

CONTRACT LAW OF CAMBODIA

DECREE # 38 D REFERRING TO CONTRACT AND OTHER LIABILITIES.

Council of State
No. 38 D

People's Republic of Kampuchea
Independence, Peace, Liberty, Happiness

DECREE REFERRING TO CONTRACTS AND OTHER LIABILITIES

Council of State
of the
People's Republic of Kampuchea

- Pursuant to the Constitution of the People's Republic of Kampuchea (PRK);
- Pursuant to the law regarding organization of the National Assembly and the Council of State of the PRK, which was promulgated by Decree # 04 D, dated February 10, 1982;
- Pursuant to the law regarding organizational appointment and activities of the Council of Ministers of the PRK, which was promulgated by Decree # 03 D, dated February 10, 1982;
- Pursuant to the law regarding appointment of judiciary and prosecutor's office, which was promulgated by Decree # 02 D, dated February 10, 1982;
- Pursuant to the law regarding the establishment of the People's Supreme Court and the Prosecutor General's office attached to the People's Supreme Court, which was promulgated by Decree # 28 D, dated July 31, 1985;
- Pursuant to Decree # 34 D, dated August 26, 1987, regarding the appointment and activities of the People's Supreme Court and the Prosecutor General's office attached to the People's Supreme Court;
- Pursuant to Decree # 07 D, dated July 13, 1982 regarding the competency and procedure for adoption of laws and regulations, and
- Pursuant to a request by the Council of Ministers,

it is decided:

CHAPTER ONE

CONTRACTS

Section One

GENERAL PROVISIONS

ARTICLE 1. A contract is defined as a freewill agreement between two or more persons to create, change, or terminate one or more obligations, relevant to them. In the above definition, a person may be a natural person or a legal entity. A legal entity can enter into a contract through his/her own representative.

ARTICLE 2. Every contract shall link the personal interests of the contracting parties with the interests of society. Parties to a contract shall collaborate with each other in an atmosphere of good conscience, and every contract shall be executed according to the principles of social ethics especially so as to abolish the exploitation of one party by another.

Section Two

VALIDITY AND FORM OF THE CONTRACT.

ARTICLE 3. Every contract is valid provided that it:

- arises out of a real and free agreement.
- is made by parties who have capacity to enter into a contract.
- has a subject matter that is certain, possible to perform, lawful, and consistent with public order and good custom.

ARTICLE 4. Contracts can be made orally or in writing. The law shall set up precise formalities in making a contract. Every contract not consistent with the formalities fixed by law shall be deemed void, except where there is any provision or rule of law contrary to this. Contracts of all kinds regarding money, or item(s) worth more than five thousand riels must be in writing.

Section Three

VOIDNESS OF CONTRACTS.

ARTICLE 5. The following shall be deemed void:

- every contract that is illegal, not consistent with public order or good custom.
- every contract not consistent with social interests or principles of social ethics.
- every contract that has a subject matter which is impossible to perform.

ARTICLE 6. The following shall be deemed voidable:

- every contract not resulting from a real or free agreement
- every contract made by a party lacking capacity to contract.

ARTICLE 7. An agreement that is the result of mistake, duress, or fraud is not a valid agreement.

ARTICLE 8. Mistake shall be a ground for avoiding a contract if there is mistake as to substance of the object which is the subject matter of the contract.

Mistake as to person can not be a ground for avoiding a contract except where the identity of the person is the basis of the contract.

ARTICLE 9. Violence is a ground for avoiding a contract if such violence is in the form of mental or physical duress against a party to the contract, his/her husband or wife, any ascendants, or any descendants of the party.

ARTICLE 10. Fraud is a ground for avoiding the contract when there are acts of deception, dishonesty, or misrepresentation committed by one party to the contract, without which the other party would not have entered into the contract.

ARTICLE 11. When entering into a contract, should any party take advantage of the situation of another party with undue profit, then the aggrieved party can always sue to rescind the contract.

ARTICLE 12. When making a contract, if there is a difference between the value of the subject matter offered by one party and the value of the consideration in return, then the aggrieved party can sue to rescind the contract on the ground that he/she never intended the difference to be gift.

ARTICLE 13. A party who asserts that he/she entered into contract because of mistake, duress or fraud, in order to avoid the execution of his/her obligations binding in the contract, shall have to prove this matter.

ARTICLE 14. All people who are fully 18 years old can enter into a contract at any time, except detainees as provided in the law.

ARTICLE 15. Minors under 18 years old can not create rights or duties and especially can not enter into a contract without consent from his/her legal guardian.

A contract made by a minor without prior consent from his/her legal guardian can be executed on condition that his/her guardian has agreed on such a contract after it has been entered into by the minor.

But all contracts made by a minor to meet every day life needs shall not require the consent of his/her legal guardian.

ARTICLE 16. A party who enters into a contract with someone who lacks capacity cannot attempt to get out of his/her contract obligations on the ground of incapacity of the other party.

ARTICLE 17. Every contract dealing with items used in commercial trade shall clearly and separately describe the items according to their quality and quantity. Future happenings can be the subject matter of a contract. However, one cannot contract to sell an inheritance whose owner is still alive even where the owner has consented.

ARTICLE 18. Any person can sue to absolutely rescind a contract defined in Article 5, at any time.

ARTICLE 19. Where a contract is voidable because of incapacity, mistake, duress, or fraud, a claim to avoid the contract can be made by the aggrieved party or by any person who has lawful interest in the claim.

The aggrieved party or any person who has a lawful interest in the claim shall notify the other party. The party receiving the notification shall reply without delay. After the notification, the aggrieved party or any person having a lawful interest in the claim can sue to avoid the contract within a maximum period of 12 months.

ARTICLE 20. The right to sue to avoid a contract as provided for in Article 19 shall cease to exist if, after suing, the party who has such a right agrees to carry out his/her obligations or agrees, in writing, to withdraw the action.

ARTICLE 21. In the case where there is avoidance of a contract, the situation prior to entering into contract shall be restored.

Section Four

EFFECTS and INTERPRETATION OF THE CONTRACT.

ARTICLE 22. A contract is regarded as law as between the parties. Alterations to the contract can only be made if the other party agrees to the alterations. A contract shall be executed honestly and in accordance with the purposes agreed upon by the parties. A contract binds only the parties to the contract.

ARTICLE 23. If the contract is not clear in meaning, that contract shall be interpreted according to common practice or custom of the place where the contract has been made, but the interpretation shall not conflict with the provisions of this law. If there is any ambiguity, the contract shall be interpreted in favor of the debtor party.

ARTICLE 24. The debtor party to the contract shall satisfy his obligations under the contract by payment from personal and real properties available now and in the future.

Section Five

STATUTE OF LIMITATIONS FOR CONTRACTS.

ARTICLE 25. Except where the law prescribes differently, obligations resulting from a contract shall be deemed to have expired if the creditor party has not sued for performance within 5 years of the date defined in the contract or, where the date is not defined in the contract, the date of entering into the contract shall be the date.

ARTICLE 26. The limitation period shall be postponed if the debtor party is absent from his/her residence and this absence has been certified by the local Authorities according to the law.

The complaint of the creditor shall also postpone the limitation period.

ARTICLE 27. A debtor or guarantor can assert the statute of limitation. If the debtor or the guarantor fails to assert the statute of limitation, then the People's Court shall do it instead.

ARTICLE 28. A debtor or the guarantor who executes his/her obligations under the contract after the limitation period has expired can not then make a claim for the amount of money or value given on the grounds that the limitation period has expired.

Section Six

THE EXECUTION OF THE CONTRACT

ARTICLE 29. Obligations in the contract shall be carried out in a timely and proper fashion especially with regard to quality, quantity, place, and duration prescribed.

ARTICLE 30. Each party to the contract is a:

- debtor regarding the obligations to be executed.
- creditor regarding the rights that he/she is entitled to receive.

ARTICLE 31. A creditor party shall not be compelled:

- to accept an object other than that which he/she is entitled to receive even though its value is equal or higher.

- to accept the execution of part of the contract. But with regard for the spirit of goodwill and the financial situation of the debtor party, the People's Court can extend or delay the time for execution of the contract and make an order to suspend the creditors's action. In this special case, the reasons for the decision shall be clearly stated, and the People's Court shall exercise this power with great care.

ARTICLE 32. The execution of the contract shall take place at the residence of the debtor if the contract has not specified a place.

ARTICLE 33. If there is no specific duration of time within which to execute the contract, then the debtor can pay or provide at any time, and the creditor can request payment at any time as.

CHAPTER TWO

SOME FREQUENTLY USED CONTRACTS

Section One

SALE

ARTICLE 34. A sale is a contract in which one person has the obligation to transfer ownership of an object or right to another person who has the obligation to deliver back the value of that object or right.

ARTICLE 35. It shall be deemed void:

- the sale of another's property.
- the sale of a husband's belongings to his wife and vice-versa.
- the sale of joint-tenancy property "that can not be divided" by one co-owner without the consent of the other co-owner.

1- OBLIGATIONS OF THE VENDOR

ARTICLE 36. The vendor shall maintain the sale item in good condition until the due date for delivery so that he/she is able to execute his/her obligations under the contract.

ARTICLE 37. The vendor shall not change or modify the sale item by any means, from the date of the sale until delivery.

ARTICLE 38. The vendor shall be liable for damage occurring to the sale item up until the time of delivery. The sale can be cancelled if the item has been lost or substantially damaged prior to delivery or when the vendor can not find a substitute. If the sale has been cancelled, the vendor shall pay damages to the purchaser relating to the loss of the object or any damages resulting from fault on the part of the vendor.

ARTICLE 39. The vendor shall inform the purchaser of all the essential qualities and all the other substantial conditions relating to the sale item, particularly information concerning rights that others have in the item. The vendor shall hand deliver to the purchaser all documents relevant to the sale.

ARTICLE 40. The vendor shall hand over not only the original item but also any derivatives and accessories of the original item. In the case of real property sales, the delivery of the property deed is deemed to be delivery of that real property. Expenses incurred in the delivery shall fall to the vendor except where

there is a different provision in the sale contract.

ARTICLE 41. Regarding real property, the conveying of the vendor's rights to the purchaser is deemed valid providing that the sale deed has been certified and registered. From the certification and registration date, a third party has no rights to the property. Regarding personal property, the conveying of the vendor's right is deemed valid and a third party has no right to object from the time the personal property is delivered into the hands of the purchaser except where the sale is done through certified deed. In the latter case, the third party can not object from the day the deed has been certified.

ARTICLE 42. The vendor is not responsible for any defects perceivable from outside but shall be liable for latent defects in existence prior to the sale. If the purchaser can prove that such defect existed prior to the sale, then the purchaser can ask to rescind the contract or to reduce the price. Where the purchaser refrains from buying or asks to reduce the price, the purchaser shall bring his claim within 1 year of the date of delivery. If no claim is brought within 1 year, the purchaser's silence shall constitute agreement.

ARTICLE 43. The vendor shall guarantee the purchaser protection from any action by a third party to deprive the purchaser of the sale item, such action being a third party claiming a right to the item.

ARTICLE 44. In the event of a third party threatening to sue to deprive the purchaser of the sale item, the purchaser can refer the third party to the vendor immediately. The vendor, by any means, shall use his/her documents to prevent the third party from bringing a claim against the purchaser, or to defeat the third party interest by means of a court decision.

ARTICLE 45. If the vendor, so called upon by the purchaser to act on his/her behalf, succeeds in resolving the problem with the third party, the purchaser is not entitled to damages.

If the vendor is unable to resolve the situation, then legal action shall proceed as usual.

ARTICLE 46. If the court decides to deprive the purchaser of the property, the vendor shall return the amount received to the purchaser. In addition, the vendor shall be liable for damages. The amount of damages shall include the expense of making the contract and other relevant expenses incurred since the date of the sale.

ARTICLE 47. In the event of vendor's death, his/her obligations shall fall to his/her heirs.

ARTICLE 48. If the vendor obtained the property by way of a felony or misdemeanor, then the purchaser, if so aware, can ask to rescind the contract even though there is no threat from a third party to deprive the purchaser of the property.

Contracts contrary to this shall be deemed void.

ARTICLE 49. If the same property has been sold successively to many persons the last purchaser shall refer to the immediate vendor to guarantee his rights. And this vendor, if

need be, shall refer back respectively to his/her immediate vendor in the sale chain.

2- OBLIGATIONS OF THE PURCHASER

ARTICLE 50. The purchaser shall pay the contract price on the day and at the place already determined. If the date and the place are not stipulated in the contract, payment shall take place at the place of delivery.

ARTICLE 51. The contract can impose on the purchaser an obligation to pay interest on the contract price if payment is late. The interest rate shall not exceed 5 % per annum. Should a rate of interest not be stipulated in the contract, the purchaser is liable to pay only the price mentioned in the contract. But where the sale item yields income or profit, the interest shall be calculated according to the rate set by the law.

ARTICLE 52. If the purchaser has received the sale item, and if a third party brings a claim to deprive the purchaser of the item, then the purchaser can postpone payment. The purchaser shall pay the vendor only if and after the problem with the third party is resolved.

ARTICLE 53. The vendor is entitled to retain possession of the sale item up until the purchaser delivers payment.

ARTICLE 54. On the due date if no payment is made by the purchaser, the vendor can rescind the contract if he/she does not wish to bring an action for payment. Also, where payment is not fully made, the vendor can rescind the contract.

ARTICLE 55. The rescission of the contract requires both parties to the contract to return to each other what they have received. The purchaser shall return the property with any interest and income gained. The vendor shall pay back the amount paid by the purchaser and shall pay interest according to the rate provided by the law, calculated from each last payment date.

Section Two

LOAN WITH INTEREST

ARTICLE 56. A loan with interest is a contract whereby one person delivers money to another person and the latter is obliged to repay that amount together with an additional amount proportional to the duration of the contract.

ARTICLE 57. The contract shall be in writing. The contract shall clearly state the names of the parties, residences of the parties, loan amount, amount of interest, loan duration and due date for repayment. The borrower shall sign his name to the contract.

ARTICLE 58. If the due date and the interest rate have not been provided for in the contract, it is presumed that the parties agree to contract for 1 year period without interest.

ARTICLE 59. A lender shall be allowed to take interest on the loan provided that there is an agreement to this between the parties to the contract. The interest rate shall not exceed 5 % per annum, except where there is provision different from this at law.

ARTICLE 60. Any interest overcharged by the lender during the debt period shall be deducted and that amount shall be regarded as part of the repayment of capital. If the borrower repays an amount which is higher than the sum of the capital plus interest allowed by law, the creditor shall be compelled to pay back the illegally excessive amount to the borrower together with interest calculated from the date of repayment by the borrower. In this case the lender will be criminally liable according to the provisions of the criminal law in effect.

ARTICLE 61. A legal action as to the interest cannot be commenced prior to the discharge of the contract. In the event of a borrower's death payment of the entire debt can be demanded immediately by the lender and obligation for payment shall pass to the heirs of the deceased who shall be bound to pay the outstanding debt out of the deceased's property and before the property is distributed.

ARTICLE 62. The lender shall deliver the loan deed or document certifying payment to the borrower when he/she repays the loan fully.

ARTICLE 63. A loan with interest relating to personal property must comply with the provisions regarding the loan of money.

Section Three

PERSONAL PROPERTY MORTGAGE

Article 64. A personal property mortgage is a contract whereby a debtor delivers his/her personal property to a creditor to be held as security for a debt.

A creditor in possession of mortgaged property is entitled to be paid out of the proceeds of the sale of that mortgaged property in priority to all other creditors.

Article 65. A personal property mortgage contract must be in writing. The contract shall only be considered valid when the creditor is in possession of the mortgaged property.

The amount of the debt and the mortgaged property must be specified and described clearly in the contract.

If the contract fails to specify the amount of interest and the date of payment, the debt shall be considered to have no interest for one year from the date the contract is signed.

Article 66. A creditor is not entitled to deal with the mortgaged personal property as he or she pleases. The creditor is obligated to take reasonable care of and preserve well the mortgaged property. In the event that the mortgaged property is damaged or lost by reason of fault on the part of the creditor, he or she must repair the damage or compensate the debtor for the loss of, or damage to, the mortgaged property.

ARTICLE 59. A lender shall be allowed to take interest on the loan provided that there is an agreement to this between the parties to the contract. The interest rate shall not exceed 5 % per annum, except where there is provision different from this at law.

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Article 67. Unless otherwise stipulated in the written contract, a creditor may not use or take profit from the mortgaged personal property. The creditor is allowed to receive only the profit from the mortgage loan. Such profit shall be put toward necessary expenses in priority to other uses.

If a creditor uses the mortgaged property in breach of the terms of the mortgage contract, the debtor may file a complaint to withdraw the mortgaged property.

Article 68. If the creditor disposes of the mortgaged property without the prior consent of the debtor, the creditor shall be criminally liable under the provisions of the criminal law in effect.

Article 69. When payment is due and the debt is fully paid, the creditor must restore possession of the mortgaged property to the debtor. If a portion of the debt is still outstanding on the due date, the creditor may continue in possession of the mortgaged property until the outstanding balance is paid.

Article 70. If payment is due and the debtor does not release the mortgaged personal property by paying the debt, the creditor may submit a request to the People's Court to have the mortgaged property sold.

The money acquired from selling the mortgaged property shall be paid first to the creditor who was in possession of the mortgaged personal property. The balance of sale proceeds shall be paid to the debtor, or paid to any other creditors to whom payment is due.

If the proceeds from the sale of the mortgaged property are not sufficient to satisfy the debt, then the debtor remains in debt to the creditor for the outstanding balance.

Article 71. A personal property mortgage contract shall be considered void if the contract stipulates that the creditor shall become the actual owner of the mortgaged personal property in the event that the debtor fails to fulfill his obligations under the contract.

Section Four

ENTERPRISE CONTRACT

Article 72. An enterprise contract is a contract whereby one person (the "contractor") agrees to take charge of certain work for another person (the "employer") for a reasonable fee.

Article 73. If the fee is not specified in the contract, the court shall determine the fee according to the customary fees at the work place.

Article 74. The work must be clearly described in the contract. If the work to be performed is not performed in compliance with the terms of contract, the employer may:

- a) or may not accept the results of the work done by asking the contractor to pay damages and other compensation for any loss, if that occurs, to the employer and in such case the contract may be terminated.
- b) or shall require the contractor to make the necessary corrections within a specific

time agreeable to both parties and require the contractor to pay out of his or her own money in order to comply with the terms of the original contract.
c) or shall accept the results of the works by reducing the amount of the fees.

Article 75. If the time for completion of the work is specified in the contract and if the work is not completed within that period of time, the contract may be terminated notwithstanding the possible damages which the employer may claim for.

However, if the delay in the work results from a *force majeure*, the employer may not claim for damages.

Article 76. If the employer promises to pay an amount of money in advance or supply raw materials within a certain time but fails to do so, he or she may not terminate the contract on the basis of delay in work.

The contractor may terminate the contract on the basis of the time delay in having to wait for the materials to be supplied. In such a case, the contractor is entitled to receive a reasonable fee for the work that he or she has already completed.

Article 77. The employer may terminate the contract at any time before performance has been completed. However, some fees and expenses for the work done and relevant damages shall be recoverable by the contractor.

Article 78. If the work is destroyed before it is completed by reason of fault on the part of the contractor and if the employer has paid the contractor in advance and/or supplied materials, the employer is entitled to receive compensation equal to the value of the loss and other expenses which he or she has paid toward the works. However, if the damage is caused by a *force majeure*, the parties to the contract shall not be able complain against each other.

Article 79. The contractor shall be liable in a civil action for any person whom he or she employs.

Article 80. If the work is completed, the contractor may collect the work fees on delivery of the work to the employer. The act of paying the work fee to the contractor shall be deemed to be an implied acceptance of the work done.

Article 81. If, after delivery of the work to the employer, any latent defect or alteration in the work becomes apparent, and that latent defect or alteration was the result of fault on the part of the contractor during his or her performance, the contract can be rescinded or some part of the fee shall be returned to the employer, or such latent defect or alteration shall be repaired at the contractor's expense.

In such a case, the employer may claim only where the latent defect or alteration becomes apparent during the period when the contractor is liable under the terms of the contract. If no period of liability is stipuated in the contract, the employer may claim any time within three years from the date of receiving the work.

Article 82. Where the contractor is a natural person and where the contractor dies, the

contract shall be at an end.

Section Five

CONTRACT FOR CARRIAGE

Article 83. A contract for carriage is a contract whereby a person who is a carrier undertakes to transport passengers, luggage or goods from one place to another for a fee determined by an agreement of the parties or a fee determined by the State.

Article 84. Where a carrier delays in delivery by vehicles, a consignor (sender) is entitled to terminate the contract and require:

- the carrier to pay transportation fees and any money paid in advance to other carriers;
- the carrier to pay compensation for any damage caused by delay in delivery, loss or destruction of the transported luggage or goods, or decrease in price caused by such delay in delivery.

Article 85. Where a consignor delays in delivering the luggage or goods being transported, a carrier is entitled to require the consignor to pay compensation for any loss or damages and to terminate the contract.

Article 86. A carrier is liable for the loss of, or damage to, the transported luggage or goods. A carrier is also liable for any acts which cause injury to passengers during his or her carriage.

A carrier is not liable for the above injury if caused by a *force majeure* or by the negligence of the passengers themselves.

If the luggage or goods being carried are taken by a thief, the carrier shall be liable to pay compensation for the stolen luggage or goods.

Article 87. A carrier is liable in respect of the luggage or goods for any loss or damage that is not caused by a *force majeure* or by the natural destruction of the luggage or goods themselves. The carrier is liable particularly for any loss or damage which results from unreasonable delays during the carriage.

Article 88. Any action for compensation for loss or damage shall be commenced within one year from the date an owner becomes aware that the luggage or goods have been lost or damaged or from the date the passengers become victims.

Section Six

CONTRACT OF BAILMENT

Article 89. A contract of bailment is a contract whereby a person (the "bailee") keeps in custody the personal property of another person (the "bailor") gratuitously or for a fee, and returns that property to the bailor or to a person clearly designated by the bailor at a

specified time or at the time when the property is demanded back.

Article 90. As a fundamental rule, if no fee is specified in the contract, a bailee shall receive no fee.

Article 91. A bailee must preserve and return the bailed property at a specified time or at the time when the bailor demands it back.

The bailee is not entitled to use the bailed property without the authorization of the bailor.

Article 92. A bailee is liable for any damage or loss to the bailed property resulting from fault on the part of the bailee.

If the bailed property is damaged or lost by reason of a *force majeure*, no compensation shall be awarded.

Article 93. If the bailment is for a fee and the bailed property is lost by reason of theft, a bailee is bound to pay compensation.

If the bailment is gratuitous and the bailed property is lost by reason of a theft, the bailee is not bound to pay compensation if the bailee has sufficient evidence proving that he or she carefully preserved the bailed property.

However, a hotel owner, store owner or restaurant owner is liable in compensation for the loss through theft of the property of its guests or customers where such property is kept in the custody of the hotel owner, store owner or restaurant owner.

Section Seven

LOAN FOR USE

Article 94. A loan for use is a loan without any interest or fee. A person who lends property to someone else for use retains ownership in the property.

Article 95. A borrower may not sell, exchange or lend the loan property without the consent of a lender.

Article 96. A borrower must use the loan property in a good and proper manner, preserve it as if he or she were the owner and use it in manner consistent with its function.

The borrower is liable for the expenses of preserving and maintaining the loan property.

Article 97. If the loan property is damaged or lost by reason of a *force majeure*, the borrower is not liable for any compensation. However, where the damage or loss is the result of fault on the part of the borrower, the borrower shall be liable for compensation to be paid to the lender.

Article 98. A borrower must return the loan property to the lender at the time specified in the contract. If no time is specified in the contract, the lender may demand the return of

loan property at any time.

Article 99. If a borrower improperly uses the loan property in a manner not consistent with its normal function, the lender may immediately demand back his or her property even prior to the time for return specified in the contract.

Section Eight

LEASE

Article 100. A lease is a contract wherein a lessor promises to lease his or her property for a fee to a lessee to use temporarily.

The property to be leased may be either real property or personal property.

Article 101. The duration of a lease may or may not be limited. Where the duration of the lease is not limited, the duration of lease may not exceed 12 years.

A lease contract which has as its duration a period of more than one year must be in writing.

Article 102. Where a lease contract is not in writing and one party denies the existence of the lease, the evidence to prove the lease shall be based on the testimony of witnesses so long as the duration of such lease contract does not exceed one year.

Article 103. A lessor shall lease to a lessee only property which is in good condition so as to prevent any incidents that may cause the lessee undue problems, and shall guarantee the lessee protection from claims of any third person who asserts any right to the leased property such as a right of mortgage.

Article 104. A lessor is liable for major repairs to the leased property except where otherwise provided by law or in the contract.

Article 105. A lessee shall pay rent according to the price fixed in the terms of the contract, shall use the property in accordance with its normal function and for the term specified in the contract, shall maintain the leased property in good condition and shall be liable for any minor or simple repairs except where otherwise provided for in the law or the contract.

Article 106. When discharging the contract, the lessee shall return the leased property to the lessor in the same state or condition that he took the property - that is, with no destruction, no damage or alteration to the leased property resulting from use of the property by lessee during the lease.

Article 107. A lessor may terminate the contract if a lessee does not perform his or her obligations or if the lessee improperly uses the leased property in a manner inconsistent with its normal function or uses it in a manner which causes damage to the leased property.

Article 108. A lessee may not sublet the leased property to any other persons without the consent of the lessor except where otherwise provided for in the contract.

Article 109. A lessee who sublets the property shall still be bound by the same obligations under the contract with the lessor, and in particular shall be liable for the sublessee regarding unpaid rent, and any destruction or damage to the leased property resulting from the sublease.

Article 110. Where a lease contract has no limited duration period, a party may not terminate that contract unless there is notification in advance of at least one month or at most two months.

Article 111. Where a lessor dies, the contract remains in effect.

If a lessee dies, the contract shall not remain in effect. However, the contract shall remain in effect if the lessee's heirs want to continue with the lease contract.

Section nine

CONTRACT OF SURETYSHIP

ARTICLE 112. A contract of suretyship is a contract whereby a third party called a "surety" agrees with the creditor by contract to undertake or to perform the obligations of the debtor in the event that the debtor fails to perform his/her obligations to the creditor. This contract shall be in writing.

ARTICLE 113. One debt may have any number of sureties.

ARTICLE 114. Any contract of suretyship relating to obligations which are void by law shall be of no effect. But if such voidness results from the debtor being a minor, then the contract shall be deemed valid.

ARTICLE 115. Legal action against the surety can be taken either concurrently with an action against the debtor, or later.

ARTICLE 116. After the decision of the People's Court, the surety can request that the properties of the debtor be seized prior to the surety's property.

ARTICLE 117. After the sale of the debtor's properties, if the amount obtained is not sufficient to satisfy the debt, then the surety shall be liable for the balance.

ARTICLE 118. In a case where there are many sureties, each surety shall be liable for the entire debt as though there were only one surety. All sureties shall be jointly liable for the payment of debt.

ARTICLE 119. Where the surety has paid the debt of the debtor, all rights vested in the creditor shall pass to the surety. The surety is entitled to demand from the debtor repayment

the offense.

ARTICLE 130. Where an offender who is jointly liable with others has paid instead of those others, this person is entitled to request repayment from those others proportionate to their level of involvement in the commission of the offence.

ARTICLE 131. Where an organization or a person is responsible for damage caused by another person, that organization or person is entitled to take legal action against that other person to recover the damages paid.

ARTICLE 132. In a case where the damage is caused partly by the victim, he/she shall be liable for his/her part of that damage.

ARTICLE 133. (not available; missing on original).

ARTICLE 134. Any person who has caused damage to others is not liable to bear the responsibility resulting from such damages if :

- 1 - the damage was caused by a *force majeure*,
- 2 - the damage was caused entirely by the fault of the victim.

ARTICLE 135. If the damage occurs in a situation where the victim voluntarily agreed to assume the risk of such damage, and if it does not affect or threaten the social interests, no compensation for such damage will be awarded.

ARTICLE 135 bis. The time limit for claiming compensation for damages will be limited to three years.

CHAPTER FOUR

FINAL PROVISIONS

ARTICLE 136. All contracts which have been signed before the promulgation of this Decree and are not consistent with it shall be solved through the policies of the Party and of the state, or through equity, customs, and traditions.
The settlement of the above said contracts is available only for five years since this Decree has become effective.

ARTICLE 137. The Council of Ministers, the People's Supreme Court, and the Prosecutor General attached to the People's Supreme Court shall be responsible for the execution of this Decree within their respective capacities.

ARTICLE 138. This Decree has become effective upon its public promulgation.

Phnom Penh, 28 October 1988

For the Council of State

President

Signed and stamped:

Heng Samrin

Responsible for Execution

President of the Council of

Ministers

Signed and stamped :

Hun Sen

For communication

Secretary-General of

the Council of State

Signed and stamped :

Chan Ven
