitable decision.

By way of illustration, if a company decides to reduce costs by neglecting proper maintenance of its machinery and, as a result, an employee is injured due to a malfunction attributable to that omission, punitive damages aim to penalize that negligent conduct. The rationale is straightforward: to ensure that paying damages is not more convenient than complying with minimum safety standards. By increasing the overall amount payable, punitive damages may exceed the savings achieved by avoiding maintenance, thereby creating a genuine incentive for companies not to repeat such negligent decisions.

However, the SCJN has been clear in pointing out that punitive damages do not apply automatically or in all cases. Their imposition requires a careful analysis of the specific circumstances, including the degree of responsibility of the party causing the harm and the seriousness of its conduct. In this regard, compensation may be entirely fair even without a punitive component. [3]

Likewise, punitive damages do not constitute an independent sanction, but rather an increase in the total amount of compensation, closely linked to the proven civil liability and applicable only to the person who actually caused the damage.[4] Nor are they applicable when the defendant is the State, since an exemplary financial penalty would ultimately fall on taxpayers.[5]

In conclusion, punitive damages in Mexico are an exceptional and carefully defined tool within the civil liability system. Their purpose is not to impose excessive punishment, but to reinforce a culture of responsibility, prevent non-compliance or negligence from becoming economically convenient options, and ensure that compensation is truly fair in the most serious cases. Applied prudently and with proper justification, punitive damages contribute to a more solid balance between redress for harm, social reproach, and prevention of future conduct.

Ultimately, poor cost-cutting decisions can prove far more expensive than anticipated. While reducing expenditures on safety, maintenance, or regulatory compliance may generate short-term savings, such decisions can expose companies to significantly greater liability when they result in serious damages.

[1] See the ruling issued by the First Chamber of the SCJN, with digital registration number: 2006959.

[2] See the ruling issued by the First Chamber of the SCJN, with digital registration number: 2006958.

[3] See the jurisprudence issued by the First Chamber of the SCJN, with digital registration number: 2025569

[4] See the ruling issued by the Third Collegiate Court in Civil and Labor Matters of the Fifth Circuit with digital registration number: 2029049.

[5] See the ruling issued by the First Chamber of the SCJN, with digital registration number: 2018607.