

- **LAW** - A rule of conduct, just and obligatory, laid down by legitimate authority for common observance and benefit
- **LAW ON OBLIGATIONS AND CONTRACT** - It is the body of rules which deals with the nature and sources of obligations, rights and duties arising from agreements and contracts.
- **Source of law on obligations and contracts** - Civil Code of the Philippines (Republic Act No. 386)
- **OBLIGATION** - An obligation is a **juridical necessity** to give, to do or not to do. (Article 1156, NCC)
- **Obligation, REQUISITES (APPE):**
  1. Active subject
  2. Passive subject
  3. Prestation
  4. Efficient Cause
- **Active subject:**
  - creditor/obligee
  - Entitled to demand the fulfillment of an obligation
- **Passive subject:**
  - debtor/obligor
  - Bound to the fulfillment of an obligation
- **Prestation:**
  - the promise or particular contract to be observed in the performance of an obligation, and may consist of giving, doing or not doing of a thing
- **Efficient cause:**
  - the legal tie/vinculum juris/juridical tie which binds the parties to the obligation
- **Application:**

Active subject: Cardo

Passive subject: Rihanna

Prestation: delivery of the diamond ring

Efficient Cause: agreement or contract of sale

- **SOURCES, OBLIGATIONS: (L-CQAQ)**
  1. Law
  2. Contracts
  3. Quasi-Contracts
  4. Acts or omissions punishable by law
  5. Quasi-delict
- **Law as a source of obligation:**
  - Obligations derived from law are not presumed.
- **Law, principles**
  - Obligations derived from law shall be governed by the law which establishes them.
  - Exception: in case of insufficiency, the Civil Code

- **Contract as a source of obligation:**
  - A contract is a meeting of the minds between two persons whereby one binds himself, with respect to the other, to give something or to render some service.
  - Obligations arising from contracts have full force of law between the contracting parties and should be complied with in good faith.
- **Contracts, principles**
  - Validity of Contract:
    - Autonomy of will
    - Exception:
      - If it is contrary to law, morals, good customs, public order or public policy=VOID
  - EFFECT IF PART OF THE CONTRACT IS VOID:
    - if divisible, that part which is not affected may be enforced

Ex.: I promise to give you a piano and 10 kilos of shabu.  
Delivery of piano – may be enforced; delivery of 10 kilos of shabu – VOID

- **Quasi-contract as a source of obligation:**
  - It is a result of lawful, voluntary and unilateral acts by virtue of which the parties become bound to each other to the end that there should be no unjust enrichment on anyone's part.
- **Quasi-contracts, principles**
  - Not an implied contract
  - Obligation arises without a contract
  - Two principal kinds:
    1. Negotiorum Gestio
    2. Solutio Indebiti
  - **Negotiorum Gestio, concept**
    - Voluntary administration of property, business or affairs of a third person without the consent or authority of its owner
  - **Solutio indebiti, concept**
    - Payment by mistake of an obligation which was not due when paid
  - **Ex delicto, principles**
    - A person held guilty by the court must not only be imprisoned but shall also answer for damages as civil obligations.
  - **Ex delicto, principles**
    - Included in the civil liability:
      1. Restitution
      2. Reparation of the damage caused
      3. Indemnification for consequential damages

○ **Delict as a source of obligation:**

- Every person criminally liable for a felony is also civilly liable.

*Ex delicto, principles*

- The acquittal of an accused from the charge against him does not carry with it the extinction of the civil action.

○ **Quasi-delict as a source of obligation:**

- One which causes damage to another, there being fault or negligence, but there is no pre-existing contractual relation between the parties.

○ **Quasi-delict, requisites**

1. The act or omission complained of is due to the fault or negligence of the offending part.
2. The act or omission causes damage or injury
3. There is a direct relation of cause and effect between the fault or negligence and the damage or injury
4. There is no pre-existing contractual relation between the offender and the offended parties.

*Quasi-delict, principles*

1. **Negligence**

- The omission of that diligence which is required by the circumstances of person, place and time

○ **KINDS, OBLIGATIONS:**

A. **Viewpoint of sanctions**

1. Civil obligations
2. Natural Obligations
3. Moral Obligations

B. **Viewpoint of performance**

1. Positive
2. Negative

C. **Viewpoint of subject matter**

1. Real obligation
2. Personal obligation

D. **Viewpoint of persons obliged**

1. Unilateral
2. Bilateral

○ **DILIGENCE REQUIRED, PRIORITY:**

1. **By provision of the law**

Ex. Common carriers

2. **By stipulation of the parties**

3. **In the absence of law and stipulation: diligence of a good father of a family**

*Diligence of a good father of a family, principle:*

- **"Bonum pater familias"**

- Kind of diligence a person obliged to deliver a determinate thing must observe
- To take good care of the thing as if he is the real owner

- Degree of diligence which is required by the nature of the obligation and corresponds with the circumstances of person, time and place

○ **OBJECT, KINDS:**

1. DETERMINATE/ SPECIFIC

2. INDETERMINATE/ GENERIC

○ **DETERMINATE/SPECIFIC, DEFINITION:**

- Particularly designated or physically segregated from others of the same class

Ex. 2016 Ford Ecosport, plate no. ABA 123, Engine. No. 212345

○ **INDETERMINATE/ GENERIC, DEFINITION:**

- Not particularly designated or separated from others of the same class

Ex. 2016 Ford Ecosport

○ **PERSONAL RIGHT, DEFINITION:**

- Jus in personam
- A power demandable by one person to another to give, to do or not to do

○ **REAL RIGHT, DEFINITION:**

- A power over a specific thing and is binding on the whole world

○ **Remedies of a creditor in obligation to give:**

1. **In an obligation to deliver a determinate thing:**

- a. Demand to make the delivery: specific performance
- b. Demand rescission w/ right to recover damages
- c. Demand payment of damages only

2. **In an obligation to deliver an indeterminate thing:**

- a. Ask for compliance of the obligation either by the obligor or by a third person to deliver the thing belonging to the same class-neither superior nor inferior quality charging the expenses to the obligor
- b. Demand for damages

○ **ACCESSORIES, DEFINITION:**

- Those things joined to or included with the principal thing for the latter's embellishment, better use, or completion

- Ex. Bracelet of a watch

○ **ACCESSIONS, DEFINITION:**

- Fruits of a thing or everything which is produced by a thing, incorporated or attached thereto, either naturally or scientifically
- Ex. House on a piece of land

## ○ REMEDIES OF CREDITOR IN POSITIVE PERSONAL OBLIGATION:

In case debtor fails to comply:

1. To have the obligation performed by himself, or by another, unless personal considerations are involved, at the debtor's expense and
2. To recover damages
1. Remember!

Specific performance cannot be ordered in a personal obligation, otherwise, it would amount to

## INVOLUNTARY SERVITUDE

In case the obligation is done in contravention of the terms/poorly done:

1. It may be ordered undone (by the court) if still possible to undo what was done

## ○ REMEDIES OF CREDITOR IN NEGATIVE PERSONAL OBLIGATION:

### 1. Undoing of the forbidden thing + damages

If possible to undo, either physically or 1. legally, or because of the rights acquired by third persons who acted in GF:

-----Damages

## ○ WHAT IS DELAY?

○ Ordinary delay- merely the failure to perform an obligation on time

○ Legal delay/default or Mora – the failure to perform an obligation on time which failure constitutes a breach of the obligation

## ○ DELAY, KINDS

1. Mora solvendi
2. Mora accipiendi
3. Compensatio morae

1. Mora solvendi – delay on the part of the debtor to fulfill his obligation to give or to do

- Breach of obligation, \* interest (in case of money) or damages (in case of other obligations), \*liability even for a fortuitous event if the thing is specific

2. Mora accipiendi – delay on the part of the creditor to accept the performance of the obligation

- \*breach of obligation, \*damages, \*risk of loss, \*in case of money, debtor is not liable for the interest from the time of delay, \*consignation/deposit in court

3. Compensatio morae – delay of the obligors in reciprocal obligations (ex. Sale)

- \*Delay of the obligor cancels the delay of the obligee, and vice versa,

## ○ WHEN IS THERE DELAY?

G.R.: DELAY BEGINS ONLY FROM THE MOMENT A DEMAND IS MADE.

EXCEPTIONS:

1. When stipulated by the parties
2. By provision of law
3. When time is of the essence
4. Demand will be useless

## ○ WHO ARE LIABLE FOR DAMAGES?

Those, in the performance, are guilty of:

1. Fraud
2. Negligence
3. Delay
4. Contravention of the tenor

## ○ WHO ARE LIABLE FOR DAMAGES?

### 1. Fraud

- Deceit or dolo
- deliberate or intentional evasion of the normal fulfillment of an obligation
- implies malice/dishonesty
- Bad faith

### 2. Negligence

- Any voluntary act or omission, there being no malice, which prevents the normal fulfillment of an obligation

### 3. Contravention of the terms of the obligation

- Violation of the terms and conditions stipulated in the obligation
- Must not be due to a fortuitous event or force majeure

## ○ FRAUD VS. NEGLIGENCE

## ○ NEGLIGENCE:

1. Contractual negligence
2. Civil negligence
3. Criminal negligence

## ○ CONTRACTUAL NEGLIGENCE:

- Culpa contractual
- Negligence in contracts resulting in their breach
- Makes the debtor liable for damages in view of the pre-existing obligation

## ○ CIVIL NEGLIGENCE:

- Culpa aquiliana
- Negligence which by itself is the source of an obligation between the parties not so related by any pre-existing contract

- Quasi-delict

## ○ CRIMINAL NEGLIGENCE:

- Culpa criminal
- Negligence resulting in the commission of a crime

○ **FORTUITOUS EVENT, DEFINITION:**

- Any event which cannot be foreseen, or which, though foreseen, is inevitable

○ **FORTUITOUS EVENT VS FORCE MAJEURE**

1. **Acts of man** – Fortuitous event is an event independent of the will of obligor but not of other human wills

Ex. War, fire, robbery, insurrection

2. **Acts of nature** – Majeure or events which are totally independent of the will of every human being

Ex. Earthquake, flood, shipwreck, lightning, eruption of volcano, rain

○ **FORTUITOUS EVENTS:**

1. **Ordinary fortuitous events** - events which are common and could reasonably be foreseen by the contracting parties
2. **Extra-ordinary fortuitous events** – events which are uncommon and could not be reasonably be foreseen

○ **FORTUITOUS EVENT, REQUISITES:**

1. Event must be independent of the human will or at least of the debtor's will
2. Event could not be foreseen, or if foreseen, is inevitable
3. Event must be of such character as to render it impossible for the debtor to comply with his obligation in a normal manner
4. Debtor must be free from any participation in, or the aggravation of, the injury to the creditor, that is, there is no concurrent negligence on his part

○ **Remember!**

ABSENCE OF ANY REQUISITE

= PREVENTS THE OBLIGOR FROM BEING EXEMPT FROM THE LIABILITY

○ **RULES AS TO LIABILITY IN CASE OF FORTUITOUS EVENT:**

G.R.: Not responsible for loss or damage caused to another resulting from fortuitous events

Exc.:

a. **When expressly specified by law**

- a.1. the debtor is guilty of FNDC
- a.2. the debtor has promised to deliver the same thing to 2 or more persons who do not have the same interest
- a.3. the obligation to deliver a specific thing arises from a crime
- a.4. the thing to be delivered is generic

b. **When declared by stipulation**

c. **When the nature of the obligation requires the assumption of risk**

○ **Simple loan or mutuum, MEANING:**

A contract whereby one of the parties delivers to another, money or other consumable thing, upon the condition that the same amount of the same kind and quality shall be paid. It may be gratuitous or with a stipulation.

○ **USURY:**

- Contracting for or receiving interest in excess of the amount allowed by law for the loan or use of money, goods, chattels or credits

○ **RECOVERY OF INTEREST, REQUISITES:**

1. Payment of interest must be expressly stipulated
2. Agreement must be in writing
3. Interest must be lawful

○ **USURY, CONCEPT:**

USURY LAW ALREADY NON-EXISTENT BUT:

SC DECLARED THAT INTEREST OF 1.5% PER MONTH IS UNCONSCIONABLE

○ **RECEIPT OF PRINCIPAL W/O RESERVATION AS TO THE INTEREST**

PRESUMPTION: INTEREST HAS BEEN PAID

Why?

PAYMENT OF PRINCIPAL SHALL NOT BE DEEMED TO HAVE BEEN MADE UNTIL THE INTEREST HAS BEEN COVERED (Art. 1253)

○ **RECEIPT OF A LATER INSTALLMENT W/O RESERVATION AS TO PRIOR INSTALLMENTS:**

PRESUMPTION:

PRIOR INSTALLMENT IS ALSO PAID

○ **(successive) RIGHTS OF AN UNPAID CREDITOR:**

1. Demand fulfillment of the obligation or specific performance
2. Attach properties of the debtor, except those exempt by law from execution
3. Exercise all the rights of the debtor except those inherent and personal to him (**ACCION SUBROGATORIA**)
4. Ask for rescission of contracts intended to defraud him (**ACCION PAULIANA**)

○ **Transmissibility of rights:**

G.R. : All rights acquired in virtue of an obligation are transmissible

Exceptions:

1. Stipulation
2. Prohibited by law
3. Nature of the obligation does not permit transmission of rights, such as when the right is personal

### *Transmissibility of rights, example:*

Pura owes Yayamanin P100,000 payable on October 14, 2017. Her would-be heirs are Uno, Dos, and Tres. If Pura dies on October 10, Pura's obligation to pay Yayamanin P100k is EXTINGUISHED. Remedy of Yayamanin: Action/Claim against Pura's estate.

If it was Yayamanin who dies, his heirs – Ah, Ba, Ca and Da, CAN DEMAND from Pura. Why? Because his rights are TRANSMISSIBLE.

#### ○ **PURE OBLIGATION:**

- One without condition or a term, therefore demandable at once

Ex.:

- I promise to give you a specific laptop
- I oblige myself to give you P50,000 on demand

#### ○ **CONDITIONAL OBLIGATION:**

- One subordinated or made to depend upon a condition which is a future and uncertain event

#### ○ **CONDITION, KINDS:**

1. SUSPENSIVE
2. RESOLUTORY

#### ○ **SUSPENSIVE CONDITION:**

- One which suspends the effectivity of the obligation until the condition is fulfilled.
- It is the fulfillment of the condition that produces the efficacy of the obligation

EXAMPLE:

I will give you P50,000 if you will pass LawCom1 this semester.

#### ○ **RESOLUTORY CONDITION:**

One which extinguishes the obligation upon the happening of the condition.

The obligation takes effect at once, but will terminate upon the happening of the event.

EXAMPLE:

I will let you stay in my house until you graduate.

#### ○ **POTESTATIVE CONDITION:**

One which depends upon the will of one of the parties  
Also called as facultative condition

**A. On the part of the debtor if suspensive: both the condition and obligation are void**

Example: I will give you P50,000 if I like

**B. On the part of the debtor if resolutive: both the condition and obligation are valid**

Example: I will give you P50,000 until I return from Timbuktu

**C. On the part of the creditor: both the condition and obligation are valid**

Example: I will give you P50,000 if you like

#### ○ **IMPOSSIBLE CONDITION:**

- a. Impossible physically:

Make a dead dog alive

- a. Impossible logically Make a triangle that is at the same time a circle

- b. Illegal condition

To kill Mr. Mabuhay

- EFFECT:

- If the condition is to do an impossible or illegal thing:

**BOTH THE CONDITION AND OBLIGATION ARE VOID**

#### ○ **CONSTRUCTIVE FULFILLMENT:**

- When the debtor voluntarily prevents the fulfillment of the condition, the condition is deemed fulfilled.

- Also known as **presumed fulfillment**

#### ○ **EFFECTS OF FULFILLMENT OF SUSPENSIVE CONDITION:**

The obligation becomes effective on the day the obligation is constituted.

Example:

On March 15, 2015, Sitos agreed to sell his lot to Sitas if Sitas will pass the Bar exam on May 3, 2017.

On March 15, 2015: Sitos remains to be the owner

On May 3, 2017, Sitas passed the Bar exam, after payment and delivery, Sitas becomes the owner dating back March 15, 2015

#### ○ **RECIPROCAL OBLIGATION:**

- Reciprocal obligations are those which arise from the same cause, and which each party is a debtor and a creditor of the other, such that the obligation of one is dependent upon the obligation of the other.

Example:

Mario entered into a contract of sale with Maria wherein he will sell his bag for P3M.

In case of non-fulfillment of the obligation in the part of any one of them: rescission (power to cancel)

#### ○ **Rules 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 fault of the debtor, he shall be obliged to pay damages.
- 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 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.

○ **Resolutive condition**

-One which extinguishes the obligation upon the happening of the condition.

- The obligation takes effect at once, but will terminate upon the happening of the event.

Effects of fulfilment of Resolutive Condition:

- a. Obligation is extinguished
- b. Each party is bound to return or restore to each other whatever he has received including the fruits and interests

○ **RESCISSION** – right to cancel or to resolve the contract in case of non-fulfillment of the obligation on the part of one of them

Requisites of rescission:

1. exists only in reciprocal obligations
2. can be demanded only if the plaintiff is ready, willing and able to comply w/ his own obligation and the other is not

○ **Rules when parties are guilty of breach**  
**Remedies in reciprocal obligations:**

1. Action for specific performance with damages OR
2. rescission w/ damages

**Where parties are both guilty**

1. **First infractor known** – one party violated his obligation; subsequently the other also violated his part of obligation, the liability of the first infractor should be equitably reduced.
2. **First infractor cannot be determined** – one party violated his obligation followed by the other, but it cannot be determined which of them was the first infractor, the contract should be deemed extinguished and each shall bear his own damages.

○ **Obligation with a period**

One whose consequences are subjected in one way or another to the expiration of said period or term.

Types:

a. **ex-die/suspensive period**: a period which must lapse before the obligations can be demanded

b. **In-diem/resolutive period**: a period after which the obligation is extinguished

G.R. Period for the benefit of both the creditor and debtor

A borrowed from B P10.00 payable on June 10, 2018 at 12% interest per annum.

Exceptions:

For the benefit of the debtor if:

A borrowed from B P10.00 payable on or before June 10, 2018 at 12% interest per annum.

A borrowed from B P10.00 on May 1, 2017 payable within one year at 12% interest per annum.

For the benefit of the creditor if:

A borrowed from B P10.00 payable on demand.

When the court may fix a period?

a. When the duration depends upon the will of the debtor.

Ex. “when my means permit me to do so”, “as soon as possible”, “little by little”

b. When, though the obligation does not fix a period, it can be inferred that a period was intended

Ex. In sale of credit when the period of payment was not stated

**Instances when the debtor loses the benefit of the period**

- a. Debtor becomes insolvent, unless he gives a guaranty or security
- b. When debtor does not furnish to the creditor guaranties or securities which he 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
- e. Debtor violates any undertaking in consideration of which the creditor agreed to the period
- f. Debtor attempts to abscond

## ○ Alternative obligation

- One where out of two or more prestations which may be given, only one is due; There are several things due but the delivery of one is sufficient to extinguish the obligation

Cheetos promised Cheetas to deliver a) arm chair, or b) five (5) Frying pan or c) dining table  
Complete delivery on any one of the three is sufficient. Creditor cannot be compelled to receive part of one and part of the other undertaking

Right to choose:

G.R.: debtor

Exc: unless given to the creditor

### Limitations on the right of the debtor to choose:

- a. impossible
- b. unlawful
- c. those w/c could not have been the object of the obligation

### When alternative obligation is converted into a simple obligation

- a. debtor's choice is communicated to the creditor
- b. creditor's choice is communicated to the debtor, if given the right to choose
- c. When only one of the prestations due is practicable

## ○ Facultative Obligations

One where only one prestation has been agreed upon but the debtor may give another object as a substitute

Ex. I will give you my diamond ring or my eBike as a substitute

### Right of choice: debtor ONLY

### Effect of loss of the thing:

#### 1. Before substitution,

- a. principal thing is lost
  - a.1. if thru fortuitous event: obligation is extinguished
  - a.2. due to debtor's fault: damages
- b. substitute is lost
  - b.1 with or without debtor's fault: obligation to deliver substitute is extinguished

#### 2. After substitution,

- a. principal thing is lost
  - a.1. no longer liable whatever be the cause of the loss
- b. substitute is lost
  - b.1 a. principal thing is lost
    - b.1. if thru fortuitous event: obligation is extinguished
  - b.2. due to debtor's fault: amount of substitute plus damages