

**1949 Philippine Civil Code Provisions that  
May Apply to the Local Practice of  
Philippine Registered and Licensed  
Architects (RLAs)**

**NOTE: PLEASE REFERENCE THE  
PROVISIONS HIGHLIGHTED IN RED FONT.**

**REPUBLIC ACT NO. 386**

**AN ACT TO ORDAIN AND INSTITUTE  
THE CIVIL CODE OF THE PHILIPPINES**

**PRELIMINARY TITLE**

**CHAPTER I**

**EFFECT AND APPLICATION OF LAWS**

Article 1. This Act shall be known as the "*Civil Code of the Philippines.*"

Art. 2. Laws shall take effect after fifteen days following the completion of their publication in the Official Gazette, unless it is otherwise provided. This Code shall take effect one year after such publication.

**Art. 3. Ignorance of the law excuses no one from compliance therewith.**

Art. 4. Laws shall have no retroactive effect, unless the contrary is provided.

**Art. 5. Acts executed against the provisions of mandatory or prohibitory laws shall be void, except when the law itself authorizes their validity.**

**Art. 6. Rights may be waived,** unless the waiver is contrary to law, public order, public policy, morals, or good customs, or prejudicial to a third person with a right recognized by law.

Art. 7. Laws are repealed only by subsequent ones, and their violation or non-observance shall not be excused by disuse, or custom or practice to the contrary.

When the courts declared a law to be inconsistent with the Constitution, the former shall be void and the latter shall govern.

**Administrative or executive acts, orders and regulations shall be valid only when they are not contrary to the laws or the Constitution.**

**Art. 8. Judicial decisions applying or interpreting the laws or the Constitution shall form a part of the legal system of the Philippines.**

**Art. 9. No judge or court shall decline to render judgment by reason of the silence, obscurity or insufficiency of the laws.**

**Art. 10. In case of doubt in the interpretation or application of laws, it is presumed that the lawmaking body intended right and justice to prevail.**

**Art. 11. Customs which are contrary to law, public order or public policy shall not be countenanced.**

**Art. 12. A custom must be proved as a fact, according to the rules of evidence.**

**Art. 13. When the laws speak of years, months, days or nights, it shall be understood that years are of three hundred sixty-five days each; months, of thirty days; days, of twenty-four hours; and nights from sunset to sunrise.**

**If months are designated by their name, they shall be computed by the number of days which they respectively have.**

**In computing a period, the first day shall be excluded, and the last day included.**

**Art. 17. The forms and solemnities of contracts, wills, and other public instruments shall be governed by the laws of the country in which they are executed.**

## **CHAPTER 2 HUMAN RELATIONS (n)**

**Art. 19. Every person must, in the exercise of his rights and in the performance of his duties, act with justice, give everyone his due, and observe honesty and good faith.**

Art. 20. Every person who, contrary to law, wilfully or negligently causes damage to another, shall indemnify the latter for the same.

Art. 21. Any person who wilfully causes loss or injury to another in a manner that is contrary to morals, good customs or public policy shall compensate the latter for the damage.

Art. 22. Every person who through an act of performance by another, or any other means, acquires or comes into possession of something at the expense of the latter without just or legal ground, shall return the same to him.

Art. 23. Even when an act or event causing damage to another's property was not due to the fault or negligence of the defendant, the latter shall be liable for indemnity if through the act or event he was benefited.

Art. 26. Every person shall respect the dignity, personality, privacy and peace of mind of his neighbors and other persons. The following and similar acts, though they may not constitute a criminal offense, shall produce a cause of action for damages, prevention and other relief:

Art. 27. Any person suffering material or moral loss because a public servant or employee refuses or neglects, without just cause, to perform his official duty may file an action for damages and other relief against he latter, without prejudice to any disciplinary administrative action that may be taken.

Art. 29. When the accused in a criminal prosecution is acquitted on the ground that his guilt has not been proved beyond reasonable doubt, a civil action for damages for the same act or omission may be instituted. Such action requires only a preponderance of evidence.

Art. 32. Any public officer or employee, or any private individual, who directly or indirectly obstructs, defeats, violates or in any manner impedes or impairs any of the following rights and liberties of another person shall be liable to the latter for damages:

(8) The right to the equal protection of the laws;

(14) The right to be free from involuntary servitude in any form;

The indemnity shall include moral damages. Exemplary damages may also be adjudicated.

The responsibility herein set forth is not demandable from a judge unless his act or omission constitutes a violation of the Penal Code or other penal statute.

Art. 33. In cases of defamation, fraud, and physical injuries a civil action for damages, entirely separate and distinct from the criminal action, may be brought by the injured party.

## **BOOK I** **PERSONS**

### **Title I. - CIVIL PERSONALITY**

#### **CHAPTER 1 GENERAL PROVISIONS**

Art. 37. Juridical capacity, which is the fitness to be the subject of legal relations, is inherent in every natural person and is lost only through death. Capacity to act, which is the power to do acts with legal effect, is acquired and may be lost.

#### **CHAPTER 2 NATURAL PERSONS**

Art. 42. Civil personality is extinguished by death.

#### **CHAPTER 3 JURIDICAL PERSONS**

Art. 44. The following are juridical persons:

(1) The State and its political subdivisions;

(2) Other corporations, institutions and entities for public interest or purpose, created by law; their personality begins as soon as they have been constituted according to law;

Art. 46. Juridical persons may acquire and possess property of all kinds, as well as incur obligations and bring civil or criminal actions, in conformity with the laws and regulations of their organization.

# **BOOK I**

## **PROPERTY, OWNERSHIP, AND ITS MODIFICATIONS**

### **Title I. - CLASSIFICATION OF PROPERTY**

#### **PRELIMINARY PROVISIONS**

**Art. 414. All things which are or may be the object of appropriation are considered either:**

- (1) Immovable or real property; or**
- (2) Movable or personal property.**

#### **CHAPTER 2 MOVABLE PROPERTY**

#### **CHAPTER 3 PROPERTY IN RELATION TO THE PERSON TO WHOM IT BELONGS**

**Art. 419. Property is either of public dominion or of private ownership.**

**Art. 420. The following things are property of public dominion:**

- (1) Those intended for public use, such as roads, canals, rivers, torrents, ports and bridges constructed by the State, banks, shores, roadsteads, and others of similar character;**
- (2) Those which belong to the State, without being for public use, and are intended for some public service or for the development of the national wealth.**

**Art. 421. All other property of the State, which is not of the character stated in the preceding article, is patrimonial property.**

**Art. 424. Property for public use, in the provinces, cities, and municipalities, consist of the provincial roads, city streets, municipal streets, the squares, fountains, public waters, promenades, and public works for public service paid for by said provinces, cities, or municipalities.**

All other property possessed by any of them is patrimonial and shall be governed by this Code, without prejudice to the provisions of special laws.

## PROVISIONS COMMON TO THE THREE PRECEDING CHAPTERS

### Title II. - OWNERSHIP

#### CHAPTER 1 OWNERSHIP IN GENERAL

Art. 427. Ownership may be exercised over things or rights.

Art. 428. The owner has the right to enjoy and dispose of a thing, without other limitations than those established by law.

The owner has also a right of action against the holder and possessor of the thing in order to recover it.

Art. 433. Actual possession under claim of ownership raises disputable presumption of ownership. The true owner must resort to judicial process for the recovery of the property.

Art. 434. In an action to recover, the property must be identified, and the plaintiff must rely on the strength of his title and not on the weakness of the defendant's claim.

Art. 435. No person shall be deprived of his property except by competent authority and for public use and always upon payment of just compensation.

Should this requirement be not first complied with, the courts shall protect and, in a proper case, restore the owner in his possession.

**Art. 437. The owner of a parcel of land is the owner of its surface and of everything under it, and he can construct thereon any works or make any plantations and excavations which he may deem proper, without detriment to servitudes and subject to special laws and ordinances. He cannot complain of the reasonable requirements of aerial navigation.**

**CHAPTER 3**  
**RIGHT OF ACCESSION**  
**GENERAL PROVISIONS**

**SECTION 1. - Right of Accession with Respect to  
What is Produced by Property**

**Art. 441. To the owner belongs:**

- (1) The natural fruits;**
- (2) The industrial fruits;**
- (3) The civil fruits.**

**SECTION 2. - Right of Accession with Respect  
to Immovable Property**

**Art. 445. Whatever is built, planted or sown on the land of another and the improvements or repairs made thereon, belong to the owner of the land, subject to the provisions of the following articles.**

**Art. 449. He who builds, plants or sows in bad faith on the land of another, loses what is built, planted or sown without right to indemnity.**

**SECTION 3. - Right of Accession  
with Respect to Movable Property**

**Art. 466. Whenever two movable things belonging to different owners are, without bad faith, united in such a way that they form a single object, the owner of the principal thing acquires the accessory, indemnifying the former owner thereof for its value.**

**Art. 467. The principal thing, as between two things incorporated, is deemed to be that to which the other has been united as an ornament, or for its use or perfection.**

**Art. 468. If it cannot be determined by the rule given in the preceding article which of the two things incorporated is the principal one, the thing of the greater value shall be so considered, and as between two things of equal value, that of the greater volume.**

In painting and sculpture, writings, **printed matter**, engraving and lithographs, **the** board, metal, stone, canvas, **paper** or parchment **shall be deemed the accessory thing.**

**Art. 475. In the preceding articles, sentimental value shall be duly appreciated.**

### **Title III. - CO-OWNERSHIP**

**Note : As the same refers to the generated plans/ designs for a Project.**

**Art. 484. There is co-ownership whenever the ownership of an undivided thing or right belongs to different persons.**

**In default of contracts, or of special provisions, co-ownership shall be governed by the provisions of this Title.**

**Art. 485. The share of the co-owners, in the benefits as well as in the charges, shall be proportional to their respective interests. Any stipulation in a contract to the contrary shall be void.**

**The portions belonging to the co-owners in the co-ownership shall be presumed equal, unless the contrary is proved.**

**Art. 486. Each co-owner may use the thing owned in common, provided he does so in accordance with the purpose for which it is intended and in such a way as not to injure the interest of the co-ownership or prevent the other co-owners from using it according to their rights. The purpose of the co-ownership may be changed by agreement, express or implied.**

**Art. 487. Any one of the co-owners may bring an action in ejectment.**

**Art. 488. Each co-owner shall have a right to compel the other co-owners to contribute to the expenses of preservation of the thing or right owned in common and to the taxes. Any one of the latter may exempt himself from this obligation by renouncing so much of his undivided interest as may be equivalent to his share of the expenses and taxes. No such waiver shall be made if it is prejudicial to the co-ownership.**

**Art. 489. Repairs for preservation may be made at the will of one of the co-owners, but he must, if practicable, first notify his co-owners of the necessity for such repairs. Expenses to improve or**



embellish the thing shall be decided upon by a majority as determined in Article 492.

**Art. 490.** Whenever the different stories of a house belong to different owners, if the titles of ownership do not specify the terms under which they should contribute to the necessary expenses and there exists no agreement on the subject, the following rules shall be observed:

(1) The main and party walls, the roof and the other things used in common, shall be preserved at the expense of all the owners in proportion to the value of the story belonging to each;

(2) Each owner shall bear the cost of maintaining the floor of his story; the floor of the entrance, front door, common yard and sanitary works common to all, shall be maintained at the expense of all the owners pro rata;

(3) The stairs from the entrance to the first story shall be maintained at the expense of all the owners pro rata, with the exception of the owner of the ground floor; the stairs from the first to the second story shall be preserved at the expense of all, except the owner of the ground floor and the owner of the first story; and so on successively.

**Art. 491.** None of the co-owners shall, without the consent of the others, make alterations in the thing owned in common, even though benefits for all would result therefrom. However, if the withholding of the consent by one or more of the co-owners is clearly prejudicial to the common interest, the courts may afford adequate relief. (397a)

**Art. 492.** For the administration and better enjoyment of the thing owned in common, the resolutions of the majority of the co-owners shall be binding.

There shall be no majority unless the resolution is approved by the co-owners who represent the controlling interest in the object of the co-ownership.

Should there be no majority, or should the resolution of the majority be seriously prejudicial to those interested in the property owned in common, the court, at the instance of an interested party, shall order such measures as it may deem proper, including the appointment of an administrator.

Whenever a part of the thing belongs exclusively to one of the co-owners, and the remainder is owned in common, the preceding provision shall apply only to the part owned in common.

Art. 493. Each co-owner shall have the full ownership of his part and of the fruits and benefits pertaining thereto, and he may therefore alienate, assign or mortgage it, and even substitute another person in its enjoyment, except when personal rights are involved. But the effect of the alienation or the mortgage, with respect to the co-owners, shall be limited to the portion which may be allotted to him in the division upon the termination of the co-ownership.

Art. 494. No co-owner shall be obliged to remain in the co-ownership. Each co-owner may demand at any time the partition of the thing owned in common, insofar as his share is concerned.

Nevertheless, an agreement to keep the thing undivided for a certain period of time, not exceeding ten years, shall be valid. This term may be extended by a new agreement.

A donor or testator may prohibit partition for a period which shall not exceed twenty years.

Neither shall there be any partition when it is prohibited by law.

No prescription shall run in favor of a co-owner or co-heir against his co-owners or co-heirs so long as he expressly or impliedly recognizes the co-ownership.

Art. 495. Notwithstanding the provisions of the preceding article, the co-owners cannot demand a physical division of the thing owned in common, when to do so would render it unserviceable for the use for which it is intended. But the co-ownership may be terminated in accordance with Article 498.

Art. 496. Partition may be made by agreement between the parties or by judicial proceedings. Partition shall be governed by the Rules of Court insofar as they are consistent with this Code.

Art. 497. The creditors or assignees of the co-owners may take part in the division of the thing owned in common and object to its being effected without their concurrence. But they cannot impugn any partition already executed, unless there has been fraud, or in case it was made notwithstanding a formal opposition presented to prevent it, without prejudice to the right of the debtor or assignor to maintain its validity.

Art. 498. Whenever the thing is essentially indivisible and the co-owners cannot agree that it be allotted to one of them who shall indemnify the others, it shall be sold and its proceeds distributed.

Art. 499. The partition of a thing owned in common shall not prejudice third persons, who shall retain the rights of mortgage, servitude or any other real rights belonging to them before the division was made. Personal rights pertaining to third persons against the co-ownership shall also remain in force, notwithstanding the partition.

Art. 500. Upon partition, there shall be a mutual accounting for benefits received and reimbursements for expenses made. Likewise, each co-owner shall pay for damages caused by reason of his negligence or fraud.

Art. 501. Every co-owner shall, after partition, be liable for defects of title and quality of the portion assigned to each of the other co-owners.

## **Title V. - POSSESSION**

### **CHAPTER 1** **POSSESSION AND THE KINDS THEREOF**

**Art. 523. Possession is the holding of a thing or the enjoyment of a right.**

**Art. 524. Possession may be exercised in one's own name or in that of another.**

**Art. 525. The possession of things or rights may be had in one of two concepts: either in the concept of owner, or in that of the holder of the thing or right to keep or enjoy it, the ownership pertaining to another person.**

**Art. 526. He is deemed a possessor in good faith who is not aware that there exists in his title or mode of acquisition any flaw which invalidates it. xxx**

**Mistake upon a doubtful or difficult question of law may be the basis of good faith.**

**Art. 527. Good faith is always presumed, and upon him who alleges bad faith on the part of a possessor rests the burden of proof.**

CHAPTER 3  
EFFECTS OF POSSESSION

Art. 539. Every possessor has a right to be respected in his possession; and should he be disturbed therein he shall be protected in or restored to said possession by the means established by the laws and the Rules of Court.

**BOOK III**  
**DIFFERENT MODES OF ACQUIRING**  
**OWNERSHIP**

**PRELIMINARY PROVISION**

**Art. 712. Ownership is acquired by occupation and by intellectual creation.** Xxx

**Title II. - INTELLECTUAL CREATION**

**Art. 721. By intellectual creation, the following persons acquire ownership:**

- (1) **The author with regard to** his literary, dramatic, historical, legal, philosophical, scientific or **other work**;
- (2) The composer; as to his musical composition;
- (3) The painter, sculptor, or **other artist, with respect to the product of his art**;
- (4) The scientist or technologist or any other person with regard to his discovery or invention.

**Art. 722. The author and the composer, mentioned in Nos. 1 and 2 of the preceding article, shall have the ownership of their creations even before the publication of the same.** Once their works are published, their rights are governed by the Copyright laws.

The painter, sculptor or **other artist shall have dominion over the product of his art even before it is copyrighted.**

The scientist or technologist has the ownership of his discovery or invention even before it is patented.

**Art. 723. Letters and other private communications in writing are owned by the person to whom they are addressed and delivered, but they cannot be published or disseminated without the consent of the writer or his heirs. However, the court may authorize their publication or dissemination if the public good or the interest of justice so requires.**

**Art. 724. Special laws govern copyright and patent. (429a)**

## **BOOK IV**

### **OBLIGATIONS AND CONTRACTS**

#### **Title. I. - OBLIGATIONS**

##### **CHAPTER 1 GENERAL PROVISIONS**

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

**Art. 1157. Obligations arise from:**

**(1) Law;**

**(2) Contracts;**

**(3) Quasi-contracts;**

**(4) Acts or omissions punished by law; and**

**(5) Quasi-delicts.**

**Art. 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.**

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

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

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

## **CHAPTER 2 NATURE AND EFFECT OF OBLIGATIONS**

**Art. 1163. Every person obliged to give something is also obliged to take care of it with the proper diligence of a good father of a family, unless the law or the stipulation of the parties requires another standard of care.**

**Art. 1168. When the obligation consists in not doing, and the obligor does what has been forbidden him, it shall also be undone at his expense.**

**Art. 1170. Those who in the performance of their obligations are guilty of fraud, negligence, or delay, and those who in any manner contravene the tenor thereof, are liable for damages.**

**Art. 1172. Responsibility arising from negligence in the performance of every kind of obligation is also demandable, but such liability may be regulated by the courts, according to the circumstances.**

**Art. 1173. The fault or negligence of the obligor consists in the omission of that diligence which is required by the nature of the obligation and corresponds with the circumstances of the persons, of the time and of the place. When negligence shows bad faith, the provisions of Articles 1171 and 2201, paragraph 2, shall apply.**

**If the law or contract does not state the diligence which is to be observed in the performance, that which is expected of a good father of a family shall be required.**

**Art. 1174. Except in cases expressly specified by the law, or when it is otherwise declared by stipulation, or when the nature of the obligation requires the assumption of risk, no person shall be responsible for those events which could not be foreseen, or which, though foreseen, were inevitable.**

**Art. 1175. Usurious transactions shall be governed by special laws.**

**CHAPTER 4  
EXTINGUISHMENT OF OBLIGATIONS**

**GENERAL PROVISIONS**

**Art. 1231. Obligations are extinguished:**

**(1) By payment or performance:**

**(2) By the loss of the thing due:**

**(3) By the condonation or remission of the debt;**

**(4) By the confusion or merger of the rights of creditor and debtor;**

**(5) By compensation;**

**(6) By novation.**

**Other causes of extinguishment of obligations, such as annulment, rescission, fulfillment of a resolutive condition, and prescription, are governed elsewhere in this Code.**

**SECTION 1. - Payment or Performance**

**Art. 1232. Payment means not only the delivery of money but also the performance, in any other manner, of an obligation.**

**Art. 1235. When the obligee accepts the performance, knowing its incompleteness or irregularity, and without expressing any protest or objection, the obligation is deemed fully complied with.**

**Title II. - CONTRACTS**

**CHAPTER 1  
GENERAL PROVISIONS**

**Art. 1305. 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.**

**Art. 1306. The contracting parties may establish such stipulations, clauses, terms and conditions as they may deem convenient, provided they are not contrary to law, morals, good customs, public order, or public policy.**

**Art. 1315. Contracts are perfected by mere consent, and from that moment the parties are bound not only to the fulfillment of what**

has been expressly stipulated but also to all the consequences which, according to their nature, may be in keeping with good faith, usage and law.

## CHAPTER 2 ESSENTIAL REQUISITES OF CONTRACTS

### GENERAL PROVISIONS

**Art. 1318.** There is no contract unless the following requisites concur:

- (1) Consent of the contracting parties;
- (2) Object certain which is the subject matter of the contract;
- (3) Cause of the obligation which is established.

Art. 1337. There is undue influence when a person takes improper advantage of his power over the will of another, depriving the latter of a reasonable freedom of choice. **XXX**

Art. 1338. There is fraud when, through insidious words or machinations of one of the contracting parties, the other is induced to enter into a contract which, without them, he would not have agreed to.

**Art. 1339.** Failure to disclose facts, when there is a duty to reveal them, as when the parties are bound by confidential relations, constitutes fraud.

**Art. 1340.** The usual exaggerations in trade, when the other party had an opportunity to know the facts, are not in themselves fraudulent.

Art. 1341. A mere expression of an opinion does not signify fraud, unless made by an expert and the other party has relied on the former's special knowledge.

### SECTION 2. - Object of Contracts

**Art. 1347.** All things which are not outside the commerce of men, including future things, may be the object of a contract. All rights which are not intransmissible may also be the object of contracts. **XXX**

All services which are not contrary to law, morals, good customs, public order or public policy may likewise be the object of a contract.



**Art. 1348. Impossible things or services cannot be the object of contracts.**

**Art. 1349. The object of every contract must be determinate as to its kind. The fact that the quantity is not determinate shall not be an obstacle to the existence of the contract, provided it is possible to determine the same, without the need of a new contract between the parties.**

### **SECTION 3. - Cause of Contracts**

**Art. 1350. In onerous contracts the cause is understood to be, for each contracting party, the prestation or promise of a thing or service by the other; in remuneratory ones, the service or benefit which is remunerated; and in contracts of pure beneficence, the mere liberality of the benefactor.**

**Art. 1355. Except in cases specified by law, lesion or inadequacy of cause shall not invalidate a contract, unless there has been fraud, mistake or undue influence.**

### **CHAPTER 3 FORM OF CONTRACTS**

**Art. 1356. Contracts shall be obligatory, in whatever form they may have been entered into, provided all the essential requisites for their validity are present. However, when the law requires that a contract be in some form in order that it may be valid or enforceable, or that a contract be proved in a certain way, that requirement is absolute and indispensable. In such cases, the right of the parties stated in the following article cannot be exercised.**

**Art. 1357. If the law requires a document or other special form, as in the acts and contracts enumerated in the following article, the contracting parties may compel each other to observe that form, once the contract has been perfected. This right may be exercised simultaneously with the action upon the contract.**

**Art. 1358. The following must appear in a public document:**

- (1) Acts and contracts which have for their object the creation, transmission, modification or extinguishment of real rights over immovable property; sales of real property or of an interest therein a governed by Articles 1403, No. 2, and 1405;**

(2) The cession, repudiation or renunciation of hereditary rights or of those of the conjugal partnership of gains;

(3) The power to administer property, or any other power which has for its object an act appearing or which should appear in a public document, or should prejudice a third person;

(4) The cession of actions or rights proceeding from an act appearing in a public document.

All other contracts where the amount involved exceeds five hundred pesos must appear in writing, even a private one. But sales of goods, chattels or things in action are governed by Articles, 1403, No. 2 and 1405.

#### CHAPTER 4 REFORMATION OF INSTRUMENTS

**Art. 1359.** When, there having been a meeting of the minds of the parties to a contract, their true intention is not expressed in the instrument purporting to embody the agreement, by reason of mistake, fraud, inequitable conduct or accident, one of the parties may ask for the reformation of the instrument to the end that such true intention may be expressed.

If mistake, fraud, inequitable conduct, or accident has prevented a meeting of the minds of the parties, the proper remedy is not reformation of the instrument but annulment of the contract.

**Art. 1360.** The principles of the general law on the reformation of instruments are hereby adopted insofar as they are not in conflict with the provisions of this Code.

**Art. 1361.** When a mutual mistake of the parties causes the failure of the instrument to disclose their real agreement, said instrument may be reformed.

**Art. 1362.** If one party was mistaken and the other acted fraudulently or inequitably in such a way that the instrument does not show their true intention, the former may ask for the reformation of the instrument.

**Art. 1363.** When one party was mistaken and the other knew or believed that the instrument did not state their real agreement, but concealed that fact from the former, the instrument may be reformed.

**Art. 1364. When through the ignorance, lack of skill, negligence or bad faith on the part of the person drafting the instrument or of the clerk or typist, the instrument does not express the true intention of the parties, the courts may order that the instrument be reformed.**

**Art. 1365. If two parties agree upon the mortgage or pledge of real or personal property, but the instrument states that the property is sold absolutely or with a right of repurchase, reformation of the instrument is proper.**

**Art. 1366. There shall be no reformation in the following cases:**

- (1) Simple donations inter vivos wherein no condition is imposed;**
- (2) Wills;**
- (3) When the real agreement is void.**

**Art. 1367. When one of the parties has brought an action to enforce the instrument, he cannot subsequently ask for its reformation.**

**Art. 1368. Reformation may be ordered at the instance of either party or his successors in interest, if the mistake was mutual; otherwise, upon petition of the injured party, or his heirs and assigns.**

**Art. 1369. The procedure for the reformation of instrument shall be governed by rules of court to be promulgated by the Supreme Court.**

## **CHAPTER 5**

### **INTERPRETATION OF CONTRACTS**

**Art. 1370. If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control.**

**If the words appear to be contrary to the evident intention of the parties, the latter shall prevail over the former.**

**Art. 1371. In order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered.**

**Art. 1372.** However general the terms of a contract may be, they shall not be understood to comprehend things that are distinct and cases that are different from those upon which the parties intended to agree.

**Art. 1373.** If some stipulation of any contract should admit of several meanings, it shall be understood as bearing that import which is most adequate to render it effectual.

**Art. 1374.** The various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.

**Art. 1375.** Words which may have different significations shall be understood in that which is most in keeping with the nature and object of the contract.

**Art. 1376.** The usage or custom of the place shall be borne in mind in the interpretation of the ambiguities of a contract, and shall fill the omission of stipulations which are ordinarily established.

**Art. 1377.** The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity.

**Art. 1378.** When it is absolutely impossible to settle doubts by the rules established in the preceding articles, and the doubts refer to incidental circumstances of a gratuitous contract, the least transmission of rights and interests shall prevail. **If the contract is onerous, the doubt shall be settled in favor of the greatest reciprocity of interests.**

**If the doubts are cast upon the principal object of the contract in such a way that it cannot be known what may have been the intention or will of the parties, the contract shall be null and void.**

**Art. 1379.** The principles of interpretation stated in Rule 123 of the Rules of Court shall likewise be observed in the construction of contracts.

**CHAPTER 6**  
**RESCISSIBLE CONTRACTS**

**Art. 1380. Contracts validly agreed upon may be rescinded in the cases established by law.**

**Art. 1383. The action for rescission is subsidiary; it cannot be instituted except when the party suffering damage has no other legal means to obtain reparation for the same.**

**Art. 1384. Rescission shall be only to the extent necessary to cover the damages caused.**

**Art. 1385. Rescission creates the obligation to return the things which were the object of the contract, together with their fruits, and the price with its interest; consequently, it can be carried out only when he who demands rescission can return whatever he may be obliged to restore.**

**Neither shall rescission take place when the things which are the object of the contract are legally in the possession of third persons who did not act in bad faith.**

**In this case, indemnity for damages may be demanded from the person causing the loss.**

**Art. 1386. Rescission referred to in Nos. 1 and 2 of Article 1381 shall not take place with respect to contracts approved by the courts.**

**Art. 1387. All contracts by virtue of which the debtor alienates property by gratuitous title are presumed to have been entered into in fraud of creditors, when the donor did not reserve sufficient property to pay all debts contracted before the donation.**

**Alienations by onerous title are also presumed fraudulent when made by persons against whom some judgment has been issued. The decision or attachment need not refer to the property alienated, and need not have been obtained by the party seeking the rescission.**

**In addition to these presumptions, the design to defraud creditors may be proved in any other manner recognized by the law of evidence.**

**Art. 1388. Whoever acquires in bad faith the things alienated in fraud of creditors, shall indemnify the latter for damages suffered**

by them on account of the alienation, whenever, due to any cause, it should be impossible for him to return them.

If there are two or more alienations, the first acquirer shall be liable first, and so on successively.

Art. 1389. The action to claim rescission must be commenced within four years.

For persons under guardianship and for absentees, the period of four years shall not begin until the termination of the former's incapacity, or until the domicile of the latter is known.

## **CHAPTER 7**

### **VOIDABLE CONTRACTS**

**Art. 1390. The following contracts are voidable or annulable, even though there may have been no damage to the contracting parties:**

**(1) Those where one of the parties is incapable of giving consent to a contract;**

**(2) Those where the consent is vitiated by mistake, violence, intimidation, undue influence or fraud.**

These contracts are binding, unless they are annulled by a proper action in court. They are susceptible of ratification.

### **SECTION 3**

#### **Contract for a Piece of Work**

Art. 1713. By the contract for a piece of work the contractor binds himself to execute a piece of work for the employer, in consideration of a certain price or compensation. The contractor may either employ only his labor or skill, or also furnish the material.

Art. 1714. If the contractor agrees to produce the work from material furnished by him, he shall deliver the thing produced to the employer and transfer dominion over the thing. This contract shall be governed by the following articles as well as by the pertinent provisions on warranty of title and against hidden defects and the payment of price in a contract of sale.

Art. 1715. The contract shall execute the work in such a manner that it has the qualities agreed upon and has no defects which

**destroy or lessen its value or fitness for its ordinary or stipulated use. Should the work be not of such quality, the employer may require that the contractor remove the defect or execute another work. If the contract fails or refuses to comply with this obligation, the employer may have the defect removed or another work executed, at the contractor's cost.**

**Art. 1716. An agreement waiving or limiting the contractor's liability for any defect in the work is void if the contractor acted fraudulently.**

**Art. 1717. If the contractor bound himself to furnish the material, he shall suffer the loss if the work should be destroyed before its delivery, save when there has been delay in receiving it.**

**Art. 1718. The contractor who has undertaken to put only his work or skill, cannot claim any compensation if the work should be destroyed before its delivery, unless there has been delay in receiving it, or if the destruction was caused by the poor quality of the material, provided this fact was communicated in due time to the owner. If the material is lost through a fortuitous event, the contract is extinguished.**

**Art. 1719. Acceptance of the work by the employer relieves the contractor of liability for any defect in the work, unless:**

- (1) The defect is hidden and the employer is not, by his special knowledge, expected to recognize the same; or**
- (2) The employer expressly reserves his rights against the contractor by reason of the defect.**

**Art. 1720. The price or compensation shall be paid at the time and place of delivery of the work, unless there is a stipulation to the contrary. If the work is to be delivered partially, the price or compensation for each part having been fixed, the sum shall be paid at the time and place of delivery, in the absence of stipulation.**

**Art. 1721. If, in the execution of the work, an act of the employer is required, and he incurs in delay or fails to perform the act, the contractor is entitled to a reasonable compensation.**

**The amount of the compensation is computed, on the one hand, by the duration of the delay and the amount of the compensation stipulated, and on the other hand, by what the contractor has saved in expenses by reason of the delay or is able to earn by a different employment of his time and industry.**

**Art. 1722.** If the work cannot be completed on account of a defect in the material furnished by the employer, or because of orders from the employer, without any fault on the part of the contractor, the latter has a right to an equitable part of the compensation proportionally to the work done, and reimbursement for proper expenses made.

**Art. 1723.** The engineer or architect who drew up the plans and specifications for a building is liable for damages if within fifteen years from the completion of the structure, the same should collapse by reason of a defect in those plans and specifications, or due to the defects in the ground. The contractor is likewise responsible for the damages if the edifice falls, within the same period, on account of defects in the construction or the use of materials of inferior quality furnished by him, or due to any violation of the terms of the contract. If the engineer or architect supervises the construction, he shall be solidarily liable with the contractor.

**Acceptance of the building, after completion, does not imply waiver of any of the cause of action by reason of any defect mentioned in the preceding paragraph.**

**The action must be brought within ten years following the collapse of the building.**

**Art. 1724.** The contractor who undertakes to build a structure or any other work for a stipulated price, in conformity with plans and specifications agreed upon with the land-owner, can neither withdraw from the contract nor demand an increase in the price on account of the higher cost of labor or materials, save when there has been a change in the plans and specifications, provided:

- (1) Such change has been authorized by the proprietor in writing; and
- (2) The additional price to be paid to the contractor has been determined in writing by both parties.



**Art. 1725.** The owner may withdraw at will from the construction of the work, although it may have been commenced, indemnifying the contractor for all the latter's expenses, work, and the usefulness which the owner may obtain therefrom, and damages.

**Art. 1726.** When a piece of work has been entrusted to a person by reason of his personal qualifications, the contract is rescinded upon his death.

In this case the proprietor shall pay the heirs of the contractor in proportion to the price agreed upon, the value of the part of the work done, and of the materials prepared, provided the latter yield him some benefit.

The same rule shall apply if the contractor cannot finish the work due to circumstances beyond his control.

**Art. 1727.** The contractor is responsible for the work done by persons employed by him.

**Art. 1728.** The contractor is liable for all the claims of laborers and others employed by him, and of third persons for death or physical injuries during the construction.

**Art. 1729.** Those who put their labor upon or furnish materials for a piece of work undertaken by the contractor have an action against the owner up to the amount owing from the latter to the contractor at the time the claim is made. However, the following shall not prejudice the laborers, employees and furnishers of materials:

- (1) Payments made by the owner to the contractor before they are due;
- (2) Renunciation by the contractor of any amount due him from the owner.

This article is subject to the provisions of special laws.

**Art. 1730.** If it is agreed that the work shall be accomplished to the satisfaction of the proprietor, it is understood that in case of disagreement the question shall be subject to expert judgment.

If the work is subject to the approval of a third person, his decision shall be final, except in case of fraud or manifest error.

**Art. 1731.** He who has executed work upon a movable has a right to retain it by way of pledge until he is paid.

## **CHAPTER 8 UNENFORCEABLE CONTRACTS**

**Art. 1403. The following contracts are unenforceable, unless they are ratified:**

**(1) Those entered into in the name of another person by one who has been given no authority or legal representation, or who has acted beyond his powers;**

**(2) Those that do not comply with the Statute of Frauds as set forth in this number. In the following cases an agreement hereafter made shall be unenforceable by action, unless the same, or some note or memorandum, thereof, be in writing, and subscribed by the party charged, or by his agent; evidence, therefore, of the agreement cannot be received without the writing, or a secondary evidence of its contents:**

**(a) An agreement that by its terms is not to be performed within a year from the making thereof;**

**(b) A special promise to answer for the debt, default, or miscarriage of another;**

**(c) An agreement made in consideration of marriage, other than a mutual promise to marry;**

**(d) An agreement for the sale of goods, chattels or things in action, at a price not less than five hundred pesos, unless the buyer accept and receive part of such goods and chattels, or the evidences, or some of them, of such things in action or pay at the time some part of the purchase money; but when a sale is made by auction and entry is made by the auctioneer in his sales book, at the time of the sale, of the amount and kind of property sold, terms of sale, price, names of the purchasers and person on whose account the sale is made, it is a sufficient memorandum;**

**(e) An agreement of the leasing for a longer period than one year, or for the sale of real property or of an interest therein;**

**(f) A representation as to the credit of a third person.**

**(3) Those where both parties are incapable of giving consent to a contract.**

**Art. 1404. Unauthorized contracts are governed by Article 1317 and the principles of agency in Title X of this Book.**

**Art. 1405. Contracts infringing the Statute of Frauds, referred to in No. 2 of Article 1403, are ratified by the failure to object to the presentation of oral evidence to prove the same, or by the acceptance of benefit under them.**

**Art. 1406. When a contract is enforceable under the Statute of Frauds, and a public document is necessary for its registration in the Registry of Deeds, the parties may avail themselves of the right under Article 1357.**

**Art. 1407. In a contract where both parties are incapable of giving consent, express or implied ratification by the parent, or guardian, as the case may be, of one of the contracting parties shall give the contract the same effect as if only one of them were incapacitated.**

**If ratification is made by the parents or guardians, as the case may be, of both contracting parties, the contract shall be validated from the inception.**

**Art. 1408. Unenforceable contracts cannot be assailed by third persons.**

## **CHAPTER 9** **VOID AND INEXISTENT CONTRACTS**

**Art. 1409. The following contracts are inexistent and void from the beginning:**

- (1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy;**
- (2) Those which are absolutely simulated or fictitious;**
- (3) Those whose cause or object did not exist at the time of the transaction;**
- (4) Those whose object is outside the commerce of men;**
- (5) Those which contemplate an impossible service;**
- (6) Those where the intention of the parties relative to the principal object of the contract cannot be ascertained;**
- (7) Those expressly prohibited or declared void by law.**

**These contracts cannot be ratified. Neither can the right to set up the defense of illegality be waived.**

**Art. 1410. The action or defense for the declaration of the inexistence of a contract does not prescribe.**

**Art. 1411. When the nullity proceeds from the illegality of the cause or object of the contract, and the act constitutes a criminal offense, both parties being *in pari delicto*, they shall have no action against each other, and both shall be prosecuted. Moreover, the provisions of the [Penal Code](#) relative to the disposal of effects or instruments of a crime shall be applicable to the things or the price of the contract.**

**This rule shall be applicable when only one of the parties is guilty; but the innocent one may claim what he has given, and shall not be bound to comply with his promise.**

**Art. 1412. If the act in which the unlawful or forbidden cause consists does not constitute a criminal offense, the following rules shall be observed:**

**(1) When the fault is on the part of both contracting parties, neither may recover what he has given by virtue of the contract, or demand the performance of the other's undertaking;**

**(2) When only one of the contracting parties is at fault, he cannot recover what he has given by reason of the contract, or ask for the fulfillment of what has been promised him. The other, who is not at fault, may demand the return of what he has given without any obligation to comply his promise.**

**Art. 1413. Interest paid in excess of the interest allowed by the usury laws may be recovered by the debtor, with interest thereon from the date of the payment.**

**Art. 1414. When money is paid or property delivered for an illegal purpose, the contract may be repudiated by one of the parties before the purpose has been accomplished, or before any damage has been caused to a third person. In such case, the courts may, if the public interest will thus be subserved, allow the party repudiating the contract to recover the money or property.**

**Art. 1415. Where one of the parties to an illegal contract is incapable of giving consent, the courts may, if the interest of justice so demands allow recovery of money or property delivered by the incapacitated person.**

**Art. 1416.** When the agreement is not illegal per se but is merely prohibited, and the prohibition by the law is designated for the protection of the plaintiff, he may, if public policy is thereby enhanced, recover what he has paid or delivered.

**Art. 1417.** When the price of any article or commodity is determined by statute, or by authority of law, any person paying any amount in excess of the maximum price allowed may recover such excess.

**Art. 1418.** When the law fixes, or authorizes the fixing of the maximum number of hours of labor, and a contract is entered into whereby a laborer undertakes to work longer than the maximum thus fixed, he may demand additional compensation for service rendered beyond the time limit.

**Art. 1419.** When the law sets, or authorizes the setting of a minimum wage for laborers, and a contract is agreed upon by which a laborer accepts a lower wage, he shall be entitled to recover the deficiency.

**Art. 1420.** In case of a divisible contract, if the illegal terms can be separated from the legal ones, the latter may be enforced.

**Art. 1421.** The defense of illegality of contract is not available to third persons whose interests are not directly affected.

**Art. 1422.** A contract which is the direct result of a previous illegal contract, is also void and inexistent.

### **Title III. - NATURAL OBLIGATIONS**

**Art. 1423.** Obligations are civil or natural. Civil obligations give a right of action to compel their performance. 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, but after voluntary fulfillment by the obligor, they authorize the retention of what has been delivered or rendered by reason thereof. Some natural obligations are set forth in the following articles.

**Art. 1424.** When a right to sue upon a civil obligation has lapsed by extinctive prescription, the obligor who voluntarily performs the contract cannot recover what he has delivered or the value of the service he has rendered.

## **Title IV. - ESTOPPEL**

### **Title XIII. - ALEATORY CONTRACTS**

#### **GENERAL PROVISIONS**

**Art. 2010.** By an aleatory contract, one of the parties or both reciprocally bind themselves to give or to do something in consideration of what the other shall give or do upon the happening of an event which is uncertain, or which is to occur at an indeterminate time.

### **Title XIV. - COMPROMISES AND ARBITRATIONS**

#### **CHAPTER 1 COMPROMISES**

**Art. 2028.** A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.

**Art. 2029.** The court shall endeavor to persuade the litigants in a civil case to agree upon some fair compromise.

**Art. 2030.** Every civil action or proceeding shall be suspended:

(1) If willingness to discuss a possible compromise is expressed by one or both parties; or

(2) If it appears that one of the parties, before the commencement of the action or proceeding, offered to discuss a possible compromise but the other party refused the offer.

The duration and terms of the suspension of the civil action or proceeding and similar matters shall be governed by such provisions of the rules of court as the Supreme Court shall promulgate. Said rules of court shall likewise provide for the appointment and duties of amicable compounders.

**Art. 2031.** The courts may mitigate the damages to be paid by the losing party who has shown a sincere desire for a compromise.

**Art. 2037.** A compromise has upon the parties the effect and authority of res judicata; but there shall be no execution except in compliance with a judicial compromise.

Art. 2038. A compromise in which there is mistake, fraud, violence, intimidation, undue influence, or falsity of documents, is subject to the provisions of Article 1330 of this Code.

However, one of parties cannot set up a mistake of fact as against the other if the latter, by virtue of the compromise, has withdrawn from a litigation already commenced.

Art. 2039. When the parties compromise generally on all differences which they might have with each other, the discovery of documents referring to one or more but not to all of the questions settled shall not itself be a cause for annulment or rescission of the compromise, unless said documents have been concealed by one of the parties.

But the compromise may be annulled or rescinded if it refers only to one thing to which one of the parties has no right, as shown by the newly-discovered documents.

Art. 2040. If after a litigation has been decided by a final judgment, a compromise should be agreed upon, either or both parties being unaware of the existence of the final judgment, the compromise may be rescinded.

Ignorance of a judgment which may be revoked or set aside is not a valid ground for attacking a compromise.

Art. 2041. If one of the parties fails or refuses to abide by the compromise, the other party may either enforce the compromise or regard it as rescinded and insist upon his original demand.

## **CHAPTER 2** **ARBITRATIONS**

Art. 2042. The same persons who may enter into a compromise may submit their controversies to one or more arbitrators for decision.

Art. 2043. The provisions of the preceding Chapter upon compromises shall also be applicable to arbitrations.

Art. 2044. Any stipulation that the arbitrators' award or decision shall be final, is valid, without prejudice to Articles 2038, 2039, and 2040.

**Art. 2045. Any clause giving one of the parties power to choose more arbitrators than the other is void and of no effect.**

Art. 2046. The appointment of arbitrators and the procedure for arbitration shall be governed by the provisions of such rules of court as the Supreme Court shall promulgate.

## **Title XV. - GUARANTY**

### **CHAPTER 1**

#### **NATURE AND EXTENT OF GUARANTY**

Art. 2047. By guaranty a person, called the guarantor, binds himself to the creditor to fulfill the obligation of the principal debtor in case the latter should fail to do so.

### **CHAPTER 2**

#### **EFFECTS OF GUARANTY**

##### **SECTION 1. - Effects of Guaranty Between the Guarantor and the Creditor**

Art. 2058. The guarantor cannot be compelled to pay the creditor unless the latter has exhausted all the property of the debtor, and has resorted to all the legal remedies against the debtor.

Art. 2059. The excussion shall not take place:

(1) If the guarantor has expressly renounced it;

## **Title XVII. - EXTRA-CONTRACTUAL OBLIGATIONS**

### **CHAPTER 1**

#### **QUASI-CONTRACTS**

Art. 2142. Certain lawful, voluntary and unilateral acts give rise to the juridical relation of quasi-contract to the end that no one shall be unjustly enriched or benefited at the expense of another.

##### **SECTION 2. - *Solutio Indebiti***

Art. 2154. If something is received when there is no right to demand it, and it was unduly delivered through mistake, the obligation to return it arises.

Art. 2155. Payment by reason of a mistake in the construction or application of a doubtful or difficult question of law may come within the scope of the preceding article.



Art. 2168. When during a fire, flood, storm, or other calamity, property is saved from destruction by another person without the knowledge of the owner, the latter is bound to pay the former just compensation.

Art. 2169. When the government, upon the failure of any person to comply with health or safety regulations concerning property, undertakes to do the necessary work, even over his objection, he shall be liable to pay the expenses.

Art. 2171. The rights and obligations of the finder of lost personal property shall be governed by Articles 719 and 720.

## CHAPTER 2 QUASI-DELICTS

Art. 2176. Whoever by act or omission causes damage to another, there being fault or negligence, is obliged to pay for the damage done. Such fault or negligence, if there is no pre-existing contractual relation between the parties, is called a quasi-delict and is governed by the provisions of this Chapter.

Art. 2177. Responsibility for fault or negligence under the preceding article is entirely separate and distinct from the civil liability arising from negligence under the Penal Code. But the plaintiff cannot recover damages twice for the same act or omission of the defendant.

Art. 2178. The provisions of Articles 1172 to 1174 are also applicable to a quasi-delict.

Art. 2179. When the plaintiff's own negligence was the immediate and proximate cause of his injury, he cannot recover damages. But if his negligence was only contributory, the immediate and proximate cause of the injury being the defendant's lack of due care, the plaintiff may recover damages, but the courts shall mitigate the damages to be awarded.

Art. 2180. The obligation imposed by Article 2176 is demandable not only for one's own acts or omissions, but also for those of persons for whom one is responsible.

The father and, in case of his death or incapacity, the mother, are responsible for the damages caused by the minor children who live in their company. xxx

The owners and managers of an establishment or enterprise are likewise responsible for damages caused by their employees in the

service of the branches in which the latter are employed or on the occasion of their functions. xxx

The State is responsible in like manner when it acts through a special agent; but not when the damage has been caused by the official to whom the task done properly pertains, in which case what is provided in Article 2176 shall be applicable. xxx

Art. 2181. Whoever pays for the damage caused by his dependents or employees may recover from the latter what he has paid or delivered in satisfaction of the claim.

Art. 2184. In motor vehicle mishaps, the owner is solidarily liable with his driver, if the former, who was in the vehicle, could have, by the use of the due diligence, prevented the misfortune. It is disputably presumed that a driver was negligent, if he had been found guilty or reckless driving or violating traffic regulations at least twice within the next preceding two months.

If the owner was not in the motor vehicle, the provisions of Article 2180 are applicable.

Art. 2189. Provinces, cities and municipalities shall be liable for damages for the death of, or injuries suffered by, any person by reason of the defective condition of roads, streets, bridges, public buildings, and other public works under their control or supervision.

Art. 2190. The proprietor of a building or structure is responsible for the damages resulting from its total or partial collapse, if it should be due to the lack of necessary repairs.

Art. 2191. Proprietors shall also be responsible for damages caused:

- (1) By the explosion of machinery which has not been taken care of with due diligence, and the inflammation of explosive substances which have not been kept in a safe and adequate place;
- (2) By excessive smoke, which may be harmful to persons or property; xxx

Art. 2192. If damage referred to in the two preceding articles should be the result of any defect in the construction mentioned in Article 1723, the third person suffering damages may proceed only

**against the engineer or architect or contractor in accordance with said article, within the period therein fixed.**

**Art. 2193.** The head of a family that lives in a building or a part thereof, is responsible for damages caused by things thrown or falling from the same.

**Art. 2194.** The responsibility of two or more persons who are liable for quasi-delict is solidary.

## **Title XVIII. - DAMAGES**

### **CHAPTER 1 GENERAL PROVISIONS**

**Art. 2195.** The provisions of this Title shall be respectively applicable to all obligations mentioned in Article 1157.

**Art. 2196.** The rules under this Title are without prejudice to special provisions on damages formulated elsewhere in this Code. xxx Rules governing damages laid down in other laws shall be observed insofar as they are not in conflict with this Code.

**Art. 2197. Damages may be:**

- (1) Actual or compensatory;**
- (2) Moral;**
- (3) Nominal;**
- (4) Temperate or moderate;**
- (5) Liquidated; or**
- (6) Exemplary or corrective.**

**Art. 2198.** The principles of the general law on damages are hereby adopted insofar as they are not inconsistent with this Code.

### **CHAPTER 2 ACTUAL OR COMPENSATORY DAMAGES**

**Art. 2199. Except as provided by law or by stipulation, one is entitled to an adequate compensation only for such pecuniary loss**

**suffered by him as he has duly proved. Such compensation is referred to as actual or compensatory damages.**

**Art. 2200.** Indemnification for damages shall comprehend not only the value of the loss suffered, but also that of the profits which the obligee failed to obtain.

**Art. 2201.** In contracts and quasi-contracts, the damages for which the obligor who acted in good faith is liable shall be those that are the natural and probable consequences of the breach of the obligation, and which the parties have foreseen or could have reasonably foreseen at the time the obligation was constituted.

In case of fraud, bad faith, malice or wanton attitude, the obligor shall be responsible for all damages which may be reasonably attributed to the non-performance of the obligation.

**Art. 2202.** In crimes and quasi-delicts, the defendant shall be liable for all damages which are the natural and probable consequences of the act or omission complained of. It is not necessary that such damages have been foreseen or could have reasonably been foreseen by the defendant.

**Art. 2203.** The party suffering loss or injury must exercise the diligence of a good father of a family to minimize the damages resulting from the act or omission in question.

**Art. 2204.** In crimes, the damages to be adjudicated may be respectively increased or lessened according to the aggravating or mitigating circumstances.

**Art. 2205. Damages may be recovered: xxx**

**(2) For injury to the plaintiff's business standing or commercial credit.**

**Art. 2207.** If the plaintiff's property has been insured, and he has received indemnity from the insurance company for the injury or loss arising out of the wrong or breach of contract complained of, the insurance company shall be subrogated to the rights of the insured against the wrongdoer or the person who has violated the contract. If the amount paid by the insurance company does not fully cover the injury or loss, the aggrieved party shall be entitled to recover the deficiency from the person causing the loss or injury.

**Art. 2208.** In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

- (1) When exemplary damages are awarded;**
- (2) When the defendant's act or omission has compelled the plaintiff to litigate with third persons or to incur expenses to protect his interest;**
- (3) In criminal cases of malicious prosecution against the plaintiff;**
- (4) In case of a clearly unfounded civil action or proceeding against the plaintiff;**
- (5) Where the defendant acted in gross and evident bad faith in refusing to satisfy the plaintiff's plainly valid, just and demandable claim;**
- (6) In actions for legal support; xxx**
- (9) In a separate civil action to recover civil liability arising from a crime;**
- (10) When at least double judicial costs are awarded;**
- (11) In any other case where the court deems it just and equitable that attorney's fees and expenses of litigation should be recovered.**

**In all cases, the attorney's fees and expenses of litigation must be reasonable.**

**Art. 2209.** If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent per annum.

**Art. 2210.** Interest may, in the discretion of the court, be allowed upon damages awarded for breach of contract.

**Art. 2211.** In crimes and quasi-delicts, interest as a part of the damages may, in a proper case, be adjudicated in the discretion of the court.

**Art. 2212.** Interest due shall earn legal interest from the time it is judicially demanded, although the obligation may be silent upon this point.

**Art. 2213.** Interest cannot be recovered upon unliquidated claims or damages, except when the demand can be established with reasonably certainty.

**Art. 2214.** In quasi-delicts, the contributory negligence of the plaintiff shall reduce the damages that he may recover.

**Art. 2215.** In contracts, quasi-contracts, and quasi-delicts, the court may equitably mitigate the damages under circumstances other than the case referred to in the preceding article, as in the following instances:

- (1)** That the plaintiff himself has contravened the terms of the contract;
- (2)** That the plaintiff has derived some benefit as a result of the contract;
- (3)** In cases where exemplary damages are to be awarded, that the defendant acted upon the advice of counsel;
- (4)** That the loss would have resulted in any event;
- (5)** That since the filing of the action, the defendant has done his best to lessen the plaintiff's loss or injury.

### **CHAPTER 3 OTHER KINDS OF DAMAGES**

**Art. 2216.** No proof of pecuniary loss is necessary in order that moral, nominal, temperate, liquidated or exemplary damages, may be adjudicated. The assessment of such damages, except liquidated ones, is left to the discretion of the court, according to the circumstances of each case.

#### **SECTION 1. - Moral Damages**

**Art. 2217.** Moral damages include physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation, and similar injury. Though incapable of pecuniary computation, moral damages may

be recovered if they are the proximate result of the defendant's wrongful act for omission.

Art. 2220. Willful injury to property may be a legal ground for awarding moral damages if the court should find that, under the circumstances, such damages are justly due. The same rule applies to breaches of contract where the defendant acted fraudulently or in bad faith.

## SECTION 2. - Nominal Damages

Art. 2221. Nominal damages are adjudicated in order that a right of the plaintiff, which has been violated or invaded by the defendant, may be vindicated or recognized, and not for the purpose of indemnifying the plaintiff for any loss suffered by him.

Art. 2222. The court may award nominal damages in every obligation arising from any source enumerated in Article 1157, or in every case where any property right has been invaded.

Art. 2223. The adjudication of nominal damages shall preclude further contest upon the right involved and all accessory questions, as between the parties to the suit, or their respective heirs and assigns.

## SECTION 3. - Temperate or Moderate Damages

Art. 2224. Temperate or moderate damages, which are more than nominal but less than compensatory damages, may be recovered when the court finds that some pecuniary loss has been suffered but its amount can not, from the nature of the case, be provided with certainty.

Art. 2225. Temperate damages must be reasonable under the circumstances.

## SECTION 4. - Liquidated Damages

Art. 2226. Liquidated damages are those agreed upon by the parties to a contract, to be paid in case of breach thereof.

Art. 2227. Liquidated damages, whether intended as an indemnity or a penalty, shall be equitably reduced if they are iniquitous or unconscionable.

Art. 2228. When the breach of the contract committed by the defendant is not the one contemplated by the parties in agreeing

upon the liquidated damages, the law shall determine the measure of damages, and not the stipulation.

## SECTION 5. - Exemplary or Corrective Damages

Art. 2229. Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.

Art. 2231. In quasi-delicts, exemplary damages may be granted if the defendant acted with gross negligence.

Art. 2232. In contracts and quasi-contracts, the court may award exemplary damages if the defendant acted in a wanton, fraudulent, reckless, oppressive, or malevolent manner.

Art. 2233. Exemplary damages cannot be recovered as a matter of right; the court will decide whether or not they should be adjudicated.

Art. 2234. While the amount of the exemplary damages need not be proved, the plaintiff must show that he is entitled to moral, temperate or compensatory damages before the court may consider the question of whether or not exemplary damages should be awarded. In case liquidated damages have been agreed upon, although no proof of loss is necessary in order that such liquidated damages may be recovered, nevertheless, before the court may consider the question of granting exemplary in addition to the liquidated damages, the plaintiff must show that he would be entitled to moral, temperate or compensatory damages were it not for the stipulation for liquidated damages.

Art. 2235. A stipulation whereby exemplary damages are renounced in advance shall be null and void. *Nothing follows.*