

LAW ON OBLIGATION AND CONTRACT
MIDTERM REVIEWER
PART 1: PURE & CONDITIONAL OBLIGATIONS & OBLIGATION WITH A TERM

1. PURE OBLIGATION

- One whose effectivity or extinguishment does not depend upon the fulfillment or nonfulfillment of a **condition** or upon the expiration of a term or period, and which is characterized by the quality of immediate demandability.
 - **Condition** is a future and uncertain fact or event upon which an obligation is subordinated or made to depend. Furthermore, a past but uncertain event is also considered as a condition.

2. Conditional Obligation

- One whose effectivity is subordinated to the fulfillment or nonfulfillment of a future and uncertain fact or event.
- **Article 1181.** In conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event which constitutes the condition
- **Article 1182.** When the fulfillment of the condition depends upon the sole will of the debtor, the conditional obligation shall be void. If it depends upon chance or upon the will of a third person, the obligation shall take effect in conformity with the provisions of this Code.
- **Article 1184.** The condition that some event happen at a determinate time shall extinguish the obligation as soon as the time expires or if it has become indubitable that the event will not take place.
 - Illustration: A binds himself to give to B P2,000 if the latter passes the bar examination in his first attempt. B flunks the examination. Thus, the obligation is extinguished.
- **Article 1185.** The condition that some event will not happen at a determinate time shall render the obligation effective from the moment the time indicated has elapsed, or if it has become evident that the event cannot occur.
 - Illustration: A binds himself to give P5,000 to B provided that the latter shall not get married before reaching the age of 25. The condition is negative. If B is not yet married at the time when he finally reaches the age of 25, the obligation becomes effective.
- In Art. 1185, par.2, the intention of the parties, taking into consideration the nature of the obligation, shall govern if no time has been fixed for the fulfillment of the condition.
- **Article 1186.** The condition shall be deemed fulfilled when the obligor voluntarily prevents its fulfillment.

2.1.1. Classification of Conditions

2.1.1.1. Suspensive

- The fulfillment of the condition results in the acquisition of rights arising out of the obligation.
- It is a future and uncertain event upon the fulfillment of which the obligation becomes effective. The birth or effectivity of the obligation is suspended until the happening or fulfillment of the event which constitutes the condition. If the suspensive condition does not take place, the parties would stand as if the conditional obligation had never existed

- Illustration: A obligates himself to give to B P100,000 if the latter gets married to C. B cannot acquire the P100,000 unless he gets married to C.

2.1.1.1.1. Effects Of Suspensive Condition

- If the suspensive condition is fulfilled, the obligation arises or becomes effective;
- If it is not fulfilled, no juridical relation is created;
- The rights are not yet acquired, but there is a hope or expectancy that they will soon be acquired.

2.1.1.1.2. Constructive Fulfillment of Suspensive Condition

- The obligor must have actually prevented the obligee from complying with the condition, and that such prevention must have been voluntary or willful in character
- Illustration: The conditions which are imposed by a certain company in order that its employees will be entitled to retirement benefits can no longer be complied with because the retirement or pension plan was wilfully abrogated by a unilateral act of the Board of Directors of the company. It was held that such conditions are deemed complied with in conformity with Art. 1186. Thus, such employees are now entitled to retirement benefits.
- This doctrine can be applied only to suspensive conditions and not to resolutive conditions.
- “Article 1186. The condition shall be deemed fulfilled when the obligor voluntarily prevents its fulfillment. This provision refers to the constructive fulfillment of a suspensive condition, whose application calls for two requisites, namely:
 - a. the intent of the obligor to prevent the fulfillment of the condition, and
 - b. the actual prevention of the fulfillment. Mere intention of the debtor to prevent the happening of the condition, or to place ineffective obstacles to its compliance, without actually preventing the fulfillment, is insufficient.

2.1.1.1.3. Effect of Suspensive Condition BEFORE Fulfillment

- **Article 1187.** The effects of a conditional obligation to give, once the condition has been fulfilled, shall retroact to the day of the constitution of the obligation. Nevertheless, when the obligation imposes reciprocal prestations upon the parties, the fruits and interests during the pendency of the condition shall be deemed to have been mutually compensated. If the obligation is unilateral, the debtor shall appropriate the fruits and interests received, unless from the nature and circumstances of the obligation it should be inferred that the intention of the person constituting the same was

different. In obligations to do and not to do, the courts shall determine, in each case, the retroactive effect of the condition that has been complied with.

- **Article 1188.** The creditor may, before the fulfillment of the condition, bring the appropriate actions for the preservation of his right. The debtor may recover what during the same time he has paid by mistake in case of a suspensive condition.
- If the obligation depends upon a suspensive condition, the demandability and the acquisition or effectivity of rights arising from the obligation is suspended pending the happening or fulfillment of the fact or event which constitutes the condition. Therefore, during the pendency of the condition, the obligee or creditor has only a mere hope or expectancy. This hope or expectancy is protected by the law. Thus, as provided by Art. 1188 par.1, it is but just and proper that the law accords to him the right to avail of all remedies for the protection or preservation of such right.
 - Illustration: When the obligor has promised to sell a parcel of land to the obligee upon the happening of a condition, but changes his mind before the fulfillment and decided to sell it to another person, the obligee can bring an appropriate action such as a petition for the issuance of a writ of injunction, to prevent the sale in order to preserve his right.
- In the case of the obligor or debtor, as provided by Art. 1188 par.2, his obligation to comply with the prestation arises only if and when the event which constitutes the condition is finally fulfilled. Consequently, if he has paid anything by mistake during the pendency of the condition, he can recover what has been paid

2.1.1.1.4. Effects of Suspensive Conditions AFTER Fulfillment

- Once the condition is fulfilled, the obligation arises or becomes effective. The right of the creditor, which was a mere hope or expectancy is perfected. It becomes effective and demandable. The obligor or debtor can thereafter be compelled to comply with what is incumbent upon him.

2.1.1.2. Resolutory

- The fulfillment of the condition results in the extinguishment of rights arising out of the obligation.
- It is a future and uncertain event upon the happening or fulfillment of which rights which are already acquired by virtue of the obligation are extinguished or lost.
- Illustration: A person sells a parcel of land with the right of repurchase. Once the sale de retro is perfected, the vendee a retro becomes the owner of the property. However, his right is

not absolute because it may be extinguished if the vendor a retro exercises his right of repurchase within the legal or stipulated period of redemption.

2.1.1.2.1. Effects of Resolutive Condition

- If the resolutive condition is fulfilled, the obligation is extinguished;
- If it is not fulfilled, the juridical relation is consolidated;
- Rights are already acquired, but subject to the threat of extinction.

2.1.1.3. Potestative Condition

- The fulfillment of the condition depends upon the will of the party of the obligation.
- Two distinctions:
 - a. Whose fulfillment depends exclusively upon the will of the creditor
 - The condition and the obligation is valid. This is because the creditor is naturally interested in the fulfillment of the condition since it is only by such fulfillment that the obligation can be effective. Art. 1182 extends only to those which are potestative to the debtor and is applicable only to a suspensive condition.
 - b. Whose fulfillment depends upon the will of the debtor
 - The condition and the obligation is void. To allow conditions whose fulfillment depends exclusively upon the will of the debtor would be equivalent to sanctioning obligation which are illusory
 - Exceptions: Even though the fulfillment of the condition is made to depend upon the sole will of the obligor or debtor, it is valid if the condition is potestative and resolutive. This is because the obligor is interested in the fulfillment of the resolutive condition since it is only by such fulfillment that he can reacquire the rights which have already been vested in the obligee or creditor upon the constitution of the obligation.
 - It is also valid even if the condition is made to depend upon the sole will of the debtor if it refers to a preexisting obligation.
 - Illustration: The debtor binds himself to pay a previous indebtedness of P2,000 to the creditor by the end of December, 1980, provided that he is in the mood to do so. Although the condition is made to depend

2.1.1.4. Casual Condition

- The fulfillment of the condition depends upon chance and/or upon the will of a third person.

2.1.1.4.1. Effect of Casual Condition

- When the fulfillment of the condition depends upon chance and/or the will of a third person, the obligation including such condition shall take effect.
- Illustration: The obligor promises to deliver his automobile to the obligee if a certain candidate is elected to the position of President of the Philippines in 1969.

2.1.1.5. **Mixed Condition**

- The fulfillment of the condition depends partly upon the will of a party to the obligation and partly upon chance and/or the will of a third person.
- Condition which depends partly upon the will of the debtor and partly upon the will of third persons.
- Illustration: The debtor promises to pay his debts to the creditor as soon as he shall have received funds derived from the sale of his house.
- **Void condition** – if its fulfillment depends exclusively upon the debtor's will.
 - Illustration: Where the debtor promises to pay his debts "if he decides to sell his house" or "if he likes to pay the sums advanced".

2.1.1.6. **Possible Condition**

- The condition is capable of realization according to nature, law, public policy or good customs.

2.1.1.7. **Impossible Condition**

- The condition is not capable of realization according to nature, law, public policy or good customs.
- **Article 1183.** Impossible conditions, those contrary to good customs or public policy and those prohibited by law shall annul the obligation which depends upon them. If the obligation is divisible, that part thereof which is not affected by the impossible or unlawful condition shall be valid.

2.1.1.7.1. **Effects of Impossible Condition**

- Impossible conditions as well as those contrary to good customs or public policy and those which are prohibited by law shall annul the obligation which depends upon them
 - Illustrations:
 - a. **Impossible:** A obligates himself to pay to B P10,000 if the latter can contract the inhabitants of Mars.
 - b. **Illegal:** C promises to give to D a parcel of land if the latter secures a divorce from his wife.
 - c. **Inappropriate or illicit:** E binds himself to deliver to F an automobile if the latter will go with him around the world on a trial honeymoon.
- However, if the obligation is a preexisting obligation, and therefore does not depend upon the fulfillment of the

condition for its perfection, it is quite clear that only the condition is void, but not the obligation

- If the obligation is divisible, that part which is not affected by the impossible or unlawful condition shall be valid.
 - Illustration: A and B enter into an agreement whereby the former binds himself to give P5,000 to the latter in two equal installments, the first installment to be given if the latter is able to dispose of a cache of opium belonging to the former and the second installment to be given if the latter gets married to C. Since the obligation is divisible, the part which is not affected by the unlawful condition shall be valid.
- If the condition is not to do an impossible thing, it shall be considered as not having been agreed upon. The obligations become pure, and therefore, immediately demandable.
- The obligation is void if the condition which is impossible, illegal, inappropriate or illicit is attached to an obligation. But if it is attached to a simple or remuneratory donation or to a testamentary disposition, the condition is considered as not imposed, although the donation or testamentary disposition itself is valid.

2.1.1.8. Positive Condition

- The condition involves the performance of an act.

2.1.1.9. Negative Condition

- The condition involves the omission of an act.

2.1.1.10. Divisible Condition

- The condition is susceptible to partial realization.

2.1.1.11. Indivisible Condition

- The condition is not susceptible to partial realization.

2.1.1.12. Conjunctive Condition

- There are several conditions, all of which must be realized.

2.1.1.13. Alternative Condition

- There are several conditions, but only one must be realized.

2.1.1.14. Express Condition

- The condition is stated expressly.

2.1.1.15. Implied Condition

- The condition is tacit.

2.2. OBLIGATION WITH A PERIOD, NOT WITH A CONDITION

- If the proof or ascertainment of the fact or event will surely come to pass, although it may not know when, it is an obligation with a term or period; those whose demandability or extinguishment is subject to the expiration of a term or period.
- Moreover, as provided in Art. 1197, when the debtor binds himself to pay when his means permit him to do so, the obligation shall be deemed to be one with a period. Consequently, the court shall determine such a period as may under the circumstances have been probably contemplated by the parties. Once fixed by the court, the period cannot be changed by them. Thus if it is stipulated by the

contracting parties that the debtor shall pay “as soon as he has the money”, the remedy of the creditor is to resort to the courts for the determination of the period

2.2.1. Concept of Term or Period

- Term or period is an interval of time, which, exerting an influence on an obligation as a consequence of a juridical act, either suspends its demandability or produces its extinguishment

2.2.2. Classification of Term or Period

2.2.2.1. Suspensive

- It is suspensive when the obligation becomes demandable only upon the arrival of a day certain.
- Illustration: A donates a parcel of land to B to be delivered after his death. The time of the death of the donor is a day certain because it must necessarily come, although it may not know when.

2.2.2.2. Resolutive

- It is resolutive when the obligation is demandable at once, although it is terminated upon the arrival of a day certain.
- Illustration: C donates the usufruct or use and enjoyment of a house and lot to D for ten years. As soon as the donation is perfected, D can demand the delivery of the house and lot immediately. However, after the expiration of ten years, he will have to return the house and lot to the debtor.

2.2.3. A Day Certain

- Is understood to be that which must necessarily come, although it may not know when.
- **Article 1194.** In case of loss, deterioration or improvement of the thing before the arrival of the day certain, the rules in Article 1189 shall be observed.
- **Article 1189.** When the conditions have been imposed with the intention of suspending the efficacy of an obligation to give, the following rules shall be observed in case of the improvement, loss or deterioration of the thing during the pendency of the condition:
 - a. If the thing is lost without the fault of the debtor, the obligation shall be extinguished;
 - b. If the thing is lost through the fault of the debtor, he shall be obliged to pay damages; it is understood that the thing is lost when it perishes, or goes out of commerce, or disappears in such a way that its existence is unknown or it cannot be recovered;
 - c. When the thing deteriorates without the fault of the debtor, the impairment is to be borne by the creditor;
 - d. If it deteriorates through the fault of the debtor, the creditor may choose between the rescission of the obligation and its fulfillment, with indemnity for damages in either case;
 - e. If the thing is improved by its nature, or by time, the improvement shall inure to the benefit of the creditor;
 - f. If it is improved at the expense of the debtor, he shall have no other right than that granted to the usufructuary.

2.2.4. Effects of Fortuitous Event

- Any stipulation in the contract to the effect that in case of a fortuitous event the contract shall be deemed suspended during the term or period does not mean that the happening of the fortuitous event shall stop the running of the term or period agreed upon. Its only effect is to relieve the contracting parties from the fulfillment of their respective obligation during the term or period.

2.2.5. Effect of Advanced Payment or Delivery

- **Art. 1195** provides that if the obligor, being unaware of the period or believing that the obligation has become due and demandable, paid or delivered anything before the arrival or expiration of the period, he may recover what he has paid or delivered with fruits and interest.
- **Art.1195** can only apply to obligations to give. Before the rule can be applied, the payment or delivery must have been made by the debtor either because he was unaware of the period or he believed that the obligation has become due and demandable. If the payment or delivery was made voluntarily or with knowledge of the period or of the fact that the obligation has not yet become due and demandable, there can be no right of recovery whatsoever.
- **Article 1196.** Whenever in an obligation a period is designated, it is presumed to have been established for the benefit of both the creditor and the debtor, unless from the tenor of the same or other circumstances it should

2.2.6. Benefit of term or period

- **General rule:** When a period is designated for the performance or fulfillment of an obligation, it is presumed to have been established for the benefit of both the creditor and the debtor. Thus, the creditor cannot demand the performance of the obligation before the expiration of the designated period; neither can the debtor perform the obligation before the expiration of such period.
- **Illustration:** “four years after the date”. One party cannot compel the other to accept the payment or deliver the object of the obligation until after four years.

Exception:

- If the period has been established for the benefit of the creditor, he may demand the fulfillment or performance of the obligation at any time, but the obligor or debtor cannot compel him to accept payment before the expiration of the period.
 - If the period has been established in favor of the obligor or debtor, he may oppose any premature demand on the part of the creditor or obligee for the performance of the obligation, or if he so dismiss, he may renounce the benefit of the period by performing his obligation in advance.
- **Illustration:** “within a period of five years”. This is in favor of the debtor. Thus, he could compel the creditor to accept the payment at any time within five years.

2.2.7. Judicial term or period

- A term or period is judicial when the duration thereof is fixed by a competent court in accordance with the causes expressly recognized by law. Once fixed by a competent court, the period can no longer be judicially changed nor can the parties change it because it becomes the law governing their contract.
- **When court can fix the term:**
 - a. If the obligation does not fix a period, but from its nature and the circumstances it can be inferred that a period was intended by the parties.
 - b. If the duration of the period depends upon the will of the debtor.
 - c. If the debtor binds himself to pay when his means permit him to do so

2.2.8. The Debtor Shall Lose Every Right to Make Use of the Period

- a. When after the obligation has been contracted, he becomes insolvent, unless he give a guaranty or security for the debt;
- b. When he does not furnish to the creditor the guaranties or securities which he has promised;
- c. When by his own acts he has impaired said guaranties or securities after their establishment, and when through a fortuitous event they disappear, unless he immediately gives new ones equally satisfactory;
 Conditions:
 - (1) If the guaranty or security is impaired through the fault of the debtor, he shall lose his right to the benefit of the period.
 - (2) If it is impaired without his fault, he retain his right.
- d. When the debtor violates any undertaking, in consideration of which the creditor agreed to the period;
- e. When the debtor attempts to abscond.

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