

Law of Obligations and Contracts

The Law of Obligations and Contracts is the body of rules which deals with the nature and sources of obligations and the rights and duties arising from agreements and particular contracts.

Republic Act 386 – Civil Code of the Philippines

Books of the Civil Code

Preliminary Title (Art 1 – 36) – Preliminary Title

Book 1 (Art 37 – 413) – Persons

Book 2 (Art 414 – 711) – Property, Ownership and its Modifications

Book 3 (Art 712 – 1155) – Different Modes of Acquiring Ownership

Book 4 (Art 1156 – 2270) – Obligations and Contracts

Article 3 of the Civil Code - Ignorance of the law excuses no one from compliance therewith.

TITLE I OBLIGATIONS

(Arts. 1156-1304, Civil Code)

Chapter 1 GENERAL PROVISIONS

Article 1156. An obligation is a juridical necessity to give, to do or not to do.

Civil obligation - obligations which give to the creditor or obligee a right under the law to enforce their performance in courts of justice

Natural obligations - not being based on positive law but on equity and natural law, do not grant a right of action to enforce their performance although in case of voluntary fulfillment by the debtor, the latter may not recover what has been delivered or rendered by reason thereof.; precept based on “do good and avoid evil”

Four Essential Requisites of an Obligation

1. A passive subject (debtor or obligor) — the person who is bound to the fulfillment of the obligation
2. An active subject (creditor or obligee) — the person who is entitled to demand the fulfillment of the obligation
3. Object or prestation (subject matter of the obligation) — the conduct required to be observed by the debtor. It may consist in giving, doing, or not doing.
4. A juridical or legal tie (efficient cause) — that which binds or connects the parties to the obligation. The tie in an obligation can easily be determined by knowing the source of the obligation.

Scenario: Under a building contract, X bound himself to build a house for Y for P3,000,000.00.

Passive subject:

Object or Prestation:

Active subject:

Juridical tie:

Form of obligations: Can be oral, or in writing, or partly oral and partly in writing.

Kinds of Obligation According to the Subject Matter

1. Real obligation (obligation to give) - the subject matter is a thing which the obligor must deliver to the obligee
Ex: X (the seller) binds himself to deliver a piano to Y
2. Personal obligation (obligation to do or not to do) - the subject matter is an act to be done or not to be done.

Types of personal obligation:

- a) Positive personal obligation - obligation to do or to render service
Ex: X binds himself to repair the piano of Y.
- b) Negative personal obligation - obligation not to do (which naturally includes obligations "not to give")
Ex: X obliges himself not to build a fence on a certain portion of his lot in favor of Y who is entitled to a right of way over said lot.

Article 1157. Obligations arise from: (1) Law; (2) Contracts; (3) Quasi-contracts; (4) Acts or omissions punished by law; and (5) Quasi-delicts.

Sources of Obligations

Law — when they are imposed by law itself.

Ex: Obligation to pay taxes; obligation to support one's family

Contracts. — when they arise from the stipulation of the parties.

Ex: The obligation to repay a loan or indebtedness by virtue of an agreement.

Quasi-contracts. — when they arise from lawful, voluntary and unilateral acts which are enforceable to the end that no one shall be unjustly enriched or benefited at the expense of another.

Ex: The obligation to return money paid by mistake or which is not due.

Crimes or acts or omissions punished by law — when they arise from civil liability which is the consequence of a criminal offense.

Ex: The obligation of a thief to return the car stolen by him; the duty of a killer to indemnify the heirs of his victim

Quasi-delicts or torts. — when they arise from damage caused to another through an act or omission, there being fault or negligence, but no contractual relation exists between the parties.

Ex: The obligation of the head of a family that lives in a building or a part thereof to answer for damages caused by things thrown or falling from the same; the obligation of the possessor of an animal to pay for the damage which it may have caused

Article 1158. Obligations derived from law are not presumed. Only those expressly determined in this Code or in special laws are demandable, and shall be regulated by the precepts of the law which establishes them; and as to what has not been foreseen, by the provisions of this Book.

Article 1159. Obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.

A contract is a meeting of minds between two persons whereby one binds himself, with respect to the other, to give something or to render some service.

1. Binding force
2. Requirement of a valid contract

Compliance in Good Faith

Compliance in good faith means compliance or performance in accordance with the stipulations or terms of the contract or agreement. Sincerity and honesty must be observed to prevent one party from taking unfair advantage over the other.

Article 1160. Obligations derived from quasi- contracts shall be subject to the provisions of Chapter 1, Title XVII of this Book.

Kinds of quasi-contracts.

Negotiorum gestio - voluntary management of the property or affairs of another without the knowledge or consent of the latter.

Solutio indebiti - juridical relation which is created when something is received when there is no right to demand it and it was unduly delivered through mistake. The requisites are:

- (a) There is no right to receive the thing delivered; and
- (b) The thing was delivered through mistake.

Article 1161. Civil obligations arising from criminal offenses shall be governed by the penal laws, subject to the provisions of article 2177, and of the pertinent provisions of Chapter 2, Preliminary Title, on Human Relations, and of Title XVIII of this Book, regulating damages.

Scope of Civil Liability.

The extent of the civil liability arising from crimes is governed by the Revised Penal Code and the Civil Code. This civil liability includes:

- (1) Restitution;
- (2) Reparation for the damage caused; and
- (3) Indemnification for consequential damages.

Article 1162. Obligations derived from quasi-delicts shall be governed by the provisions of Chapter 2, Title XVII of this Book, and by special laws.

Obligations Arising from Quasi-delicts

A quasi-delict is an act or omission by a person which causes damage to another giving rise to an obligation to pay for the damage done, there being fault or negligence but there is no pre-existing contractual relation between the parties.

Requisites of Quasi-delict.

Before a person can be held liable for quasi-delict, the following requisites must be present:

1. There must be an act or omission;
2. There must be fault or negligence;
3. There must be damage caused;
4. There must be a direct relation of cause and effect between the act or omission and the damage; and
5. There is no pre-existing contractual relation between the parties.

Crime Distinguished from Quasi-delict.

1. In crime, there is criminal or malicious intent or criminal negligence, while in quasi-delict, there is only negligence;
2. In crime, the purpose is punishment, while in quasi-delict, indemnification of the offended party;
3. Crime affects public interest, while quasi-delict concerns private interest
4. In crime, there are generally two liabilities: criminal and civil, while in quasi-delict, there is only civil liability;
5. Criminal liability can not be compromised or settled by the parties themselves, while the liability for quasi- delict can be compromised as any other civil liability;
6. In crime, the guilt of the accused must be proved beyond reasonable doubt, while in quasi-delict the fault or negligence of the defendant need only be proved by preponderance (i.e., superior or greater weight) of evidence.