



[Authentic in Lao only]

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

National Assembly

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CONTRACT and TORT LAW

Part I General Provisions

Article 1 (Amended). Objective

The Contract and Tort Law determines principles, procedures and measures on establishing and performance of a contract, liabilities, from the breach of contract and cause damages that are arisen from tort aiming to protect rights and interests of the parties of the contract, injured persons and the persons who cause damages and ensure the legitimacy, order and justice in the society in order to contribute into the socio-economic development.

Article 2 (New). Contract and Tort

A contract is a legal relationship which is arisen from the agreement that empowers the parties of the agreement have civil rights and obligations which shall be mutually observed.

A tort is a legal relationship which is arisen without a mutual agreement or from the act of some body, of other person, of the State or from assets that are under the possession of such person.

Article 3 (New). Terms interpretation

Different terms which are used in this Law have the meanings as follows:

1. A guarantee is referred to the assurance of the performance of a contract by movable assets, fixed assets, an individual or a legal entity;
2. Mortgage is referred to the bringing of some assets to creditors or other persons who have concerned rights in order to guarantee the execution of the contract;
3. Purchase sale by credit is referred to the purchase sale payment by several lots as agreed by the parties to the contract;
4. The donation of assets is referred to the giving of his own assets to another person without condition when the person is still in life;
5. The gifts of assets is referred to the giving of his own assets to another person with conditions when the person is still in life;

6. Abuse of rights is referred to the extra use of rights as stipulated by law that cause damages to somebody ;
7. the performance of duties is referred to activities operations in the scope of assigned rights and duties which is proper to the technical and ethical rules;
8. Damages cost is referred to the amount of money, of materials of the person who is responsible to compensate the damages which are arisen to another person;
9. Indemnity is referred to the amount of money or material items of the person who is responsible to compensate the income of the damaged person which is merit to receive from their works or their time wasted;
10. Indemnity to property is referred to the amount of money of the debtor that compensate to the damages of the creditor which merit to receive because the debtor fails to perform his obligations;
11. Creditor referred to the person who has the rights to claim the debtor to perform some obligations;
12. Debtor is referred to the person who has the obligations to something such as: hand over property, perform activities, pay money and others or not performing something for the interest of the creditor;
13. Necessary circumstances is referred to a necessary act of some people that can not use other possibility to avoid the danger which threatens to the benefit of the State or other individuals but the damages incurred from such act shall have a lower value than the expected damages from the aforesaid danger;
14. Voided agreement is referred to agreement which is legally invalid;
15. other person that are under the custody of some person is referred to employees, minor children, insane persons or pupils;
16. Employer is referred to the person who directs some person that is under his supervision to carry out works according to his order or his instruction;
17. Force majeure is referred to an unexpected event and can not control such as: floods, thunderbolt, earthquake that cause to debtor cannot perform their obligations;
18. Occasional incident in referred to unpredicted immediate event such as: sudden and serious ill, accident that leads to the debtor cannot perform their obligations.

Article4 (New). State's Policies on Contract and Tort

The state encourages and promotes individual and legal entities to have a relationship in different areas such as: purchase-sale, loan, construction entrepreneurial by establishing a contract in writing in order to guarantee that such agreement be completely, properly, fairly and willingly implemented in due time including to enhance the responsibility towards other persons, animals and properties which are under their possession not to cause damages to other persons.

Article 5 (New). Principles on contract and Tort

A contract shall comply with the following fundamental principles:

1. Having a willingness;
2. Having an equality;
3. Having a honesty, cooperation and a sincerity toward each other;
4. Respect and adhere to laws and regulations and the fine tradition of the Lao nation.

The tort shall comply to the following fundamental principles:

1. Any person causing damages, shall be responsible to the incurred damages according to laws and regulations;
2. The compensation of the damages shall be subject to the level of damages based on the actual value and paying according to the responsible proportion of the incurred damages.

Article 6 (New). Scope of applicability of the law

This Law is applied to the establishment of a contract, the performance of the contract the responsibility against the damages that are incurred to the state, collective, individual or organization including foreigners, aliens, stateless person residing in the Lao PDR and organizations of such mentioned persons.

Article 7 (New). International Cooperation

The state promotes to have a relationship and cooperation with foreign counties, regional and international by signing and performing the contract, exchange of lessons, information upgrade the knowledge, capacity on the elaboration of a contract, the performance of the contract and dispute resolution due to the breach of a contract and the causing of damages.

**Part II
Contract**

**Chapter 1
General Principles**

a. Establishment of a Contract

Article 8 (Amended). Contract

A contract is an agreement between the parties which (agreement) causes civil rights and obligations to arise, to be modified, or to be terminated.

A contract may be established between:

- State organizations or collectives themselves ;
- State organizations or collective with other legal entities or individuals;
- Legal entities or individuals themselves;
- Legal entities and individuals.

Article 9 (Amended). Nature of Contracts

A contract may be made by one, two or multiple parties.

An unilateral contract is one party's agreement that causes obligations to arise for that party without reciprocal performance.

A two-party or a multi-party contract is an agreement made between two or more parties which causes rights and obligations to arise between the contracting parties.

The mentioned contract is a civil contract which shall become commercial contract if their subject matter is the undertaking on business.

Article 10. Conditions of Contracts

Proper contracts shall fulfill the following conditions:

1. The contracting parties (must have made the contract voluntarily);
2. The contracting parties must have the capacity to act;
3. The purpose of the contract must be precise, exist and be legal;
4. The basis for the contract must be legal;
5. The form of the contract must comply with the provision of the laws.

Article 11 (Amended). Voluntary Act of Contracting Parties

The voluntary act of contracting parties is the assent of the parties enter into a contract out of mistake, fraud, threats, or violence, or (if the contract) is not beneficial to one of the parties.

The mistake is arisen, when the purpose (set out in) the contract is not consistent with what the parties (actually) agreed upon.

The fraud is arisen when one of the contacting parties has used trickery to mislead the other party into assenting to make a contract.

The threats or violence are arisen when either contracting party assents to enter a contract due to fear of such acts endangering that party, (his) family, property, or (his) relatives.

A contract shall be deemed to be not beneficial to one party when the benefits assign from that contract are not equitable.

Article 12 (Amended). Capacity to act of contracting Parties

The capacity to act is the capacity to act of an individual or an organization causing one's civil rights and obligations to arise.

A person shall be deemed to have the capacity to act provided that such person is at least eighteen years or older and is not mentally incompetent.

An organization shall be deemed to have the capacity to act provided that the organization is acknowledged as a legal entity.

Article 13. Purpose of Contracts

The purpose of a contract is the objective that the contracting parties wish to achieve.

Such purpose must be clear, (must) exist, and (must be) legal, or (must be a purpose) that does not contradict the public order and that is capable of being implemented.

Article 14. Basis for the Contract

The basis for a contract is that which motivates the parties to enter into the contract and to exercise their rights and perform their obligations.

The basis for a contract must exist and be legal.

Article 15 (Amended). Form of Contracts

A contract may be made in writing, orally or by other form.

A contract that has been made in compliance with Article 8 of this Law must be made in writing. Except contracts between individuals.

A written contract must have a date, month, year and the signatures of the contracting parties. For the certification of certainty, the contracting parties may again fix their thumbprints.

A written contract may be either written by hand, typewritten or by electronic printer device among the contracting parties themselves or having a participation of a village chief together with trusted witnesses at least three persons.

To ensure the lawfulness and the existence of the contract shall bring the contract to be certified at the notary office.

Article 16 (Amended). Contents of Contracts

A contract may consist of the following main contents:

- The objective, price, period for performance, (method of) settlement, (and details of) delivery;

- Scope, quantity and quality of targets;
- The place for performance of contractual obligations and the duty to notify;
- The consequences arising from the breach of contract;
- Form and organization for resolving disputes;
- The conditions for modification and termination of contracts before their (natural) expiration.

The objective, price, and period for performance are necessary components of all types of contracts.

Article 17 (Amended). Offer and Acceptance of Contracts

In an oral contract, where the offeror does not stipulate a period for acceptance when the offeree receives the offer, the beneficiary may accept the offer at any time and place, and at that time and place, the contract shall be deemed to have been entered into.

A written contract where the offeror has not stipulated a period for acceptance, the beneficiary must respond to the offeror within thirty days from the day the offer is received.

If the offeror stipulates a period for acceptance, the contract shall be deemed to have been entered into on the date that the acceptance reaches the offeror within the stipulated period of time, and the offeror does not have the right to withdraw (the offer).

If the acceptance is made within the stipulated period but the acceptance reaches the hand of the offeror later than such stipulated period, in the event that the offeror (subsequently) accepts (the acceptance), that contract shall be deemed to have entered into.

If the acceptance includes an addendum, deletions, or alterations, which are (subsequently) accepted by the offeror, the contract shall be deemed to have been entered into.

b. Null Contracts

Article 18. Null Contracts

A null contract is a contract made (and) is inconsistent with the conditions provided in Article 10 of this Law.

A contract may be absolutely or relatively null, in whole or in part.

Article 19 (Amended). Relatively Null Contracts

A contract that relatively null is a null contract that relates to the rights and interests of individuals only.

A contract that is relatively null is:

1. A contract made under fraud and threats, or which is not beneficial to a party;

2. A contract made by a person without the capacity to act;
3. A contract made by an individual who is unconscious of his act or in state of seriously intoxicated;
4. A contract made in bad faith by a representative (of a contracting party);
5. A contract made by necessity in especially critical situations.

If a relatively null contract is agreed to or approved by the parties whose rights and interests are (disadvantaged by any above situations), the contract shall be deemed to be valid.

Article 20 (Amended). Absolutely Null Contracts

An absolutely null contract is a null contract relating to the common rights and interests of the State or society.

An absolutely null contract is:

1. A contact made that conflicts with State or public interests;
2. A contract made by a legal entity that conflicts with the Articles of association of such legal entity;
3. A contract made in concealment;
4. A contract made that violates the (legal requirements) as the form of contracts.

The contracting parties have no rights whatsoever to agree upon or to approve an absolutely null contract.

Article 21 (Amended). Contracts Null in whole or in Part

The contract null in whole is a contract that contains invalid contents in whole.

The contract null in part is a contract that contains some part of the contents valid and some part is invalid.

Article 22. Invocation of Nullity

A null contract may be nullified.

If either contracting party knows that a concluded contract is null, that party must immediately notify to another party in order to invoke the nullity of such contract, in the event that the other contracting party does not agree to nullity the contract, the notifying party shall apply to the court for nullification of the contract.

Parents or guardians of minors, mentally incompetent persons have the rights to request the nullification of (null) contacts.

Minors (or) those who are mentally incompetent have the rights within a period of three years after having reached their majority or after regaining the capacity to act, to invoke the nullity of contracts that they have made (which they were minors or in state of mental incompetence).

For relatively null contracts, only the contracting parties may invoke such nullity. For absolutely null contracts, all those who have related interests have the rights to invoke such nullity.

Article 23. Consequences of Null Contract

When a contract has been acknowledged as null shall comply as follows:

1. The assets applied by each contracting party (towards the performance of the contract) shall be returned to such party, **in the following cases**: a contract was made (and is) inconsistent with the requirements of the contract, a contract of a legal entity was made in conflict with the purpose or objectives of the activities of such legal entity, a contract was made by a minor, a contract was made by a person who is mentally incompetent, a contract was made by a person who is unconscious of his act or in state of severely intoxicated, a contract which is not beneficial to one party;
2. The applied assets must be returned to the damaged party, in the case where the contract was made by fraud or threats. The applied assets of the other party shall confiscated by the State;
3. In the case where a contract is made which conflict with the national security, and public order, all applied assets shall be confiscated in their entirety by the State.

c. Contract Performance

Article 24 (Amended). Contract performance

Contracting parties must perform a concluded contract in good faith, completely within the period (for performance) and at the location specified by the contract or by the laws.

Contracting parties have no right to refuse performance of a contract or to unilaterally alter the contents of a contract, except where allow by the laws.

Contracting parties have the rights to reject incomplete, incorrect, and inconsistent with contractual obligations or laws, unless otherwise stipulated by the contract or by the laws.

Article 25. Additional Performance of Contract

In the event that the contract does not stipulated or regulated by not clear regarding the required quality shall perform in accordance with Law on Standardization and other relevant laws and regulations or a recognized standard which is a tradition in practice that is consistent with the objectives of the contract.

In the event that contract has fixed the price or a remuneration which is not clear shall be in compliance with the market price, at the location, in case that the contract has fixed a period of performance or remunerations which is unclear shall comply with the general price in the market at the place, period of performance of the contract or at the price fixed by the State.

Article 26. Period for the Performance

A contract shall be executed according to the period for the performance and in compliance with laws.

In case that the contract does not provide the period for the performance of contract, the obligee has the right to demand performance and the obligor has the right to render performance at any time. In the event that the obligee demands performance, the obligor is obligated to perform such contractual obligations within fifteen days from the day the obligee makes the demand.

The obligor may perform its obligations before the period (for performance) if such performance does not conflict with the contract or with the laws and the obligor agrees.

Article 27. Location of Performance of Contracts

Contractual obligations shall be performed at a location determined by the contract or by the laws. If such location is not so determined contractual obligations shall be performed at the following locations:

1. The obligation to hand over a constructed building shall be performed at the construction site;
2. The compensation of debts shall be performed at the address the obligee at the time such obligations arise, with the only exception the compensation of debts of State organizations, collectives, and social organizations.

If the obligee has moved to another address during the performance of contract and has notified the obligor, the obligation shall than be performed at the obligee’s new address, while all the expenses for the performance of such obligations shall be the burden of the obligee.

3. Other contractual obligations shall be performed at the obligor’s address at the time that the contractual obligations arise. If the obligor is a legal entity, performance shall be at the office of that legal entity.

Article 28 (Amended). Settlement

The settlement may be made in cash, transfer money, checks, in kind or labor as agreed to by the obligor.

The settlement shall be occurred only when there is a prior preparation of invoice.

In such settlement the obligee must make a receipt or other documents by himself or from the request of the obligor. This receipt or other documents shall immediately be made or the latest within fifteen days after the performance of the contract.

In the case of settlement by check, the date of settlement is the date that the obligee has withdrawn the money according to the amount as fixed on the check. In settlement by transfer money, the date of settlement shall be deemed the date the obligee receives a credit notice (that such payment has been credited to the obligee’s account. For settlements made by mail, the settlement date shall be the date that the obligor transfers money or assets by post.

Article 29. Notification of Difficulties in Contract Performance

When difficulties arise in the performance of a contract, (and) despite having made its best efforts a contracting party can not perform its contractual obligations in the regular manner, it must inform the other party of the cause of such difficulties within an appropriate time period to the expiry of period for performance.

Notification of such difficulties shall not constitute cause to release the obligor from its responsibilities. After such difficulties have ended, the obligor shall still have again to perform its contractual obligations.

Article 30 (New). Suspension of a contract performance

If either contracting party has performed some parts of his contractual obligations he/she may suspend his performance by immediately notifying to the other contracting party. If it is found that the contracting party which is notified is under some situation that may incur damages as follows:

- Will be sued or request to be bankrupt;
- Lack of confidence on business operations that may cannot perform the contract;
- Be in the situation that lead to the interested person cannot perform such contract.

The contracting party who suspends which performance shall be liable to another contracting party on the damages if such suspension is made without the situation as above mentioned.

If the notified contracting party on the suspension of the performance of a contract, he can certify or provide guaranty of the appropriate performance of the contract on the capacity to perform his contractual obligation. The contracting party who suspends shall continue to perform his obligation. In case that he cannot certify or provide an appropriate guaranty the contracting party who suspends may terminate the contract. Concerning the performance of obligations in the past the notified contracting party shall compensate to the contracting party who terminates the contract.

The suspension of contract performance may be made in all types of contract, except the unilateral contract.

Article 31. Enforceability of Contracts on other Individuals

An obligee has the right to transfer its rights to other individuals (each referred to as a new obligee) to demand assets form relevant obligor.

The obligee must transfer documents relating to such demands for debts to new obligee and must be liable to (him) if the transferred right does not exist.

In the event that an obligee dies, a successor to an inheritance has the right to demand assets form the relevant obligor.

An obligor also has the right to transfer (his) obligations to others (each) referred to as a new obligor to perform in (his) place, but the obligee must first agrees (to such transfer).

In the event that an obligor dies, a successor to an inheritance shall perform the obligation in (his) place.

Article 32 (New). Right to operate in place of Obligor

In case the obligor does not demand debts from his obligor which is not beneficial to obligee, the obligee has the right to sue to court in place of the obligee to claim the debts, except the right of obligor is required only the obligor to perform.

The expenditure in the undertaking in place by the obligee will be the responsibility of the obligor.

Article 33. Effects of a breach of Contract

A breach of contract means non-performance of contractual obligations, in whole or in part, or unreasonable performance of obligations by either contracting party such as: low quality performance of obligations, untimely performance (or) performance not according to location as specified by the contract.

If either contracting party breaches a contract, that party must be liable to compensate (the other party) for damages which arise, except if the contract breach occurred as a result of a force majeure.

d. Measures to Ensure Contract Performance

Article 34 (Amended). Ensuring Contract Performance

In ensuring reasonable contract performance in order to meet the demands of obligee or to compensate for damages, which may arise subsequent to non-performance of a contract or unreasonable contract performance, the law allows the application of various measures such as: pledges, guarantee by assets by individuals or legal entities, and penalties.

Article 35. Pledge and Guarantee

The pledge and guarantee shall comply with Law on Secured Transaction.

Article 36. Penalties

A penalty is a measure applied against the person who breaches a contract as well as those who do not perform their contracts or who have rendered incomplete performance or untimely performance.

Penalties are to be applied according to specific regulations of relevant sectors or as agreed between the contracting parties agree in the case where that there are no specific regulations.

e. Modification, Termination, and Expiration of Contracts

Article 37. Modification of Termination of Contracts

A contract can be modified or terminated if the contracting parties agree to (such modification or termination).

If there is a breach of contract, the disadvantaged party may modify or terminate the contract unilaterally. Except otherwise the contracting parties agreed.

Modification or termination of a written contract must be made in writing.

When a contract is terminated, all (reciprocal) obligations performed (by both parties as of such date) shall be considered as completed.

If one party has already performed its obligations, the party with reciprocal obligations must make performance. (Reciprocal) obligations (which neither party has) yet performed are terminated.

Article 38. Expiration of a Contract

A contract shall expire in the following cases:

- The contract is correctly and fully performed;
- Contracting parties have merged into one;
- Contracting parties agree;
- The contract cannot be performed;
- Any of the contracting parties has died and no third person can continue performance;
- A contracting party that is a legal entity has been dissolved or becomes bankrupt.

In the event that any legal entity is dissolved or becomes bankrupt, the party contracting with legal entity has the right to demand expenses and (compensation for) damages from the person responsible for the assets of the dissolved or bankrupt legal entity.

**Chapter 2
Types of Contracts**

a. Sale-Purchase contracts

Article 39. Sale-Purchase Contracts

A sale-purchase contract is an agreement between contracting parties whereby the seller must transfer assets to the ownership of the buyer, and the buyer must accept such assets and must pay an agreed price.

A seller may sell any assets that (he or she) owns if the assets sold to the buyer are confiscated by the decision of a court or of the organization responsible for economic arbitration, the seller must compensate the buyer for damages.

In making a (sale-purchase) contract, the seller must inform the buyer regarding any other person's rights to the assets sold, such as whether such asset have been rented to (another person). Failure

to do so shall give the buyer the right to request termination of the contract and demand compensation for damages or a reduction of the sale price.

When ownership rights pass to the buyer prior to the delivery of the assets, the seller shall have the obligation to protect such assets from loss or damage until the buyer takes delivery.

The buyer becomes the owner of assets that (he or she) has purchased:

- From the time that the buyer pays money to the seller and the seller delivers the assets to the buyers;
- From the time that the buyer has paid money, whether or not the seller has transferred such assets, or from the time that the seller has transferred such assets, whether or not the buyer has paid money to the seller as agreed.

Article 40. Quality of Assets Sold

The quality of assets sold must conform to the contents of the contract, if the assets sold are not of the quality provided for in the contract, the seller must be liable for such assets.

In the event that the buyer knows that such assets are of poor quality, the buyer has the right to request an exchange of the assets sold for the some kind of assets which are of the (expected) quality or to request a price reduction or to terminate the contract while also demanding compensation for damages.

The buyer has the obligation to inspect the assets being purchased and must inform the seller urgently in the event that deficiencies are discovered in the assets being purchased. Otherwise, the buyer must be responsible for such deficiencies (himself).

Article 41 (Amended). Credit Sales of Goods

In the sale-purchase of goods, the seller may sell such (goods) on credit. The buyer acquires ownership rights to goods sold on credit from the day (he or she) has paid the fully price of such goods.

In case that the buyer fails to fully pay and untimely performance for a period of three successive installments, the seller has the right to terminate the contract and claims back such goods sold and the paid money from the buyer shall not be returned.

In case that such goods are deteriorated due to the wrongdoing of the buyer, the buyer must be responsible to fully pay the goods cost according to the contract.

If the buyer is not acquired yet the ownership rights to goods sold on credit (but, he or she) brought such goods to sell in retail, the interested person shall be deemed as a wrong doer for fraud, embezzlement. For the seller of goods sold on credit and the new buyer which receives the damages have the right to file petition according to law.

The sale of goods on credit must be performed in conformity with prices agreed to on the date of sale. Any subsequent change to the price of goods sold on credit shall not change the agreed upon price.

Article 42. Purchase of Illegal Acquired Assets

A person who buys assets in good faith is the person who believes legally buy assets at the then reasonable market price at that time, buys and makes use of assets openly. continuously and peacefully, the owner of the assets shall only be able to seek returned of those assets when (he or she) compensates the buyer at the buyer's purchase price, but (he or she) shall have the right to subsequently sue the seller who illegal sells the assets.

A person who buys assets in bad faith is the person who buys assets that knows or may know one's has illegal bought the assets which may reflect by on unreasonable purchase at the then market price at that time, buys and secretly makes use the assets, discontinuous claim, then the owner of the asset has the right to seek to return of those assets without any compensation to the buyer. The buyer may demand reimbursement of the purchase price of such assets from the seller, but (he or she) shall not have the right to file a claim in court.

Article 43. Delivery of Goods or Assets Sold

A seller shall deliver goods or assets sold to the address of the buyer or to any other location as agreed.

A buyer has to accept the goods or assets delivered to (him). Payment for transportation costs shall be subject to agreement between the contracting parties.

If a seller fails to deliver the goods or assets sold at the agreed upon time, the buyer may reject (delivery of) such goods or assets.

In the case where a buyer has paid the goods, delivery costs, the buyer may require the seller to pay the service charge as deemed reasonable.

If a seller delivers goods or assets sold that are incomplete as to quantity, incomplete as a set, (or) lacking in quality as agreed to (between buyer and seller), the buyer may reject to accept goods and may refuse to pay for such goods. If the buyer has already paid for the goods, the seller shall have to return the money and may again have to compensate the buyer for damages.

b. Exchange Contract

Article 44. Exchange Contract

An exchange contract is an agreement between contracting parties whereby a party gives assets which are under his ownership to another party and that party gives other assets which are under his ownership in return.

Article 45 (New). Adding of money into the Exchange

In the exchange a party may add his money into the exchange when the value of his exchanged assets is lower than the value of exchanged assets of another party.

Article 46 (Amended). Regulation on Exchange Contract

An exchange contract shall be similarly performed in accordance with the regulation governing sale-purchase contracts.

An exchange contract shall be valid only when the contracting parties hand over their assets to each other.

c. Donation Contracts (New)

Article 47 (New). Donation Contract

A donation contract is a decision of the owner of the assets voluntary to give the assets that are under his ownership to someone without claiming any compensation and the receiver has consented to accept such assets.

Targets of donation contract may be movable assets or fixed assets.

Article 48 (New). Donation of Movable Assets

A donation of movable assets is the donation of movable assets of which the receiver becomes the ownership from the time of receipt.

For the donation of movable assets in writing shall be registered and will be effective from the date of registration.

Article 49 (New). Donation of Fixed Assets

The donation of fixed assets is the donation of immovable assets by having certified documents of ownership or a legal right use from relevant competent agencies.

The donation of fixed assets shall be made in writing.

The beneficiary of fixed assets will become the owner of the property from the date of registration.

Article 50 (New). Gift Contracts

A gift contract is the decision of the owner of assets to give his assets to someone with lawful condition that the receiver must previously execute or execute after the receipt of such assets.

The receiver of the assets will become the ownership after execution of complete conditions. In case of failure to complete the conditions or cannot perform of such conditions the person who gives the assets, has the right to terminate such contract.

Article 51 (New). Scope of Donation and Gift

The scope of the donation and gift shall be performed in compliance with Article 25 of the Law on inheritance.

Article 52 (New). Obligations to Notify on the Deficiency of assets

The donator or the person who gives assets shall notify the deficiency or special nature of donated assets or the gift assets to the receiver. In case of failure the donator or the person who gives assets shall be liable to damages arisen from the deficiency or special nature of such assets.

d. Consignment Contracts

Article 53. Consignment Contracts

A consignment contract is an agreement between contracting parties for the sale-purchase of assets which the seller has the right to purchase back within three years at the same price at which (he or she) sold such assets.

Upon the expiration of the three years period, the seller has the right to extend the term of the consignment, in the case where (such right to extend) was previously agreed upon while making contract, but not to exceed one year.

At the expiration of the term, if the seller does not repurchase the assets, the buyer shall become the absolute owner of such assets.

Article 54. Effect of a Consignment Contract

If the consignment assets yield any benefit, the buyer who has already paid for them in their entirety shall be the owner of such benefit. In the event that a buyer has not yet made full payment on such assets, the buyer has no right to keep such benefit unless otherwise provided in the contract.

Article 55. Protection of Assets on Consignment

A buyer must protect assets on consignment and a seller must reimburse a buyer for expenses that (he or she) incurs in protecting such assets. In the case where such expenses are minimal they shall be borne by the buyer (himself). A buyer may make use of such consigned assets. If a seller repurchases the assets within (the stipulated) period of time, the buyer must return those assets in their original condition.

e. Loan Contracts

Article 56 (Amended). Loan Contract

A loan contract is an agreement between contracting parties whereby the lender must transfer money or assets to become the property of the borrower and the borrower must return the borrowed fund or assets in the same quantity and quality as that which was borrowed to the lender at the agreed time as stipulated in the contract.

If the time is not stipulated in the contract, performance shall be in accordance with the lender's offer, as provided for in Article 26 of this Law.

Loans of money or assets may bear interest provide that such (interest obligation) is stipulated in a contract. In case there is a delay in the reimbursement that is not beneficial to the lender, it may consider having a service charge if there is a request.

Loans of money from banks or financial institutions shall be in compliance with regulations of banks or financial institutions which offer such lending.

Interest on bank or financial institution loans which are legally established must conform to regulations of the lending or the lending financial institution.

Interest on loans of money between individuals or organizations in kip or foreign currency shall perform as agreed by the contracting parties. Concerning the paid interest shall be terminated, the unpaid interest if there is a file to a court shall be based on the interest rate of the State commercial bank where the dispute was arisen, that are issued in such period, but in the borrowing it is not allowed to include the interest of loan in the principal.

When repayment is due as stipulated in the contract, if a lender refuses to accept money or assets from the borrower, there shall be no further calculation of interest.

For loans from abroad or international institution, the interest calculation shall be based on the agreement between the contracting parties.

When there is a dispute on the payment of interest or the principal arise, between the creditors and debtors, shall include the whole principal and interest payable together then obliging the debtors to pay until its fulfillment.

Loan contracts shall be made in writing.

Article 57 (Amended). Spousal liabilities for Debts

A married couple (jointly) or either of them (individually) must be liable for loans of money or assets in the following cases:

- The husband and the wife have together borrowed money or assets;
- The husband or the wife alone borrows money or assets for family use;
- The husband or the wife alone borrows money or assets for his personal interest.

In the event that the (other spouse) pays (such) debt, (she or he) has the right to reimbursement upon division of matrimonial property.

f. Contracts for the Borrowing of Assets for Use

Article 58. Contracts for Borrowing of Assets for Use

A contract to borrow assets for use is an agreement between contracting parties whereby the lender has handed over assets to the borrower to use free of charge and the borrower must return them to their owner in their original condition at the agreed time.

Article 59. Liabilities of the Borrower

In the event that the borrowed assets suffer loss or damage while being borrowed, the borrower must be liable, unless otherwise agreed.

If a borrower is unable to return the borrowed items or make such assets be unusable, the borrower may compensate the owner with money or other assets as the lender may agree and at the then market price.

The borrower has no right to let another person to borrow the borrowed assets.

i. Contract for Rental of Assets

Article 60 (Amended). Contract for Rental of Assets

A contract for the rental of assets is an agreement between contracting parties whereby the lessor hands over assets that belong to (him) to the lessee for temporary use and the lessee shall properly use and in compliance with the contract and the utilization, of the leased assets, must pay rental at the agreed upon price and time.

A contract for rental of assets may be made for an indefinite period. In this case, the lessor or the lessee has the right to terminate the contract at any time, but must notify the other contracting party three months in advance for immovable property, such as land, houses and buildings and one month (in advance) for the lease of movable property, such as cars, boats and animals.

For rental of agricultural land shall terminate the contract at the end of the harvest season or before the commencement of the new cultivation season.

Before transferring such rental assets, the lessor must notify the lessee of any defects or special characteristics of such assets.

In the event that the lessor fails to give notice regarding such defects or special characteristics, if loss or damage occurs from such (failure), the lessee shall not be liable (for such loss or damage).

Article 61. Payment for Rental of Assets

In the rental of assets, the lessee may pay rental on a day, weekly, monthly, (or) annual basis or in advance. In the event that a lessee pays in advance, but the contract is terminate before its term, the lessor must return the remaining rental from any advance payment (to the lessee) and (the lessor) has the right to claim compensation from the lessee.

In the event that a lessor breaches the rental contract, the lessee has the right to demand the return of the balance of the advance payment and compensation for damages from the lessor.

Article 62. Use and Repair of Rental Assets

The lessee must use assets rented in conformity with the contract and (normal) usage, manage and maintain them in reasonable condition, and return such assets to lessor in their original condition after expiration of the contract. The lessee must be responsible for loss and damage arising from his wrongdoing.

During the use of rented assets, if there is a minor repair such as: repairing keys, starving (leakage repair), repair of tires shall borne by the lessee. Major repair such as: re-roofing and engine overhaul, shall be borne by the lessor.

If the lessee has paid the major repairs by his own money as agreed by the lessor, the lessee has the right to demand such expenses from the lessor or be calculated as the rental.

In the event that the lessee has proposed to have a major repairs but the lessor still does not start to repair even he has the possibility, the lessee has the right to terminate the contract and demands the advance rental cost in return.

Article 63 (Amended). Change of Ownership of Rental Assets

In the event that the lessor transfers or sells rental assets to other person, the rental contract shall remain effective for receiver or buyer who is the new owner, but the lessor must first inform the new owner that the assets are being used by the lessee.

Article 64 (New). Sub-Leasing

The lessee may sub-lease the rental assets to another person with the consent of the lessor, but the sub-lease shall be in the scope of duration and the initial conditions of the contract for rental.

j. Bailment Contracts

Article 65. Bailment Contracts

A bailment contract is an agreement between contracting parties where by the bailor deposits assets with the bailee to protect and maintain (such assets) and the bailee must return those assets in their original condition upon demand.

A bailment may incur a fee or be free of charge, depending on the contracting parties' agreement or specific regulations.

In the event that a bailment has a time limit, the bailee does not have the right to return the bailed assets before the end of the term, except in necessary cases, where as the bailor may demand return of the bailed assets before expiration of the term.

If a bailment has no time limit the bailor may demand the return of the bailed assets at any time and the bailee has the right to demand that the bailor take back his bailed asset at any reasonable time.

Payments for bailment shall be calculated according to the actual duration of the bailment, unless otherwise stipulated in the contract.

Article 66 (Amended). Obligations of the Bailee

The bailee has the obligation to protect the bailed assets from any loss, damage, or deterioration, and to return the bailed assets to the bailor in their original condition.

The bailee does not the right to make use of or transfer such assets into the care of other persons to protect the bailed assets on his behalf unless authorized by the owner of such assets. If the bailed assets yield any benefit, the benefit shall belong to the bailor.

If the bailed assets suffer loss, damage or deterioration, the bailee must be liable to such loss, except such loss arose due to the force majeure.

In case there is an event or some situation that cause damaged to the bailed assets, the bailee must immediately notify the bailor. If the bailee fails to notify him, the bailee must be liable for such loss arose.

Article 67. Obligations of a Bailor

The bailor has the obligation to notify the bailee regarding defects or special characteristic of the bailed assets, (and) upon such (notification), the contracting parties are to jointly inspect the actual condition of the bailed assets.

If the bailor does not notify the bailee regarding defects or the special characteristic of the bailed assets and (such failure) cause damage to the bailee or to the bailed assets the bailor must be liable for damages that arise.

The bailor must accept (a return of) the bailed assets at the scheduled time and pay for the bailment if the parties have so agreed.

If the contracting parties agree to pay bailment fees from the date of agreement, any delay in the handover of bailed assets shall the responsibility of the bailor. In case that the bailor delays in accepting the return of the bailed assets (he or she) shall be liable to pay again the bailment according to the number of delayed days.

When the bailee incurs expenses in protecting the bailed assets, the bailor must reimburse such expenses.

In the event that the bailed assets are of a fungible nature and are perishable and the bailor does not take back such assets on schedule, the bailee has the right to sell such assets and deduct bailment fees including expenses in the selling (if any,) which any remaining amounts must be returned to the bailor. If the bailee sells the bailed assets in bad faith, it is deemed that he/she has committed an offense as a fraud.

k. Contract of Mandate

Article 68. Contract of Mandate

A contract of mandate is an agreement between contracting parties whereby the mandatory must perform an act on behalf of and at the expenses of a mandator. The mandator has the obligation to pay compensation to the mandatory if specified in the contract or in the laws.

The mandatory shall perform the acts according to the mandate only if he is provided with a power of attorney (to do so), except for performing any acts of minor importance.

A mandate must not exceed three years. If the term of mandate is not specified in the mandate, the mandate shall be effective for a period of one year from the date of making the power of attorney.

Parents or guardians of children who are not reached the maturity of eighteen years old, an insane, a husband or a wife may act on behalf of one another without a power of attorney, but they shall have a certified documents relating to the family relationship of such persons.

Article 69. Obligations of Mandataries

The mandatary has the obligation to execute the mandate by (himself) in consistency to the mandator's instructions in good faith and in the some manner as if such were his own task. If the mandatary cannot perform (the mandate) by (himself) due to a force majeure, (he) has the right to transfer the mandate to another person to perform the mandate in (his place), but shall notify the mandator immediately regarding that person's personality and competence to seek approval from the mandator for such transfer of mandate, otherwise, the mandatary shall be liable for any loss arising to the mandator due to that person's acts. The mandatary also has the obligation to immediately report and hand over to the mandator any assets, money, or documents acquired from the performance of the mandate.

In the event that the mandatory causes damage to the mandator in the performance of matters without consistent to the instructions or over the scope of his mandate which have been assigned to him, (he/she) is liable to compensate the mandator for all damages.

Article 70. Obligations of the Mandator

The mandator shall provide necessary assets to the mandatary to perform works on his behalf , shall acknowledge of activities that the mandatory has been performed within the scope of one's mandate, shall compensate to the mandatary in case provided in the contract and recognizes the expenses of the mandatary in the performance of works. The mandator has the right not to accept works that the mandatary has improperly performed in accordance with instructions or beyond the scope of the mandate.

If the mandator refuses to acknowledge the works that the mandatary has been performed in consistency with the mandate including the expenses related to the performance of such works, the mandator shall be liable to compensate all the damages.

I. Service Contracts

Article 71 (Amended). Service Contracts

A service contract is an agreement between contracting parties whereby the service provider must render services, do, or create something or provide consultancy to the service user and the service user must pay for the services at the agreed upon price.

Article 72 (Amended). Types of Service Contracts

The service contracts have two types such as:

1. General service contract
2. Technical service contract

A general service contract is an agreement between contracting parties whereby the service provider must do or create some certain things such as: repair, hair cutting, clothes tailoring, foods and drinks services.

A technical service contract is an agreement between contracting parties whereby the service provider must provide service in the research, analysis, data, consultancy, instruction, program, report and other in consistent with the technical principles.

A technical service contract shall be in writing.

Article 73 (New). Rights and Obligations of a service Provider

A service provider has the rights to receive service fees as agreed in the contract.

A service provider has the obligations as follows:

1. To use good equipment, having good quality which is proper to the technical principles and the requirements of the service user;
2. Protect the material of the service user;
3. Hand over materials or the result of the service that one's has made or finished in due time and with quality to the service user;
4. Keep the confidentiality of the service user.

Article 74 (New). Rights and Obligations of a Service User

A service user has the following rights:

1. To claim things or material that one's will use as a service;
2. To propose to the service provider to improve and settle the weak points;
3. To refuse to accept services which are not meet the quality as agreed;
4. To demand loss arising due to the breach of contract of the service provider;
5. To change the service provider, but he/she must pay the former service provider for the fully completed or created (work or materials).

A service user has the following obligations:

1. To provide materials and equipments or necessary data to the service provider;
2. Accept materials and equipment or result of the services of which the service provider has made or fully completed and pay the service fees.

m. Construction Contracts

Article 75 (Amended). Construction Contracts

A construction contract is an agreement between contracting parties whereby a contractor must build a definite item according to the purpose of the project owner with materials and equipment provided by the project owner or by (himself). The project owner must accept and pay for built items and having mutually certified on the achievement.

The contractor has the right to propose to the project owner that (he or she) is not capable of performing according to the project owner's instructions or not able to use (the project owner's) materials, equipment or means that are technical sub-standard.

If the project owner does not remedy within the determined period, the contractor has the right to terminate the contract and demands compensation for damages.

In the event that materials, equipment or means belong to the project owner, the contractor must protect and make proper use of (them). If such use is improper, the (contractor) is liable additionally, the contractor is obligated to give an accounting of this use of such materials and equipment and must return remaining materials and equipment to the project owner.

The project owner has the right to inspect constructed items. If the items are not constructed (at all) or are not constructed according to the specifications in the contract, which causes the constructed item to be of technical sub-standard quality or (non-functional), the project owner has the right to demand remedy or repair within an appropriate period or to demand (compensation) for damages if the expenses of such repair involved (his materials), equipment or means, in addition, the project owner may request the termination of the contract and demand compensation for damages.

Materials, equipment or means supplied by the project owner must be of (reasonable) quality, meet (reasonable) technical standards and be (delivered) on schedule.

Article 76. Quality Assurance for Constructed Items

The contractor must ensure that constructed items meet (all standards and requirements) according to the construction regulations.

If, after the project owner accepts constructed items, there are still defects in their construction, the project owner has the right to demand that the contractor repair such (defects) without any (additional) repair costs (to the project owner) if the (warranty) period has not yet expired.

n. Transportation Contract

Article 77 (Amended). Transportation Contracts

A transportation contract is a agreement between contracting parties whereby a party is a carrier liable for transporting passengers, personal belongings or cargo, goods to a destination or according to the other's party requirements and another party are passengers or senders of cargo or goods have the obligation to pay the fare or transport fees as agreed.

A transportation contract is valid from the time the carrier accept the passengers, personal belonging or cargo, goods and be terminated when the passengers reached their destination together with their personal belongings or the owner or the person who has the right to accept such materials or goods.

Transportation may take place by surface, by water, or by air and must be performed according to specific regulations of the sector concerned.

Article 78. Obligations of a Carrier

A carrier has the obligation to safely transport passengers together with their personal belongings to their destination, to deliver assigned cargo or goods to their destination and to hand over to recipients who have the right to receive such cargo or goods. According to the quality as one's has received in the departure.

If an accident occurs the carrier must be liable for travelers who die or are injured, for damaged personal belongings or cargo, goods damaged during transportation, unless caused by a force majeure.

Article 79 (Amended). Fare and Transport Fees

Passenger and transport fees may be paid in advance or afterwards upon the tariff of each transport route as determined by the State from time to time or as agreed by the contracting parties.

The owner of cargo or goods may pay transport fees in advance or afterwards as agreed.

o. Partnership Contracts

Article 80 (Amended). Partnership Contracts

A partnership contract is an agreement between two or more persons whereby they agree to contribute money or assets or labors, to conduct together business and benefit sharing or liable to debts.

Contracting parties may make any agreement in conformity with the Enterprise Law and other regulations and laws.

Article 81 (Amended). Termination of Partnership Contracts

A partnership contract may terminate in any of the following cases:

1. The objective of the partnership contract is fulfilled performed;
2. The duration of the partnership contract is expired;
3. A contracting party dies without successors;
4. The contracting parties have mutually agreed;
5. The contracting parties have merged together;

6. There is a court decision to cancel the partnership contract;
7. There is one of the partners bankrupt or incapacity to act, except otherwise agreed or there is a bankrupt of the enterprise.

Article 82 (Amended). Distribution of Benefits and Liability to Debts

When the partnership contract terminates if there is not separately specified in the contract the distribution of benefits or liability to debts shall be in accordance with each person's partnership share.

**Part III
Tort**

**Chapter 1
Liabilities due to his own act**

Article 83 (Amended). Causes leading to Liability

Any person having caused damage to another person by his own act is liable to compensate for the damage he has caused except if any damage which has arisen was caused in the exercise of self defense, (or was caused) by the performance of lawful duties or due to the wrongful act of the injured person himself.

Article 84 (Amended). Characteristic of Damage

Damage that arises from the act of any person shall have the characteristic of certainty, which means that it has occurred or will certainly occur in the future.

Damage which may occur or may not occur in the future shall not be deemed as certain damage.

Article 85 (Amended). Types of Damage

Damage has three types as follows:

- To property;
- To life and health;
- To spirit.

Article 86. Wrongful act

A wrongful act is defined by an action or omission which violates the laws and willfully or negligently causes damages to another person.

Article 87. Cause and Effect Relationship

Any individual must be liable to compensate for damage only when there is a relationship of cause and effect between the act that breaches the law of such person with damage which has arisen, that consist of three conditions as follows:

- Cause that is a necessity leads to cause damage;
- Cause shall be occurred before the damage result;
- Cause shall be the direct effect of the damage result;

Article 88. Damage Arising from the Use of Rights beyond Reasonable Limit

Any individual who willfully exercises his rights in excess of a reasonable limit shall be liable to compensate for damage arising from such exercises of rights beyond a reasonable limit.

Article 89. Liability for Damage Arising from Necessity

Damage arising from necessary circumstances shall be compensate, but based on the factual condition the courts may order the person acting or a third person who has received benefits from the act of the person causing such damage to undertake the responsibility of compensating for such damage.

Article 90. Liability for Damage Caused by Multiple Persons

All persons who have jointly caused damage shall be jointly liable for the damage they have caused together. The courts may hold any or several persons among them to be responsible for the entire damage, but such person shall have the right to claim repayment form persons on whose behalf he has paid.

Article 91 (Amended). Calculation of Compensation for Damage and Sick-benefits

Calculation of compensation for damage and sick-benefits shall be consistent with the wrongful act of the individual causing damage.

In addition to (compensating for) damage, the person causing may also pay for sick-benefits, (such as): the income of the injured person would have earned, (and) additional expenses of the injured person resulting from such wrongful act.

In the event that the injured person was also engaged in such wrongful act, such person shall also be partially liable for damage and sick-benefits.

Chapter 2

Liability for the Act of another Person, Animal or Thing under a person’s Control

Article 92 (Amended). Liability of Employers

An employer is liable to compensate for the damage arising form the acts of its employees in their performance of assigned tasks that cause damage to other persons

In the event that the damage is caused by the serious wrongful act of the employees, they shall be liable to compensate for such damage; however the employer shall first pay compensation to the damaged person (s) before making claim for reimbursement of such payment from the employees.

The seeking of another person to work for one's benefit shall be performed in accordance with the paragraph one of this article.

Article 93. Liability of Parents, Guardians and Administrators

Parents, guardians, or administrators, such as: kindergartens, hospitals, and others, are liable for damages arising from the acts of minors or those mentally disturbed persons who are under their control.

Article 94. Liability of Owners or Possessors of Animals

The owner or possessor of an animal shall be liable for damage caused by such animal due to the fault of the owner or possessor.

Article 95. Liability for Damage Arising from Objects

If damage arises from any object due to the fault of the owner or possessor, the concerned person shall compensate for such damage.

**Chapter 3
Unsolicited Work on Behalf of another Person**

Article 96. Unsolicited Work on Behalf of another Person

Unsolicited work on behalf of another person refers to any work conducted by a person for the benefit of another person without being assigned by such person, such as: repairing a house for such person in his absence, and others.

Article 97. Conditions of Unsolicited Work on Behalf of another Person

The undertaking of unsolicited work shall be conducted in good faith resulting in benefits to the owner or possessor of the property. In the event that the owner or possessor is present in that place, unsolicited work may only be conducted when the owner or possessor gives prior consent.

Unsolicited work may take the form of a legal act, such as payment of a debt, or of material consideration, such as: home repair.

Article 98. Results of Unsolicited Work on Behalf of another Person

Any person, who conducts unsolicited work on behalf of another person shall have the same duties as a mandatory as provided in Article 69 of this Law. That person shall be liable for all damages he causes and shall report on his work to the owner or possessor. The person undertaking unsolicited work shall continue to complete the work he has initiated or (continue) until the owner or possessor is able to continue by himself.

The owner or possessor has the same obligation as a mandatory to compensate for necessary costs and benefits if such unsolicited work has been conducted in a good manner or if the owner or possessor agreed to accept that unsolicited work.

Chapter 4
Receiving Property to which a Person is not entitled

Article 99. Willful Receipt of Property to which a Person is not entitled

If any person intentionally receives property of another person, despite knowing that he has no right to receive such property, that person shall return such property or the value of such property to the owner, including the fruit or interest from the date of receipt of such property.

Article 100. Receipt of Property to which a Person is not entitled by Mistake

If any person receives the property of another person by mistake, such person shall return such property or the value of such property to the owner. The owner of the property shall compensate such person for maintaining such property.

Part IV
Dispute Settlement and Limitation Period

Article 101 (Amended). Methods of Dispute Settlement

In the event that there is a dispute on the performance of a contract and the request to have a compensation for damages, the contracting parties may seek the method to settle the dispute by themselves or by a mutual conciliation. If the contracting parties fail to reach agreement, they have the rights to submit to the village's dispute mediation unit, or the Economic Arbitration Office or to lodge a claim with the court for consideration to settle the dispute in accordance with laws and regulations.

Article 102 (Amended). Limitation Period

The limitation period for (bringing a claim under) a construction contract is ten years and three years for other types of contract and the request for compensation of damage, unless otherwise the law is specified.

The limitation period shall commence from the day of expiration of the term of the contract or from the day damage is arisen.

The limitation period will be suspended in case of force majeure or an accident that is an obstacle to prevent the filing of a claim.

After the period of tolling has ended, the limitation shall resume.

The limitation period shall stop when there are definite acts of the litigants or contracting parties (that) acknowledge the debts. In this case the limitation period shall start all over again.

Part V (New)
Prohibitions

Article 103 (New). Prohibitions to Individuals and legal entities

It is prohibited to individuals and legal entities to have the main acts as follows:

- Unilaterally alter or terminate a contact;
- Falsify documents or contract;
- Purchase-sale all kinds of State's property or the public without authorization;
- Giving bribes to State's officers;
- Enter in contract beyond the assigned competency;
- Provide incorrect data;
- Make a contract by fraud or threats;
- Persuade children, mentally troubled persons or heavy intoxicated persons or unsound mind to enter into a contract;
- Abandon or lack of responsibility towards another person, animal and thing under their control;
- Unsolicited work on behalf of another person without authorization. In case that the person who is the owner, is in the place which can make a communication.

Article 104 (New). Prohibition to relevant State's officers

It is prohibited to relevant State's officers having main acts as follows:

- Opportunistic use of position for their own interests, their own families or clans;
- Receive bribes;
- Sign to certify documents or contracts without minutely detailed studying or controlling;
- Falsify documents;
- Provide incorrect data.

Part VI (New)
Policies towards Productive Persons and Measures against Violators

Article 105 (New). Policies towards Productive Persons

Individual or legal entity which has a good deed in the implementation this Law will receive commendation or other policies according to regulation.

Article 106 (New). Measures against Violators

Individual or legal entity which has violated this Law especially the non-performance of contract or any violation that caused damage to the state, the society or other individual will be imposed reasonable measures or may be legally taken action depending to the severity of the case.

Part VII (New)
Final Provisions

Article 107 (New). Implementation

The Government of the Lao People's Democratic Republic implements this Law.

Article 108(New). Effectiveness

This Law is effective from the date of the President of the Lao People's Democratic Republic has issued a presidential decree to promulgate it.

This Law superseded the Contract Law No. 02/90/PSA, dated 27 June 1990 and the Tort Law No. 08/90/PSA, dated 29 November 1990.

All provisions, regulations which contradict to this Law are hereby repealed.

The President of the National Assembly
(Seal and Signature)

Thongsing THAMMAVONG