This Law regulates obligations which arise from contracts, damage inflicting, acquisition without legal
grounds, business conduct without order, unilateral statements of will and other facts stipulated by law.

Parties to Obligations

Article 2

Parties to obligations can be physical as well as legal entities.

Articles 3 – 9 were erased in the amendments to the Law from 1993.

Independence of Will

Article 10.

Parties to obligations are free to regulate their relations in accordance with their own will within the
framework of coercive regulations, public order and good business practices.

Equality of Parties

Article 11

Parties to obligations are equal.

Principle of Good Faith and Honor

Article 12

When establishing obligations and realizing rights and obligations resulting from those relations,
parties are obliged to abide by the principles of conscience and honor.

Prohibition of Misuse of Rights

Article 13

Exercising a right arising from obligations contrary to the objective on the basis of which the right was
provided for or recognized under the law, is forbidden.

Prohibition against Creation and Using of Monopoly Position

Article 14
When establishing obligations, parties cannot establish rights and obligations that would help anyone create or take advantage of the monopoly position in the market.

**Principle of Equal Value of Givings**

**Article 15**

(1) When establishing bilateral contracts, parties follow the principle of equal value of mutual givings.
(2) Law stipulates the cases in which the violation of that principle results in legal consequences.

**Prohibition of Damage Inflicting**

**Article 16**

Everyone is obliged to restrain from an action by which he/she can inflict damage upon another person.

**Obligation of Fulfilling Obligations**

**Article 17**

(1) Parties to a bond relation are obliged to fulfill their obligation and are responsible for its realization.
(2) Obligation can cease to exist only through the agreement of wills of parties to a bond relation or based on law.

**Acting When Fulfilling Obligations And Realizing Rights**

**Article 18**

(1) When fulfilling an obligation, a party to a bond relation is obliged to act with care which is expected in the corresponding type of obligations, in legal transactions (good businessman’s care, or good host’s care).
(2) When fulfilling an obligation related to its professional activity, a party to a bond relation is obliged to act with greater care and in accordance with rules of its profession and with business practices (good expert’s care).
(3) When realizing its right, a party to a bond relation is obliged to restrain from any action which would make it difficult for other party to fulfill its obligation.

**Solving Disputes in a Peaceful Manner**

**Article 19**

Parties to a bond relation will try to resolve disputes through a mutual agreement, mediation, or in any other peaceful manner.

**Enacting character of wording of law provisions**

**Article 20**

Parties can arrange their bond relation otherwise than stipulated by this law, unless something else is implied in a certain provision of this law or its meaning.

**Application of Good Business Practices**

**Article 21**

(1) In legal transactions, parties to obligations are obliged to act in accordance with good business practices.
(2) Usances are applied onto obligations if sides in obligations arranged to have them applied or if circumstances imply that they wanted to have them applied.
Acting in compliance with General Enactment

Article 22

(1) Legal entities act in accordance with their general enactment, when establishing obligations.

(2) However, contract that has been concluded or any other legal action that has been performed contrary to the enactment remains in force, except in case where another party knew or ought to have known about it, or if this law stipulates otherwise.

Application of Other Federal Laws

Article 23

Provisions of this law are applied to obligations stipulated by other federal laws, for those issues that have not been stipulated by this law.

Article 24

It ceased to be valid based on the decision passed by the Constitutional Court of Yugoslavia.

Application of Certain Provisions

Article 25

(1) Provisions of this law related to contracts are applied to all types of contracts, unless something explicitly different has been stipulated regarding contracts in the field of economics.

(2) In the sense of this law, contracts in the field of economics are contracts concluded between enterprises and other legal entities which perform an economic activity, as well as action holder or other individuals who perform an economic activity as their registered profession, when accomplishing activities which comprise subjects of their business transactions, or are related to these activities.

(3) Provisions of this law related to contracts are applied to other legal activities in the same manner.

Chapter II

Formation of Obligations

PART I

CONTRACT

Section 1

CONCLUDING CONTRACTS

I MEETING OF MINDS

When Is the Contract Concluded

Article 26

Contract is concluded upon contracting parties’ agreement on crucial constituents of the contract.

Mandatory Conclusion and Mandatory Content of Contract

Article 27

(1) If someone is obliged to conclude a contract in accordance with law, the interested entity can request that such contract be concluded with no delay.
(2) Provisions of the regulations which partly or entirely stipulate the contents of the contract are parts of these contracts, and they complement them or substitute the contractual provisions which are not in compliance with them.

Declaration of Intention

Article 28

(1) Will to conclude a contract can be expressed in words, conventional signs or any other type of behavior from which it can be concluded beyond doubt that the will exists.
(2) Declaration of intention has to be performed freely and seriously.

Permission and Approval

Article 29

(1) When consent of a third party is needed for conclusion of a contract, consent can be given prior to the contract conclusion, as permission, or after it has been concluded, as an approval, unless some other form has been prescribed by the law.
(2) Permission as well as approval is to be submitted in the form prescribed for contracts, for the conclusion of which they are granted.

Negotiations

Article 30

(1) Negotiations which precede conclusion of contracts are not binding, and each party can break them off whenever it wants.
(2) However, the party that took part in negotiations with no intention to conclude the contract is liable for damage arising from the negotiations.
(3) The party that took part in negotiations with intention to conclude the contract is also liable for damage, if it renounces the intention with no good reason and thereby inflicts damage upon the other party.
(4) Unless agreed otherwise by the parties, each party bears its own costs related to preparation of contract conclusion, while both parties bear equal amounts of mutual expenses.

Time and Place of Contract Conclusion

Article 31

(1) Contract is concluded at the moment when the party making an offer receives the statement of the offer consignee that he/she accepts the offer.
(2) The place in which the party making an offer was a resident at the moment in which he/she made the offer is considered the place of the conclusion of contract.

Offer

Article 32

(1) Offer is a proposal to conclude a contract, made to another entity, which contains all essential components of contract, so that by accepting it, the contract could be concluded.
(2) If contractual sides, after they agreed on essential components of the contract, left some subsidiary issues for subsequent resolution, the contract can be considered as concluded, and the subsidiary issues, unless agreed upon by the contractors themselves, shall be regulated by the court while taking into account previous negotiations, standard practice between contractors, and business practices.

General Offer

Article 33
Proposal for contract conclusion made to indefinite number of persons, which contains essential components of the contract, for the conclusion of which that proposal is intended, is valid, unless implied otherwise by the circumstances or the practice of the case.

Displaying Goods

Article 34

Displaying goods with price tag is considered an offer, unless implied differently by the circumstances of the case or business practices.

Sending Catalogues and Advertisements

Article 35

(1) Sending catalogue, price lists, rate lists, or other information, as well as the advertisements announced through newspapers, leaflets, radio, television or in any other way, do not represent an offer for conclusion of contract, but only an invitation to make an offer under announced conditions.

(2) But the consignor of such invitations will be liable for damage inflicted upon the offerer, if he/she does not accept the offer without a valid reason.

Effect of the Offer

Article 36

(1) Offerer is bound by the offer, except in case he/she dismissed his/her obligation to keep up the offer, or if that dismissal results from the circumstances of that business transaction.

(2) Offer can be revoked only if the party who receives an offer obtained the revocation prior to or simultaneously with the receipt of the offer.

The Time Limit up to which an Offer is Binding

Article 37

(1) The offer in which the deadline for its acceptance is stated, is binding on the offerer up to the expiry of the deadline.

(2) If the offerer stated the deadline for acceptance in a letter or telegram, it will be considered that the time lapse started from the date stated in the letter, i.e. the day on which the telegram was posted.

(3) In case that there is no date in a letter, the time lapse for the acceptance of the offer starts from the day on which the letter was posted.

(4) Offer made to an absent person, in which no deadline has been set, is binding on the offerer taking into account the time normally needed for the offer to reach the offer consignee, so that he/she can consider it, make a decision about it, and so that the response informing about acceptance can reach the offerer.

Offer Form

Article 38

(1) Offer of the contract for conclusion of which the law foresees a special form is binding on the offerer only if the offer has been made in that form.

(2) The same principle is applied to the offer acceptance.

Offer Acceptance

Article 39

(1) Offer is accepted when the offerer accepts the statement made by the offer consignee that he/she accepts the offer.
(2) Offer is also accepted if the offer consignee sends an object or pays the price, as well as if he/she performs any other action which, based on the offer, practice established between the parties or business practice, can be considered as a statement of acceptance.

(3) Acceptance can be revoked if the offerer receives the statement on revocation prior to or simultaneously with the statement on acceptance.

Direct Offer Acceptance

Article 40

(1) An offer made to a present person is deemed rejected if it was not accepted immediately, except if the circumstances imply that the offer consignee was granted a certain time period to consider the offer.

(2) An offer made by phone, teletypewriter, or through direct radio connection is considered an offer to the present person.

Offer Acceptance with Proposal on Amendments

Article 41

If the offer consignee states that he/she accepts the offer while proposing that amendments be made to the offer, the offer is considered as rejected and he/she is considered to have made a different offer to his/her previous offerer.

Silence on the part of Offer Consignee

Article 42

(1) Silence on the part of the offer consignee does not imply acceptance of offer.

(2) The provision in the offer stipulating that the silence on the part of offer consignee or some other failure on his part (e.g. if he/she does not reject the offer within the set deadline, or if he/she does not return the received object on the basis of which the contract was offered within the set deadline, and like) is without effect.

(3) When the offer consignee has a permanent business relation with the offerer regarding certain goods, he/she is considered to have accepted the offer regarding the goods, unless he/she rejected immediately or within the given deadline.

(4) Similarly, the entity which offered to another entity to perform its orders related to fulfillment of certain tasks, as well as the entity the business activity of which includes performing of these orders, is obliged to perform the given order unless he/she rejected it straight away.

(5) If in the event referred to in the previous paragraph, the offer or order was not rejected, the contract is considered concluded at the moment in which the offer or the order reached the offer consignee.

Delayed Acceptance and Tardy Submitting of Statement on Acceptance

Article 43

(1) Offer acceptance made with delay is considered a new offer on the part of the offer consignee.

(2) However, if the statement on acceptance was made on time, however reached the offerer after the expiry of the deadline set for acceptance, and the offerer knew or could have known that the statement was sent on time, the contract is concluded.

(3) Nevertheless, in that event the contract is not concluded if the offerer notifies the offer consignee that due to the delay he/she does not consider himself/herself bound by the offer, and if this is done immediately, or on the next working day after the acceptance of the offer at the latest, or prior to the acceptance of the statement, and after the expiry of the deadline set for acceptance of the offer.

Death or Inability of One Party

Article 44
Offer is still in effect in the event of death or inability of one of the parties which occurs prior to its acceptance, unless otherwise can be inferred based on the intentions of the parties, business practices or the nature of the business.

**Preliminary agreement**

**Article 45**

(1) Preliminary agreement is the contract which is binding in terms of subsequent conclusion of another, principal contract.

(2) The same regulations on the form are applied to both the principal contract and the preliminary agreement, if the prescribed form is a condition for the validity of the contract.

(3) Preliminary agreement is considered binding if it contains essential components of the principal contract.

(4) At the request by the interested party, the court shall order to the party which rejects the conclusion of the principal contract to accept it within the deadline which will be set for it.

(5) Conclusion of the principal contract may be requested within six months from the expiration of the timeline envisioned for its conclusion; if the timeline has not been envisioned, then as of the day when the contract was to be concluded according to the nature of the business and circumstances.

(6) Preliminary contract is not binding if the circumstances have changed so much since its conclusion that it would not have been concluded at all had such circumstances existed at the time.

**II. OBJECT OF OBLIGATION**

**What the object of obligation has to be like**

**Article 46**

(1) The contractual obligation can consist of giving, acting, non-acting or enduring.

(2) It has to be feasible, allowed and determined, i.e. determinable.

**Nullity of the contract due to the object of obligation**

**Article 47**

When the object of obligation is impossible, illicit, undetermined or indeterminable, the contract is null and void.

**Subsequent feasibility**

**Article 48**

The contract, concluded under suspensive condition or timeline, is valid if the object of obligation, which had been impossible at the beginning, became possible before fulfilling of conditions or timeline expiry.

**When is the object of obligation illicit**

**Article 49**

The object of obligation is illicit if it is in contradiction with the coercive provisions, law and order or fair business practice.

**When is the object determinable**

**Article 50**

(1) The object of obligation is determinable if the contract contains the data by which it can be determined or if the parties have left it for the third person to determine it.
(2) If the third person does not want or cannot determine the object of obligation, the contract is null and void.

**III. BASIS**

**Permissible basis**

**Article 51**

(1) Every contractual obligation has to have a permissible basis.
(2) A basis is impermissible if it is in contradiction with coercive provisions, law and order or fair business practices.
(3) It is presumed that the obligation has a basis even though it has not been expressed.

**Nullity of contract due to the basis**

**Article 52**

If the basis does not exist or it is not allowed, the contract is null and void.

**Motives for concluding a contract**

**Article 53**

(1) Motives due to which the contract was concluded do not affect its validity.
(2) But, if an impermissible motive had a significant impact on the decision of one contracting party to conclude the contract and if the other contracting party knew that or ought to have known it, the contract will have no effect.
(3) The contract without compensation will have no legally effect either when the other contracting party did not know that the impermissible motive had a significant impact on the decision of his/her co-contractor.

**IV. LEGAL CAPACITY**

**Contracts by a legal entity**

(1) A legal entity can conclude contracts in the legal transactions within the purview of its legal capacity.
(2) A contract concluded contrary to the provision referred to in paragraph 1 of this Article is legally ineffective.
(3) A bona fide party can demand compensation of damage that it suffered due to the conclusion of a contract that does not have legal effect.

**Assent for Conclusion of a Contract**

**Article 55**

(1) If it is determined by a general deed of a legal entity and entered into the registry that his/her representative may conclude a certain contract only with the consent of a certain body, the consent may be given beforehand, simultaneously or subsequently, unless something else has been entered into the registry.
(2) The other party has the right to invite the legal entity to have its authorized body declare its intention regarding giving the consent within the appropriate timeline, and if the authorized body does not do so, it will be held that the consent has not been given.
(3) A prior consent has a retroactive effect, unless agreed otherwise.
(4) If the consent has not been given, it is considered that the contract has not been concluded.
(5) When it is considered, according to the provisions of this Article, that the contract has not been concluded, the bona fide party may demand a fair compensation from the legal entity.
The provisions of the previous paragraphs are also applied in cases for which a general deed stipulates that a representative can conclude a contract only together with a specific body of that legal entity.

Contract of a Legally Incapable Entity

Article 56

(1) A contractor must have legal capacity required for concluding a contract in order to be able to conclude a fully valid contract.
(2) An entity with limited legal capacity may conclude only those contracts that the law allows him/her to conclude without the approval of his/her legal representative.
(3) Other contracts of those entities, if concluded without an approval of the legal representative, are relatively void; however they can be corroborated by its subsequent approval.

The right of co-contractor of a legally incapable entity

Article 57

(1) Co-contractor of a legally incapable entity who did not know of his legal incapacity can renounce the contract concluded with him without an approval of his legal representative.
(2) The same right has a co-contractor of a legally incapable entity, who knew of his legal incapacity, but was misled by him into thinking that he had an approval from his legal representative.
(3) This right expires upon thirty days after it is disclosed that the other party is business incapable, i.e. that there is no approval from the legal representative, or earlier, if the legal representative approves the contract before expiration of this timeline.

Inviting the legal representative to declare his/her opinion

Article 58

(1) Co-contractor of a business incapable entity who concluded a contract with him without an approval of his legal representative may invite the legal representative to state whether he approves the contract or not.
(2) If the legal representative does not state his opinion within thirty days he/she has been invited to approve the contract, it shall be deemed that he/she refused to give an approval.

When the contractor acquires legal capacity after concluding a contract

Article 59

A legally capable entity may demand annulment of the contract it concluded without the required approval during the period of its legal incapacity, only if it filed the lawsuit within three months from the day of acquiring full legal capacity.

V. DEFECT IN CONSENT

Threat

(1) If a contracting or a third party caused justified fear to the other party by an illicit threat so that he/she concluded the contract out of fear, the other party may request that the contract be annulled.
(2) Fear is considered justified if it is obvious from the circumstances that life, body or other significant assets of the contracting party or third entity is in serious danger.

Significant mistake

Article 61
(1) A mistake is fundamental if it is related to the significant characteristics of the object, to the person with whom the contract is concluded if the contract includes that person, as well as to the circumstances considered decisive by tradition in the affairs or by intention of the parties, and the mistaken party would not otherwise conclude a contract of the kind.

(2) A party subject to mistake may demand abrogation of the contract due to fundamental mistake, unless, while concluding the contract it did not act with due care, required for business transactions.

(3) In case of contract abrogation due to a mistake, the other bona fide party has the right to demand compensation for the suffered damage regardless of the fact that the mistaken party is not responsible for the mistake.

(4) The mistaken party cannot make invoke the mistake if the other party is prepared to fulfill the contract as if there were no misconception.

Mistake as to the motive in a contract without compensation

Article 62

With contracts without compensation, significant error as to the motive which was decisive for contracting the obligation is also considered a fundamental mistake.

Misunderstanding

Article 63

When the parties believe that they are in agreement, when in fact there is a misunderstanding between them regarding the nature of the contract or the basis or object of obligation, the contract is not concluded.

Indirect statement

Article 64

Mistake on the part of the person through whom the party stated his/her will is regarded the same as the mistake made while stating his/her will.

Deceit

Article 65

(1) If a party deceives the other party or keeps him/her mistaken intending to lead him/her into concluding a contract, the other party may request abrogation of the contract even when the mistake is not fundamental.

(2) The party, which was deceived when concluding the contract, has the right to demand compensation of the suffered damage.

(3) If the deceit was committed by a third party, it has the impact on the contract if the other contracting party knew or ought to have known about the deceit at the time of concluding the contract.

(4) A contract without compensation may also be abrogated when the deceit was committed by a third person, regardless of whether the other contracting party knew or ought to have known about the deceit as of the moment of contract conclusion.

Dummy contract

Article 66

(1) A dummy contract has no effect among the contracting parties.

(2) But, if a dummy contract conceals another contract, the latter contract is valid if the conditions for its legal validity have been met.

(3) The fact that a contract is dummy can not bear weight with the third bona fide party.

VI. FORM OF THE CONTRACT
Informality of the contract

Article 67

(1) Concluding of a contract is not subject to any form, unless prescribed otherwise by the law.
(2) Requirement of the law that contract be concluded in a certain form is valid also for all subsequent changes or amendments to the contract.
(3) Verbal amendments to the subsidiary points not mentioned in the formal contract are valid unless this is in contradiction with the purpose of the prescribed form.
(4) Subsequent verbal agreements decreasing or facilitating the obligations of either party are valid if a particular form has been prescribed only in the interest of the contracting parties.

Termination of formal contracts

Article 68

Formal contracts can be terminated through an informal agreement, unless the law prescribes otherwise for the specific case, or unless the purpose for which the form for concluding a contract was prescribed requires that termination of the contract be done in the same form.

Agreed form

Article 69

(1) Contracting parties may agree that a particular form should be the condition for validity of their contract.
(2) The contract, for the conclusion of which a particular form has been agreed upon, may be terminated, amended or modified in some other way also through an informal agreement.
(3) If the contracting parties have anticipated a special form with a view to vouch for their contract, or for some other purpose, the contract is concluded when an agreement on its contents is reached, and the contractors have assumed the obligation to make the contract in the anticipated form.

Sanction for failure to apply the required form

Article 70

(1) The contract, which is not concluded in the prescribed form, does not have legal effect unless something else is inferred from the scope of the regulations defining the form.
(2) The contract, which is not concluded in the agreed form, does not have legal effect if the parties agreed that the particular form should be condition for the validity of the contract.

Assumption of the completeness of document

Article 71

(1) If the contract has been concluded in a particular form, either based on the law or by decision of the parties, only things expressed in that form shall be valid.
(2) However, simultaneous verbal agreements on subsidiary points not mentioned in the formal contract shall be valid, providing they are not in contradiction with its contents or conflict the purpose of the prescribed form.
(3) Simultaneous verbal agreements decreasing or facilitating the obligations of either party shall be valid if a particular form has been prescribed in the interest of the contracting parties.

Formulating the document

Article 72

(1) When it is necessary to formulate a document in order to conclude the contract, the contract is concluded when all contracting persons sign the document.
(2) An illiterate contractor will put a sign on the document, certified by two witnesses or in court, i.e. other authorized body.

(3) It is sufficient for conclusion of a bilateral contract that both parties sign a document or that each of the parties signs a copy of the document intended for the other party.

(4) Requirement of the written form is fulfilled if the parties exchange letters or communicate by teletypewriter or some other means that allows for precise establishing of the contents and the person making a statement.

When is a contract lacking in form fulfilled

Article 73

The contract which has to be concluded in written form is considered valid even if it was not concluded in that form if the contracting parties fulfilled, fully or for the most part, all the obligations ensuing from the contract, unless it is obvious that something else arises from the purpose for which the form had been prescribed.

VII. CONDITION

Conditions and their effects

Article 74

(1) The contract is concluded under a condition if making the contract or its termination depend on an uncertain fact.

(2) If the contract is concluded under a suspensive condition and the condition is met, the contract goes into effect as of the moment of its conclusion, unless something else arises from the law, nature of work or intention of the parties.

(3) If it is concluded under a resolutory condition, the contract ceases to be valid when the condition is met.

(4) It is considered that the condition has been met if its fulfillment, contrary to the principle of good faith and honesty, is prevented by the party to which the condition is chargeable, and it is considered not to be fulfilled if its fulfillment, contrary to the principle of good faith and honesty, is caused by the party for whose benefit the condition was set.

Prohibited or impossible condition

Article 75

(1) A contract is null and void if its suspensive or resolutory condition is in contradiction with the coercive provisions, law and order and good business practices.

(2) A contract that has been concluded under impossible suspensive condition is null and void, whereas the impossible resolutory term is considered non-existent.

Securing conditional law

Article 76

If a contract has been concluded under a suspensive condition, a creditor whose right has been conditioned may request appropriate securing of that right if its realization is in question.

VIII. TIME LIMIT

Time counting

Article 77

(1) The time limit given in days begins on the first day upon the event from which it is calculated, and ends upon the expiry of the last day of the time limit.
(2) The time limit given in weeks, months or years ends on the day that corresponds, by name and number, to the day of the event from which the time limit begins. If there is no such date in the last month, the end of the time limit falls on the last day of that month.

(3) If the last day of the time limit falls on the day defined by law as a non-working day, the next working day is calculated as the last day of the time limit.

(4) The first day in a month shall represent the beginning of month, the fifteenth – mid-month, and the last day of month – the end, unless something else arises from the intention of the parties or nature of the contractual relationship.

**Application of the rules on the condition**

**Article 78**

When a contract comes into effect as of a specific date, the rules on suspensive condition are applied accordingly, and when the contract ceases to be valid upon the expiry of the defined time limit, the rules of resolutory condition are applied accordingly.

**IX. DEPOSIT AND WAIVER (DESIST) MONEY**

1. Deposit

**Return and calculation of deposit**

**Article 79**

(1) If one party gave the other a certain amount of money or a quantity of other tradable things as a token that the contract has been concluded (deposit) at the moment of concluding the contract, the contract is considered concluded once the deposit has been given, unless agreed otherwise.

(2) In case of fulfillment of the contract, the deposit has to be returned or calculated into the fulfillment of the obligation.

(3) Unless agreed otherwise, the party that gave the deposit can not waive the contract, leaving the deposit to the other party, nor can the other party do the same by returning the doubled deposit.

**Non-fulfillment of the contract**

**Article 80**

(1) If the party that gave the deposit is responsible for non-fulfillment of the contract, the other party may, at his/her discretion, request fulfillment of the contract, if that is still possible, or request compensation for damage and include the deposit into compensation or return it, or settle with the received deposit.

(2) If the party that received the deposit is responsible for non-fulfillment of the contract, the other party may, at his/her discretion, request fulfillment of the contract, if that is possible, or request compensation for damage and deposit return, or request the return of doubled deposit.

(3) In any case, when the other party requests fulfillment of the contract, it has the right to compensation of damage it suffers due to the delay.

(4) The court may decrease an excessively high deposit upon the request of the interested party.

**In case of partial fulfillment of obligation**

**Article 81**

(1) In case of partial fulfillment of obligation, the creditor cannot keep the deposit, but he/she can request fulfillment of the rest of the obligation and compensation of the damage due to delay, or request compensation for damage due to partial fulfillment. However, in both cases deposit is included into the compensation.

(2) If the creditor cancels the contract and returns what he/she received as a partial fulfillment, he/she may chose among the other claims that belong to one party in case when the contract has remained unfulfilled by fault of the other party.
2. Waiver money

Role of the waiver money

Article 82

(1) By agreement of the contracting parties, one or both parties may be authorized to waive the contract by giving desist money.
(2) When the party to whose benefit the waiver has been agreed informs the other party that he/she will give desist money, that party can no longer request fulfillment of the contract.
(3) The party, authorized to waive the contract, is obliged to give the desist money simultaneously with the statement on waiving the contract.
(4) If the contracting parties did not determine the time limit within which the authorized party can waive the contract, the party can do it not later than the expiry of the time limit defined for fulfillment of its obligation.
(5) The right to waive the contract ceases also when the party to whose benefit it has been agreed, begins fulfilling its obligations from that contract or receiving fulfillment from the other party.

Deposit as waiver money

Article 83

(1) When the right to waive the contract is agreed upon along with the deposit, then the deposit is regarded as waiver money and each of the parties can waive the contract.
(2) In this case, if the party that gave the deposit waives the contract, it loses the deposit, but if the party that received the deposit waives the contract, it pays it doubled.

Section 2

REPRESENTATION

I. ON REPRESENTATION IN GENERAL

Possibility of representation

Article 84

(1) Contract as well as any other legal transaction may be also effected through a representative.
(2) Authorization for representation is based on the law, general enactment of legal entity, enactment of authorized body or on declaration of intention on the part of the represented person (power of attorney).

Effects of representation

Article 85

(1) The contract concluded by a representative, on behalf of the represented person and within the scope of his authorization is directly binding on the represented person and the other contracting party.
(2) Other legal transactions by the representative, taken under the same conditions, produce the same legal effects directly towards the represented person.
(3) The representative is obliged to inform the other party that he/she acts on behalf of the represented person. Even if he/she does not do so the contract produces legal effects for the represented person and the other party, if the party knew or could have inferred from the circumstances that he was acting as the representative.

Transfer of authorization

Article 86

(1) The representative may not transfer his/her authorization onto another person, unless the law or the contract permits him/her to do so.
(2) Exceptionally, he/she may do so if the circumstances are such that he/she is prevented from doing it in person, while the interests of the represented person require immediate legal action.

**Overstepping of authorization (action ultra vires)**

**Article 87**

(1) When a representative oversteps the scope of authorization, the represented person is liable only if he/she approves the overstepping.

(2) If the represented person does not approve the contract within the period usually required to consider and appraise a contract of that type, it will be held that the approval has not been given.

(3) The approval referred to in the preceding paragraph has a retroactive effect, unless the parties decide otherwise.

(4) If the other party did not know or ought not to have known about the overstepping of authorization, it can, immediately after learning about the overstepping, without waiting for the represented person to state his/her opinion, state that it does not consider itself bound by the contract.

(5) If the represented person rejects the approval, the representative and the represented person have joint and several liability for the damage that the other party suffered, if the party did not know or ought not to have known about the overstepping of authorization.

**Concluding a contract by an unauthorized person**

**Article 88**

(1) A contract that a person concludes as a representative, on behalf of another person, without his/her authorization, is binding on the person represented without authorization only if he/she approves the contract subsequently.

(2) The party with which the contract was concluded may demand from the person represented without authorization to state within an appropriate time period if he/she approves the contract.

(3) If the person represented without authorization does not approve the contract within the allocated time period, it will be considered that the contract has not been concluded.

(4) In that case, the party with which the contract was concluded may request compensation for the damage from the person who concluded the contract as a representative without authorization, if that party did not know or ought not to have known, at the moment of concluding the contract, that the person did not have the authorization to conclude the contract.

**II. PROXY**

**Issuing the proxy**

**Article 89**

(1) Proxy is an authorization for representation that the issuer gives to the proxy holder through a legal action.

(2) Existence and scope of the proxy are independent from the legal relation on the grounds of which the proxy has been issued.

(3) The proxy holder can also be a legal entity.

**Specific form of the proxy**

**Article 90**

The form that the law prescribes for a contract or some other legal transaction is also valid for the proxy for conclusion of that contract, i.e. undertaking of that work.
Article 91

1) A proxy holder is entitled to undertake only those legal transactions he/she was authorized to.
2) A proxy holder who is given a general proxy is entitled to undertake those legal transactions that fall within regular business operations.
3) The transaction that is not a part of regular business operations can be performed by the proxy holder only if he/she is specifically authorized to perform that work, i.e. type of work pertaining to it.
4) The proxy holder can neither contract bill liability nor conclude the contract of guarantee, deed of arrangement, contract on the selected court nor waive a right without compensation.

Revocation and limitation of proxy

Article 92

1) The proxy issuer can, at his own discretion, limit or revoke the proxy, even if he/she waived that right through the contract.
2) Limiting or revoking the proxy can be done through the statement, which does not require any special form.
3) If a mandate contract, work contract or some other contracts are infringed through limiting or revoking the proxy, the proxy holder is entitled to compensation for the damage caused thereby.

Effects of proxy termination and limitation towards third parties

Article 93

1) Revocation of proxy as well as its limitation is not effective toward the third party who concluded the contract with the proxy holder, or performed some other legal transaction but neither knew nor ought to have known that the proxy was revoked i.e. limited.
2) In that case, the proxy issuer has the right to request the proxy holder to compensate the damage that he would suffer from, with the exception when the proxy holder neither knew nor ought to have known about the revocation, i.e. about the proxy limitation.
3) The same is to be applied with other cases of proxy termination.

Other cases of proxy termination

Article 94

1) The proxy is to be terminated by cancellation of the position of the legal entity as the proxy holder, unless otherwise regulated by the law.
2) The proxy is to be terminated upon the death of the proxy holder.
3) The proxy is to be terminated by dissolution of the legal entity i.e. by death of a person who issued the proxy, except if the initiated job cannot be stopped without causing damage to legitimate heirs or if the proxy is still valid in the event of issuer’s death, either according to his/her will or through the nature of business.

III. PROCURATION

Who is entitled to issue a proxy and its contents

Article 95

1) Procuration can be issued, within legal framework, by an enterprise or another legal entity; thereby a procuration holder is authorized to conclude contracts and to perform other businesses, which are their usual business operations.
2) Procuration holder cannot dispose of or burden the real estate, contract bill liabilities or guarantee obligations, take loan or institute the court dispute, unless he/she was given a specific proxy for each transaction of such nature.
3) Procuration may be limited to certain types of works or to a certain work, but these limitations have effects on the third party only if they knew or ought to have known that.

**Procuration by the party – action holder**

**Article 96**

1) Provisions of procuration are promptly applied to the procuration by the party action - holder.
2) Procuration is not to be terminated by the death of the party – action holder, nor by his/her loss of legal capacity.

**IV. AUTHORIZATIONS OF TRAVELLING SALESMAN**

**Article 97**

1) Travelling salesman of an enterprise is authorized to undertake only those transactions related to purchasing of goods and which are stated in the proxy issued by the enterprise.
2) In case of uncertainty, travelling salesman shall be deemed not to be authorized to conclude contracts, only to collect orders, but the concluded contract shall remain effective if the proxy issuer approves it subsequently.
3) Travelling salesman who is authorized to sell goods is not authorized to collect payments, neither to perform credit sale, except if he/she has a special authorization for credit sale.
4) Travelling salesman is authorized to accept complaints for goods defects on behalf of the proxy issuer and other statements related to fulfilling the contract, which has been concluded through his/her agency, as well as to undertake necessary measures to preserve his/her contractual rights on behalf of the proxy issuer.

**V. AUTHORIZATION OF THE PERSONS PERFORMING SPECIFIC TRANSACTIONS**

**Article 98**

Persons performing transactions related to conclusion and fulfillment of certain contracts, such as shop sellers, persons performing certain services in catering, persons working as desk clerks in post offices, banks and similar jobs, are authorized, due to the nature of their work, to conclude and fulfill these contracts.

**Section 3**

**INTERPRETATION OF CONTRACT**

**Applying provisions and interpretation of disputable provisions**

**Article 99**

1) Contractual provisions are to be applied as they read.
2) When interpreting disputable provisions there is no need to adhere to the literal meaning of the used terms but to explore the common intention of the contractors and to understand provisions according to the principles of the law on obligations defined in this law.

**Unclear provisions in special cases**

**Article 100**

In the event when the contract is concluded according to the contents printed beforehand, or when the contract was prepared in some other way and proposed by one contractual party, the unclear provisions are to be interpreted in credit of another party.

**Additional rule**
Article 101

Unclear provisions from the contract without compensation should be interpreted in the sense that is less burdening for the debtor, and from the onerous contract in the sense which establishes a fair relation of mutual givings.

Extra-judicial contract interpretation

Article 102

1) The contractual parties may envision that, in the case of disagreement related to the meaning and extent of contractual provisions, a third party shall interpret the contract.

2) In that case, unless stipulated differently in the contract, the parties cannot institute court or any other judicial procedure before they obtain interpretation of the contract, unless a third party rejects to provide the interpretation of the contract.

Section 4

INVALIDITY OF THE CONTRACT

I. NULL AND VOID CONTRACTS

Nullity

Article 103

1) Contract which is contrary to coercive regulations, public order or good business practices is null and void, unless the objective of the violated regulation is related to some other penalty or other legal regulations are applied to a certain case.

2) If conclusion of the contract is forbidden to only one party, the contract shall remain in effect, unless the law prescribes something else for that case; however the party that violated a legal restriction shall bear adequate consequences.

Consequences of nullity

Article 104

1) In case of contract nullity each of the contractual parties is obliged to return whatever received from another party based on that contract; if this is not possible or if the fulfilled obligation is not of that nature, then an adequate compensation in cash should be provided according to the prices as of the day of passing the decision, unless differently regulated by the law.

2) But, if the contract is null and void due to the contents or objective that are contrary to coercive provisions, public order or good business practices, the court may fully or partially reject the request of the mala fide party to return what was given to another party and also may decide that another party should deliver whatever accepted on the basis of forbidden contract to the municipality in the territory of which that party has a head office, i.e. legal address or temporary address.

3) When passing the decision the court will take into account good faith of one party, i.e. both parties, importance of encroached assets or interest, as well as notions of morality.

Partial nullity

Article 105

1) Nullity of a certain contract provision shall not imply nullity of the contract itself, if the contract is sustainable without this provision, and if that provision was neither the condition of the contract nor decisive motive for making contract.

2) The contract shall remain in effect even if the null provision was the condition or decisive motive for making the contract in cases for which it was anticipated that, freed of that provision, the contract can remain valid.
Conversion

Article 106

When the null contract fulfills the conditions for validity of another contract, the latter contract shall remain in effect with regards to the contractors, if that was in accordance with the objective that the contractors had on their mind when concluding the contract or, if it can be deemed that they would have concluded that contract if they had known about the nullity of their contract.

Subsequent disappearance of the reason for nullity

Article 107

1) Null contract does not become fully valid upon subsequent disappearance of the ban or some other reason for nullity.
2) However, if the ban was of small importance and the contract has been implemented, nullity can not be exposed.

Liability of the person responsible for the nullity of the contract

Article 108

The contractor responsible for concluding a null contract is liable toward his/her co-contractor for the damage that he/she suffered due to nullity of the contract, if the latter did not know or ought not to have known about the existence of reason for nullity.

Invoking nullity

Article 109

1) The court takes charge of the nullity ex officio and each interested person can invoke it.
2) Public attorney is entitled to request the existence of nullity.

Unlimited invoking nullity

Article 110

The right to invoke nullity cannot be terminated.

II. RELATIVELY VOID CONTRACTS

When is a contract relatively void

Article 111

A contract is relatively void when concluded by a party that has limited legal capacity, when there were contractual parties’ defect in consent at the contract conclusion and also in cases defined by this law or by separate regulation.

Invalidation of the contract

Article 112

1) The contractual party in whose interest the relative invalidity of the contract was established may request the invalidation of the contract.
2) However, the co-contractor may request the other party to declare, within a definite time period, not earlier than 30 days, his/her decision as to keeping the contract or not, otherwise the contract shall be considered null and void.
3) If the invited contractual party does not declare his/her decision within the given time or if he/she declares that he/she will not keep the contract, the contract shall be considered null and void.

**Consequences of invalidation**

**Article 113**

1) If an obligation was fulfilled, based on relatively void contract that has been voided, the return shall be executed; if the return is not possible or unfeasible due to the nature of the obligation, an adequate compensation in cash shall be provided.

2) The compensation in cash is provided according to prices at the time of returning, i.e. passing the court decision.

**Return and compensation in case of invalidation of the contract of the person who has limited legal capacity**

**Article 114**

In case of invalidation of the contract due to the limitation of legal capacity of one of the contractors, the co-contractor of that person may request the return of only the part of fulfillment pertaining to assets belonging to the person who has limited legal capacity, the part that was used to that person’s benefit, as well as the return of what was destroyed or alienated by intention.

**Liability for invalidation of the contract**

**Article 115**

The contractor on whose side is the cause for relative invalidation of the contract is liable toward his/her co-contractor for the damage that the latter suffers from, if he/she did not know or ought to have known about the reasons for relative invalidation.

**Liability of the person with limited legal capacity**

**Article 116**

The person with limited legal capacity is liable for the damage caused by the invalidation of the contract, if, through his/her shrewdness, managed to persuade his/her co-contractor that he/she has legal capacity.

**Cessation of the right**

**Article 117**

1) The right to request invalidation of the relatively void contract shall cease within one year from the disclosure of the reason for the relative invalidation, i.e. upon the cessation of the coercion.

2) This right shall cease, in any event, after three years from the day of concluding the contract.

Articles 118-120 were deleted by the amendments to the Law in 1993.

**Section 5**

**BILATERAL CONTRACTS**

**I. LIABILITY FOR MATERIAL AND LEGAL DEFECTS OF FULFILLMENT**
Article 121

1) Each contractor is liable for material defects of his/her fulfillment of the contracts with compensation.

2) The contractor is also liable for legal defects of fulfillment and is obliged to protect the other party from the third parties’ intrusion of rights and requests through which the other party’s right would be excluded or limited.

3) The provisions of this law referring to the seller’s liability for material and legal defects shall be applied to the obligations of the party transferring the right in an appropriate manner, unless regulated otherwise for certain cases.

II. OBJECTION CONCERNING CONTRACT DEFAULTING

The rule of simultaneous fulfillment

Article 122

1) In bilateral contracts, none of the parties is obliged to fulfill his/her obligation if the other party does not fulfill or is not ready to fulfill his/her obligation simultaneously, unless something else has been agreed upon or defined by the law, or if something else results from the nature of the business transaction.

2) However, if at the court one party states that he/she is not obliged to fulfill his/her obligation unless the other party fulfills his/her obligation, the court shall order the former to fulfill his/her obligation subsequently to the latter party fulfilling his/her obligation.

When does the fulfillment of the obligation of one party become uncertain

Article 123

1) If it was agreed that one party fulfilled his/her obligation first, and subsequent to the contract conclusion, material conditions of one party deteriorated so that it was uncertain whether he/she would be able to fulfill his/her obligation, or if that uncertainty resulted due to some other serious reasons, the party that obliged itself to fulfill his/her obligation first may delay its fulfillment until the other party fulfills his/her obligation or guarantees that the obligation will be fulfilled.

2) That is applicable in cases when the material conditions of the other party were hard even prior to concluding the contract, if its co-contractor neither knew nor ought to have known about this.

3) In these cases the party that obliged itself to fulfill his/her obligation first may request providing guarantees within an adequate deadline, and after the expiry of the deadline without any results, is entitled to cancel the contract.

III. CANCELING THE CONTRACT DUE TO DEFAULTING IN CONTRACTS

The rights of one party when the other party does not fulfill his/her obligation

Article 124

In bilateral contracts, when one party does not fulfill his/her obligation, the other party can request fulfilling of obligations, unless something else is prescribed, or can cancel the contract by simple statement, under conditions envisioned by the following articles, unless cancellation of the contract ensues from the law itself. In either event the other party is entitled to damage compensation.

When fulfilling the obligation within the deadline is essential part of the contract

Article 125

1) If the fulfillment of the obligation within the set deadline is essential part of the contract and the debtor does not fulfill his/her obligation within the deadline, the contract is to be cancelled in accordance with the law.
2) However, the creditor can keep the contract in effect if, upon the expiry of the deadline, without delay, notifies the debtor of his/her request for contract fulfillment.
3) If the creditor requested fulfilling of the contract and it did not happen within the reasonable deadline, he/she can declare that the contract will be cancelled.
4) These regulations shall be valid both if the contractual parties envisioned that the contract would be considered as cancelled if not fulfilled within the set deadline and if fulfilling the contract within set deadline is essential part of the contract due to the nature of the legal transaction.

When fulfilling obligation within the deadline is not essential part of the contract

Article 126

1) When fulfilling obligation within set deadline is not essential part of the contract, the debtor can keep the right to fulfill his/her obligation even after the expiry of the deadline and the creditor can request that the obligation be fulfilled.
2) However, if the creditor wants to cancel the contract he/she has to leave an adequate subsequent deadline for the debtor to fulfill the obligation.
3) If the debtor does not fulfill his/her obligation within the later deadline, the same consequences apply as in the case when the deadline is essential part of the contract.

Canceling the contract without providing the later deadline

Article 127

The creditor can cancel the contract without leaving the later deadline for the debtor if it is obvious from the debtor’s conduct that he/she will not fulfill his/her obligation within the later deadline.

Canceling the contract prior to expiry of the deadline

Article 128

When it is obvious that one contractual party will not fulfill his/her obligation from the contract prior to the expiry of the deadline, another party can cancel the contract and request the damage compensation.

Canceling the contract with successive obligations

Article 129

1) If, in the contract with successive obligations, one party does not fulfill one obligation, another party can cancel the contract, within a reasonable deadline, regarding all future obligations, if it is obvious from present conditions that the other obligations will not be fulfilled either.
2) The contractual party can cancel the contract not only in regards to future obligations but in regards to already fulfilled obligations, if their fulfilling without other fulfilled obligations is of no avail to the party.
3) The debtor can keep the contract if he/she provides an adequate guarantee.

Obligation of notification

Article 130

The creditor that cancels the contract due to the debtor’s defaulting in contract is obliged to notify the debtor without delay.

When the contract cannot be canceled

Article 131

A contract cannot be cancelled due to non-fulfillment of a minor part of the obligation.

Effects of cancellation
Article 132

1) By canceling the contract, both parties are to be exempted from their obligations, except the obligation to compensate the possible damage.
2) If one contractual party fulfilled the contract fully or partially then it has the right to take back the things that were given before.
3) If both parties have a right to request returning of given things then mutual return shall be performed according to the provisions regulating execution of bilateral contracts.
4) Each party owes the compensation to another party for the benefits from the things that he/she is obliged to return i.e. compensate, which were used in the meantime by that party.
5) The party that returns money is obliged to pay the penalty interest from the day of receiving the payment.

IV. CANCELING OR AMENDMENT TO CONTRACT DUE TO CHANGED CIRCUMSTANCES

Preconditions for canceling the contract

Article 133

(1) If, subsequent to contract conclusion, circumstances that impede obligation fulfillment of one party arise or if the purpose for contract conclusion cannot be materialized due to the existence of these circumstances and in both cases to such a degree that it is obvious that the contract no longer meets expectations of contracting parties and that in general opinion it would be unfair to keep it in force in the present form, the party whose obligation fulfillment is impeded, i.e. the party who cannot accomplish the purpose of the contract can demand termination of the contract.
(2) Termination of the contract cannot be requested if the party that invokes the changed circumstances was obliged to take into account those circumstances at the time of contract conclusion or the party could have avoided or overcome them.
(3) The party requesting termination of the contract cannot invoke the changed circumstances that arose after expiration of the deadline envisioned for fulfillment of party’s obligations.
(4) The contract shall not be terminated if the other party offers or agrees on a righteous change of certain contract conditions.
(5) If the court pronounces termination of the contract, the court shall, at the request of the other party, bind the party that requested the termination to compensate the other party for the just part of the damage inflicted thereby.

Obligation of notice

Article 134

The party that has been authorized to request the termination of the contract due to the changed circumstances is obliged to inform the other party on its intention to request the termination of the contract as soon as it becomes aware that such circumstances have arisen; in the opposite event, that party shall be liable for the damage that the other party suffered because it was not promptly informed of the request.

Circumstances fundamental for the court verdict

Article 135

When passing a verdict on termination of the contract, i.e. on its amendment, the court shall follow the principles of fair business transactions, paying particular attention to contract objective, to the usual risk pertaining to the contracts of the similar kind, to the public interest, as well as to the interest of both parties.

Renouncing the right to invoke the changed circumstances

Article 136
Parties can contract in advance to renounce invoking certain changed circumstances, except in the case when it is contrary to the principles of good faith and honesty.

V. IMPOSSIBILITY OF FULFILLMENT

Impossibility of fulfillment for which neither party is responsible

Article 137

(1) When fulfillment of obligation of one party to a bilateral contract has become unachievable because of the event for which none of the parties is responsible, obligation of the other party shall be terminated as well, and if the latter has fulfilled a part of his/her obligation, he/she can demand refunding based on the rules for the return of illicitly obtained values.

(2) In case of partial impossibility of fulfillment caused by the event for which neither of party is responsible the other party can terminate the contract if partial fulfillment does not meet his/her needs, otherwise the contract remains in force and the other party has a right to demand proportional decrease of his/her obligation.

Impossibility of fulfillment for which the other party is responsible

Article 138.

(1) When fulfillment of obligation of one party to a bilateral contract has become unachievable because of the event for which the other party is responsible, his/her obligation shall be terminated, and his/her claim towards the other party remains, but it shall be decreased by the amount for which he/she has benefited from termination of his/her own obligation.

(2) Besides that, he/she is obliged to renounce all rights in favor of the other party, which he/she would have towards third parties in relation to the object of his/her obligation, the fulfillment of which has become unachievable.

VI. EXCESSIVE DAMAGE

Obvious disproportion in mutual givings

Article 139

(1) If obvious disproportion between the contractual parties to a bilateral contract existed as of the contract conclusion, the injured party can demand the contract termination if he/she did not know the real value nor he/she ought to have known it at that time.

(2) The right to demand contract termination shall cease after one year from its conclusion.

(3) Waiving this right in advance shall have no legal effect.

(4) The contract shall remain in force if the other party offers supplement up to the real value.

(5) Due to this disproportion, termination of the aleatory contract, or the public sale cannot be requested, or in the event where a higher price for the object has been paid out of a special favor.

Article 140

? ? ?
Deleted by the amendments to the Law from 1993.

VII. USURIOUS CONTRACT

Article 141

(1) Invalid shall be the contract by which someone, taking advantage of other party’s state of necessity or difficult material situation, his/her insufficient experience, credulousness or dependence, contracts his own or
another person’s benefit, which is in obvious disproportion with what the former party gave to or did for the latter, or have committed to do or to give.

(2) Provisions of this Law concerning consequences of nullity and on partial nullity of the contract are promptly applied to usurious contracts.

(3) If an injured party demands decrease of his/her obligation to a righteous amount, the court shall meet such a request if possible, and in that case the adequately amended contract shall remain in force.

(4) An injured party can file an appeal for decrease of his/her obligation to a righteous amount within 5 years from the time of contract conclusion.

VIII. GENERAL CONDITIONS OF STANDARD-FORM CONTRACTS

Binding nature

Article 142

(1) General conditions determined by one contractor, whether they are included in a standard contract, or the contract makes references to them, amend specific stipulations agreed upon by the contractors in the same contract, and, as a rule, are binding as those ones.

(2) General conditions must be published following the standard procedure.

(3) General conditions are binding on a contractual party if he/she knew ought to have known about them as of the contract conclusion.

(4) Special provisions shall be in force in case of discrepancy between the general conditions and specific stipulations.

Nullity of some of the provisions pertaining to general conditions

Article 143

(1) Provisions of general conditions are null and void if they are contrary to the purpose of contract conclusion itself or to fair business practices, even if a competent body approves the general conditions containing them.

(2) The Court can reject the application of either some specific provisions of general conditions that deprive the other party of the right to file objection, or of other provision on the basis of which he/she loses rights from the contract or loses deadlines, or which are unfair or too strict toward him/her.

Article 144

? ? ?
Deleted by the amendments to the Law from 1993.

IX. CONTRACT TRANSFER

Conditions of transfer

Article 145

(1) Each party to a bilateral contract can transfer the contract to a third party if the other party agrees to that, whereby the third party becomes a bearer of all its rights and obligations from the contract.

(2) Through the contract transfer, a contractual relation between the transferor and the other party is to be transferred to the consignee and other party as of the moment when the other party agrees to the transfer, and if the other party has agreed in advance, as of the moment of notification on transfer.

(3) Agreement to the contract transfer is valid providing it is in the format for a transferred contract prescribed by the law.

(4) Provisions on subsidiary rights related to a contract on transfer of debt shall be promptly applied to the contract transfer.

Responsibility of a transferor
Article 146

(1) The transferor is liable toward the receiving party for the validity of the transferred contract.
(2) The former does not guarantee the receiving party that the other party will fulfill his/her obligations from the transferred contract, unless he/she specifically committed to do it.

(3) He/she does not guarantee the other party that the receiving party will fulfill his/her obligations from the contract, unless he/she specifically undertook to do it.

Objections

Article 147

The other party can present all objections related to the transferred contract to the receiving party, as well other objections related to other relations with him/her, but not objections related to the transferor.

Section 6.

GENERAL EFFECTS OF CONTRACT

I. ESTABLISHMENT OF OBLIGATIONS FOR CONTRACTORS

Contract effects between contractors and their legal successors

Article 148

(1) Contract establishes rights and obligations for contracting parties.
(2) Contract is also effective toward universal legal successors of contracting parties, unless agreed otherwise or unless another arrangement ensues from the nature of the contract.
(3) The right in credit of a third party can be established by the contract.

II. CONTRACT TO THE CREDIT OF A THIRD PARTY

Immediate right of a third party

Article 149

(1) If someone contracts a claim on his/her behalf and in credit of a third person, the third person acquires his own and immediate right towards the debtor, unless agreed otherwise or some other arrangement ensues from transaction circumstances.
(2) The contractor has the right to demand from the debtor to fulfill obligations towards the third person related to what has been agreed in credit of a third person.

Revocation of the third party’s benefit

Article 150

(1) The contractor of the benefit for a third party can revoke or amend it until the third party states that he/she accepts what has been agreed to his benefit.
(2) If a debtor agreed that he would fulfill obligations agreed in credit of a third person only after the death of the contractor, until that time the contractor can revoke the benefit agreed for the third person in his will, unless something else ensues from the contract or circumstances.

Debtor’s objections toward a third party

Article 151
The debtor can make all objections related to the contractor to a third person on the basis of contract whereby the benefit for the third person was arranged.

**Rejection of a third party**

**Article 152**

If a third person rejects benefits contracted for him, or if the contractor revokes it, the benefit shall belong to the contractor, unless agreed otherwise or if some other arrangement ensues from the nature of the transaction.

**Third person’s promise regarding action**

**Article 153**

(1) Promise given to someone as to a third person doing or failing to do something is not binding on the third person, and the promisor is liable for the damage that the second person would suffer in the event that the third person does not want to commit himself/herself with regard to, or does not want to do or fail to do that specific action.

(2) The promisor shall not be liable if he promised to another person that he would only mediate with the third person in order to have him commit to do or fail to do something, however beside all needed intercession he failed in doing that.

**PART 2.**

**INFLICTING DAMAGE**

**Section 1.**

**GENERAL PRINCIPLES**

**Grounds for liability**

**Article 154**

(1) A person who causes damage to the other is obliged to reimburse it, unless he proves that the damage is not his fault.

(2) A person shall be held liable regardless of the fault for the damage caused on goods and activities that might increase the danger of damage to the environment.

(3) A person shall also be liable regardless of the fault in other cases envisioned under the law.

**Damage**

**Article 155**

Decreasing someone’s property (ordinary damage) and preventing increase in property (missed benefit), as well as causing physical or mental pain or fear to the other (intangible damage) are meant under damage.

**Request for removal of damage risk**

**Article 156**

(1) Each party can demand from the other to remove the source of danger that threatens to cause significant damage to him or indefinite number of people, as well as to restrain himself from actions that cause disturbance or damage risk, if the cause of disturbance or damage can not be prevented by applying other methods.
(2) At the request of the interested party, the court shall issue an order on taking adequate actions for prevention of damage or disturbance, or removal of the source of danger, to the debit of danger source holder, unless he/she does it himself/herself.

(3) Only reimbursement of the damage that exceeds the normal limits can be requested if the damage is caused while doing activities of public interest that are cleared by a competent body.

(4) However, taking socially justified actions for prevention of damage or for its reduction can be requested in that case.

Request for cessation of violation of a person’s right

Article 157

(1) Anybody is entitled to demand from the court or other relevant body to issue an order on cessation of action that violates the integrity of human being, personal and family life and other personal rights.

(2) Court, i.e. other relevant body can issue an order for cessation of an action, stating that a penalty would be imposed to pay a certain amount of money, defined in total or on the basis of time unit, to the credit of person subject to violation.

Section 2

PENAL LIABILITY

Existence of guilt

Article 158

Guilt exists when a person causes damage intentionally or carelessly.

Irresponsible persons

Article 159

(1) Person that is not capable of sound judgement due to the mental illness or retardation or any other reason shall not be liable for the damage caused to another person.

(2) Person that causes damage to another person under the state of temporal incapability for sound judgement is liable for that damage, unless he proves that the state is not caused by his fault.

(3) If that person found him/herself in that due to another person’s fault, person causing that state shall be liable for the damage.

Responsibility of a minor

Article 160

(1) Person shall not be responsible for the caused damage until he/she reaches the age of seven.

(2) A minor between the age of seven and fourteen is not liable for damage, unless it was proved that the person was capable of sound judgement while causing the damage.

(3) A minor at the age of fourteen is liable according to the general rules on liability for damage.

Self-defense, state of necessity, removal of damage threatening to another person

Article 161

(1) Who inflicts damage to the attacker while self-defending shall not be obliged to compensate for it, except in cases which exceed self-defense.
(2) When someone causes damage while in the state of necessity, the injured person can demand damages from a person who is responsible for causing the damage, or from persons from whom the damage is removed, but in the latter case not in the amount that exceed their benefits from it.

(3) Who suffers damage while removing the danger from another person is entitled to demand damages for the damage that he reasonably exposed himself/herself to.

Allowed self-assistance

Article 162

(1) Who causes damage in case of allowed self-assistance to the person that was the reason for the need of self-assistance is not obliged to compensate for it.

(2) Allowed self-assistance implies the right of every person to eliminate infringement of rights if under immediate threat, if such protection is needed and if the method for elimination of rights infringement is adequate for circumstances in which the danger occurs.

Consent by an injured person

Article 163

(1) Who, to his own detriment, allows the other person to take some action, cannot demand from that person compensation for the damage caused thereby.

(2) The statement of the injured party, by which he/she agreed to suffer the damage caused by action prohibited by law, is null and void.

Section 3

LIABILITY FOR OTHERS

Mentally ill and retarded persons

Article 164

(1) For the damage caused by a person unfit to judge correctly due to a mental illness or retarded mental development, the person in charge to supervise him/her, on the basis of law or decision of an authorized body, shall be held responsible.

(2) He may be exempted from any responsibility if he proves that he performed the supervision he was obliged to or that the damage would occur even with the careful performing of supervision.

Responsibility of parents

Article 165

(1) Parents are liable for the damage that their child causes to another person before it turns seven years of age, regardless of the guilt.

(2) They are exempted from the responsibility if there are reasons to exclude their responsibility according to the rules on responsibility, regardless of the guilt.

(3) They are not liable if the damage occurred while the child was entrusted to another person and if that person is liable for damage.

(4) Parents are liable for the damage that their minor child, who turned seven years of age, causes to another person, unless they prove that the damage occurred without their fault.

Joint and several liability

Article 166

If the child answers for the damage besides the parents, their liability is joint and several.
Responsibility of another person for a minor

Article 167

(1) Guardian, school or other institution are liable for the damage that a minor causes while he/she is under the supervision of guardian, school, or other institution, unless they prove that they performed supervision in the manner they were obliged to, or that the damage would occur even with extreme supervision.

(2) If a minor is also liable for the damage, then the liability is joint and several.

Particular responsibility of the parents

Article 168

(1) If the responsibility of supervision over a minor does not lie upon the parents, but upon another person, the injured party has the right to request compensation from the parents, when the damage occurred due to bad upbringing of the minor, bad examples or habits that the parents taught him/her, or the parents could be otherwise blamed for the damage.

(2) The person responsible for supervision in this case has the right to demand from the parents to compensate for the paid amount if he/she paid the compensation to the injured party.

Responsibility on the grounds of fairness

Article 169

(1) In case of damage caused by a person not accountable for the damage, and the compensation cannot be obtained from the person who was obliged to supervise him/her, the court may, respecting the fairness of claim, and especially regarding the material status of the guilty party and the injured party, sentence the guilty party to compensate for the damage, fully or partially.

(2) If the damage was caused by a minor capable of sound judgement who is not able to compensate for the damage, the court may, should that be required by the principle fairness, and especially in regards to the material status of the parents and the injured party, to oblige the parents to compensate the damage, fully or partially, although they are not responsible for it.

Section 4

LIABILITY OF ENTERPRISES AND OTHER LEGAL ENTITIES TOWARDS A THIRD PARTY

Liability of enterprises

Article 170

(1) An enterprise in which an employee worked when the damage occurred will be liable for the damage that the employee caused to a third party in course of work or in connection to work, unless it proves that the employee acted as he/she was supposed to in the given circumstances.

(2) The injured party has the right to request compensation of damage directly from the employee if he/she caused the damage deliberately.

(3) The provisions referred to in paragraph 1 of this Article do not relate to the rules on liability for the damage originating from a hazardous matter or activity.

Liability of other persons

Article 171

(1) Provisions of the preceding Article are also applied to the other employers, in terms of liability for the damage that their employees cause in course of their work or in connection with work.

(2) The person who compensated the injured party for the damage that the employee caused deliberately or by utter carelessness, has the right to request from the employee to compensate for the paid amount.

(3) That right expires within the period of six months from the day of paid compensation of damage.
Liability of the legal entity for the damage caused by its body

Article 172

(1) A legal entity is liable for the damage that its body caused to a third party in course of or in relation to performing its functions.
(2) Unless the law prescribes otherwise for a specific case, the legal entity has the right to compensation from the person who caused the damage deliberately or by utter carelessness.
(3) That right expires within six months from the day of paid damages.

Section 5

LIABILITY FOR DAMAGE FROM HAZARDOUS MATTER OR HAZARODOUS ACTIVITY

I. GENERAL PROVISIONS

Causality supposition

Article 173

The damage occurring in connection with hazardous matter, i.e. hazardous activity, is considered to originate from that matter i.e. activity, except if it is proven that they were not the cause of the damage.

Who is liable for damage

Article 174

Owner of the hazardous matter is liable for the damage it caused, while the person engaged in hazardous activity is liable for the damage it caused.

Illegal confiscation of hazardous matter from the owner

Article 175

If the hazardous matter has been confiscated from the owner in an illegal way, he/she shall not be liable for the damage that originates from that matter, but the one who confiscated the hazardous matter, unless the owner is responsible for that.

Delivery of objects to a third party

Article 176

(1) The person to whom the object holder entrusted an object for his/her use or the person obliged to supervise it, if the object is not at his/her work, shall be liable for that object, instead of the object holder, but in the same manner.
(2) The holder shall be liable besides him/her if the damage originated from a hidden defect or hidden feature to which the holder did not draw his/her attention.
(3) In that case, the responsible person that paid the compensation to the injured party has the right to demand the total amount from the holder.
(4) The holder of hazardous matter, who entrusted it to a person who was not trained or authorized to handle it, is liable for the damage that originates from that matter.

Exemption from responsibility

Article 177

(1) The holder is exempted from the responsibility if he/she proves that the damage originates from a cause outside the matter, and that its effect could neither have been foreseen nor avoided or removed.
(2) The holder is exempted from the responsibility if he/she proves that the damage occurred exclusively by the action of an injured or a third party, which he/she could not have foreseen and the consequences of which he/she could not avoid or remove.

(3) The owner is partly exempted from the responsibility, if the injured party contributed partly to the occurrence of the damage.

(4) If a third party partly contributed to the occurrence of damage, the party is in joint and several liability with the owner toward the injured party, and it is obliged to bear a part of compensation proportional to the degree of his fault.

(5) The person whom the owner used for the utilization of the matters is not considered a third party.

II. LIABILITY IN CASE OF AN ACCIDENT CAUSED BY MOTOR VEHICLES IN MOTION

Article 178

(1) The rules of responsibility on the grounds of fault are applied in case of an accident caused by a motor vehicle in motion that occurred due to exclusive guilt of one owner.

(2) If there is mutual fault, each owner is responsible for the total damage that they suffered, proportionally to the extent of their fault.

(3) If none of them is guilty, the owners bear equal responsibility, unless the reasons of fairness require something else.

(4) The owners of motor vehicles bear joint and several liability for the damage suffered by third parties.

III. LIABILITY OF MANUFACTURER OF DEFECTIVE ITEMS

Article 179

(1) Whoever puts on sale an item that he/she produced, and which presents a hazard of damage for the persons or things due to a defect he/she was not aware of, shall be liable for the damage that occurred due to that defect.

(2) The manufacturer is liable for hazardous features of the items if he/she did not take all possible measures to prevent the foreseeable damage by the means of warnings, safe packaging or other appropriate measure.

Section 6

APECIAL CASES OF LIABILITY

Responsibility for acts of terrorism, rallies or manifestations

Article 180

(1) The state whose organs were, according to the current regulations, responsible to prevent such damage, is responsible for the damage occurring by death, bodily injury or damage, i.e. destruction of property of physical entity due to the acts of violence or terror, as well as on the occasion of public rallies and manifestations.

(2) Organizers, participants, instigators and helpers in the acts of violence or terror, rallies and manifestations that are directed toward undermining of constitutional order, do not have the right to compensation of damage on these grounds.

(3) The state has the right and obligation to request compensation for the paid amount from the person that caused the damage.

(4) That right expires within the time lines prescribed for the expiry of claims for compensation of damage.

Liabilities of the organizers of manifestations

Article 181
The organizer of a gathering of greater number of people, indoors or outdoors, is liable for the damage occurring through death or bodily injury that someone suffers due to extraordinary circumstances that may arise on such occasions, such as movement of masses, riots and the like.

**Liabilities for the deprivation of indispensable assistance**

**Article 182**

(1) A person who, without danger for himself/herself, denies aid to a person, whose life or health is in obvious danger, shall be liable for the damage occurring due to such an action, if he/she could have foreseen such damage based on the circumstances of the case.

(2) The court may free such a person of the obligation to compensate the damage should the principle of fairness require it.

**Liability for the obligation to conclude a contract**

**Article 183**

A person, obliged by law to conclude a contract, is to compensate for the damage if, at the request of the interested person, he/she does not conclude the contract without delay.

**Liability for activities of common interest**

**Article 184**

Enterprises and other legal entities that perform public services or other similar activity of public interest are liable for the damage if they cease to perform their services without a justified reason or perform those services irregularly.

**Section 7**

**INDEMNITY**

**I. COMPENSATION FOR MATERIAL DAMAGE**

**Establishing the previous status and compensation in cash**

**Article 185**

(1) The responsible person is obliged to establish the condition that existed before the damage occurred.

(2) If establishing of the earlier condition does not cover the damage completely, the responsible person is obliged to give compensation in cash for the rest of the damage.

(3) When establishing of the earlier condition is not possible, or when the court deems it unnecessary for the responsible person to do it, the court shall decide that the responsible person should pay the injured party an appropriate sum of money for the compensation of damage.

(4) The court shall award the injured party compensation in cash when he/she demands it, except if the circumstances of the given case justify the establishing of the earlier condition.

**When the obligation of compensation becomes due**

**Article 186**

The obligation of compensation is considered due as of the moment when the damage occurred.

**Compensation in case of destruction of an item confiscated in an illegal way**

**Article 187**
If an item, confiscated from the owner in an illegal way, was ruined due to force major, the responsible person is obliged to give compensation in cash.

Compensation in form of cash annuity

Article 188

(1) In case of death, bodily injury or impaired health, compensation is, as a rule, defined in the form of cash annuity for life or a specified period.
(2) The cash annuity awarded as compensation for the damage is paid on a monthly basis, one month in advance, unless the court decided otherwise.
(3) The creditor has the right to request necessary security for the payment of annuity, unless this is unjustified given the circumstances of the case.
(4) If the debtor does not provide security that the court determines, the creditor has the right to request that instead of rent he should be paid the total sum, amount of which is established according to the rate of rent and probable term of the creditor’s life, with the deduction of appropriate interest rates.
(5) In other cases too, and out of serious causes, the creditor may request immediately or later, that he should be paid the total amount.

II. THE EXTENT OF COMPENSATION FOR MATERIAL DAMAGE/INDEMNITY

Ordinary damage and missed profit

(1) The injured party is entitled to the compensation of ordinary damage, as well as to the compensation of missed profit.
(2) The amount of damage compensation is determined according to the prices as of the moment the court decision was reached, except for the case where the law prescribes something else.
(3) The profit, that could have been normally expected according to the usual course of matters or particular circumstances, is taken into consideration for the estimation of the amount of missed profit, the realization of which was prevented by an action or lack of action of the person who caused the damage.
(4) When the item is destroyed or damaged in a preplanned act of crime, the court may set the amount of compensations according to the value that the item had for the injured party.

Full compensation

Article 190

Taking into consideration the circumstances that arose after the damage was caused, the court shall award the compensation in the amount that is required to bring the injured party’s material position into the status in which it would have been if it had not been for the harmful action or lack of action.

Decreasing compensation

Article 191

(1) Taking into consideration the material status of the injured party, the court may sentence the responsible person to pay compensation that is lower than the amount of damage, unless it was caused either deliberately or by utter carelessness, and the responsible person is of low material standing so that the payment of full compensation would leave him/her in poverty.
(2) If a person caused the damage while doing something to the benefit of the injured party, the court may award a lower compensation, taking into account the commitment that the person who caused the damage shows in his/her own business dealings.

Shared responsibility

Article 192

(1) The injured party, which contributed to the occurrence of damage or to it being greater than it would otherwise have been, is only entitled to a proportionally decreased compensation.
(2) When it is impossible to determine which part of the damage resulted from the injured party’s action, the court shall award compensation taking into account the circumstances of the case.

III. PARTICULARLY ON COMPENSATION FOR MATERIAL DAMAGE IN THE EVENT OF DEATH, SEVERE INJURY AND IMPAIRED HEALTH

Lost income and costs of medical treatment and funeral

Article 193

(1) A person who causes someone’s death is obliged to compensate for the regular expenses of his/her funeral.
(2) He/she is also obliged to compensate for the expenses of his/her medical treatment from the suffered injuries and other required expenses in connection to the medical treatment, as well as the earnings lost due to his disability to work.

Right of the person whom the killed person supported

Article 194

(1) The person whom the killed person supported or regularly assisted, as well as the person who had a legal right to demand support from the killed person, is entitled to compensation of damage suffered due to the loss of support, or assistance.
(2) This damage is compensated by payment of cash annuity, the amount of which is established taking into account all circumstances of the case, and which can not be higher than what the injured party would be receiving from the killed person if he had stayed alive.

Compensation of damage in case of bodily injury or impaired health

Article 195

(1) A person who inflicts bodily injury to another person or impairs his/her health, is obliged to compensate for the medical treatment expenses and other required expenses in regards to that, as well as the earnings lost due to the disability to work during the medical treatment.
(2) If an injured person loses earnings, or his/her needs are permanently increased, or the possibilities for his further development and advancement are ruined or decreased due to a full or partial disability to work, the responsible person is obliged to pay to the injured person a certain cash annuity as well as the compensation for the damage.

Alteration of allocated compensation

Article 196

At the request from the injured party the court may increase the amount of annuity for the future period, and it can also decrease or cancel it, if the circumstances that the court had in mind when reaching the decision, have changed considerably.

Non-transferable right

Article 197

(1) The right to compensation of damage in the form of cash annuity due to the death of a next of kin or due to bodily injury or damaged health cannot be transferred onto another person.
(2) The due amounts of compensation cannot be transferred onto another person, if the amount of compensation is determined by a written agreement of the parties or a legally valid court decision.

IV. PARTICULARLY ON THE COMPENSATION OF MATERIAL DAMAGE IN CASE OF LOSS OF HONOUR AND SPREADING OF FALSE ALLEGATIONS
Article 198

(1) Whoever violates someone’s honor, brings up or spreads false allegations about the past, knowledge, capability of another person, or something else, and knows or ought to have known that they are false, and thus causes to him/her material damage, is obliged to compensate it.

(2) But, a person who gives false information about another person without knowing that it is false is not liable for the caused damage, if he/she or the one to whom the information was given had serious interest in that.

V. COMPENSATION FOR CONSEQUENTIAL DAMAGE

Pronouncing of verdict or correction

Article 199

In case of infringement of the right of a person, the court can order pronouncing of verdict or correction chargeable to the person who caused the violation, or it can order that the violator should take back his/her statement that caused the infringement, or something else by which the same goal, as by compensation, can be achieved.

Cash compensation

Article 200

(1) The court shall allocate a just cash compensation for suffered bodily pain, mental sufferings due to a decrease of life activity, impairment, violated reputation, honor, freedom or personal right, death of a close person as well as for fear, if it establishes that this is justified taking into account the circumstances of the case and especially the intensity of pain and fear, regardless of the fact that the compensation for material damage exists or not.

(2) While deciding about the request for compensation of consequential damage, as well as about the amount of compensation, the court shall take into account the significance of the damaged goods and the purpose of the compensation, as well as ensure that the compensation does not favor the tendencies which would not be compatible with its nature and social purpose.

Persons who are entitled to cash compensation in the event of death or severe disability

Article 201

(1) In the event of death of a person, the court may award to the members of his/her closer family (spouse, children and parents) a just cash compensation for their mental suffering.

(2) Such compensation may also be awarded to the brothers and sisters if they and the deceased had lived in a relatively permanent community.

(3) In case of an especially severe disability of a person, the court may award to his/her spouse, children and parents, a fair cash compensation for their mental suffering.

(4) The compensation referred to in Paragraphs 1 and 3 of this Article may also be awarded to an illegitimate spouse, if between him/her and the deceased or injured, existed a relatively permanent community.

Compensation in special cases

Article 202

A person who was led into a punishable intercourse or punishable debauchery by fraud, force or abuse of a relationship of submission or dependence is entitled to a fair compensation due to suffered mental pain. The same right has a person to whom was committed some other act of crime against the personal dignity and morale.

Compensation for future damage
Article 203
Upon a request from the injured party the court shall award compensation also for the future consequential damage if it can be inferred from the usual course of things that it would extend to the future period.

Inheriting and conceding of the claims related to the compensation for consequential damage

Article 204
(1) Claims related to the compensation for non-material damage is transferred onto a successor only if certified with a legally valid decision or a written agreement.
(2) Under the same conditions, the claim can also be a subject to ceding, offsetting and forcible execution.

Joint liability and decreasing of compensation

Article 205
The provisions on joint liability and decreasing of compensation valid for consequential damage are applied accordingly to the consequential damage.

Section 8
LIABILITY OF SEVERAL PERSONS FOR THE SAME DAMAGE

Joint and several liability

Article 206
(1) All participants shall bear joint and several liability for the damage that several persons caused together.
(2) The instigator and supporter, as well as the one who assisted in concealing the culprits, shall bear joint and several liability with them.
(3) The persons who acted independently of one another shall also bear joint and several liability for the caused damage, unless their shares in the caused damage can be determined.
(4) When it is certain that the damage was caused by one of two or more specific persons that are in a certain way interconnected, and it cannot be determined who of them caused the damage, those persons will bear joint and several liability.

Joint and several liability of the client and contractor

Article 207
The client and contractor, who have contracted works on the immovable property, bear joint and several liability toward the third party for the damage caused to him/her related to the performance of those works.

Refund to the principal

Article 208
(1) The solidary debtor who pays out more than his share in the damage, may request from each of the other debtors to be compensated for whatever amount he paid for them.
(2) The court determines a share of each individual debtor, taking into consideration the weight of his/her guilt and the weight of consequences that resulted from his/her activity.
(3) If it is not possible to determine the shares of the debtors, each of them bears an equal part, unless fairness requires a different decision for the specific case.
Section 9

RIGHT OF THE INJURED PARTY AFTER THE EXPIRY OF THE RIGHT TO CLAIM COMPENSATION

Article 209

Upon the expiry of the right to claim compensation for damage, the injured party can request from the responsible person to be granted whatever the latter acquired by the action that caused the damage, according to the rules valid in case of acquisition without reason.

PART 3

UNLAWFUL ENRICHMENT

Section 1

GENERAL RULE

Article 210

(1) When a certain part of property of one person has become in any way a part of property of another person, and that transfer does not have standing in some legal transaction or law, the acquirer is obliged to return it. When it is not possible, he/she has to compensate for the value of the acquired gains.

(2) The obligation of refund, i.e. restitution of value, arises also when something is received based on something that has not materialized or is not applicable any more.

Section 2

THE RULES FOR THE REFUND

When the refund cannot be requested

Article 211

Whoever effects payment knowing that he/she is not obliged to pay, is not entitled to requesting a refund, unless he/she retained the right to request refund or if he/she paid in order to avoid coercion.

Double payment of debt

Article 212

Whoever paid the same debt twice, even if it was once on the basis of performed adjustment, has the right to request refund according to the general rules on unlawful enrichment.

Fulfillment of a natural obligation, moral or social duty

Article 213

Something that has been given or done as a fulfillment of a natural obligation, moral or social duty, cannot be requested back.

Extent of refund

Article 214
When something, acquired through unlawful enrichment, is returned and the acquirer is a mala fide party, the proceeds also have to be returned and default interest paid, as of the day of acquisition, and otherwise from the day of submitting the request.

**Compensation for expenses**

**Article 215**

The acquirer is entitled to compensation of necessary and useful expenses, but if he/she was a mala fide party, the compensation for useful expenses belongs to him/her only up to the amount representing increase in value as of the moment of refund.

**When the received can be retained**

**Article 216**

The refund of unfoundedly paid amounts for compensation of damage due to bodily injury, impaired health or death, cannot be requested if the payment was effected to a bona fide acquirer.

**Use of things for another person’s benefit**

**Article 217**

If someone used his/her or another person’s thing to the benefit of a third person, and there are no conditions for application of rules on operating without order, the third person is obliged to return the thing, or if not possible, compensate for its value.

**Allocation on another person’s behalf**

**Article 218**

Whoever makes an allocation, or anything else that the person was obliged to do under law, on another person’s behalf, is entitled to request compensation from him/her.

**Utilization of another person’s thing to one’s own benefit**

**Article 219**

When someone has used another person’s thing to its own benefit, the owner can request, regardless of the right to indemnity, or the absence of it, that the gains resulting from the use be compensated to him.

**PART 4**

**BUSINESS MANAGEMENT (MANAGEMENT WITHOUT ORDER negotiorum gestio)**

**Section 1**

**GENERAL RULE**

**Article 220**

(1) Business management implies conducting another person’s transactions, legal or material, without order or authorization, but for the account of the owner of affairs, while protecting his/her interests.

(2) Conducting another person’s affairs may be commenced without invitation only if the affair cannot be postponed, and any delay would result in damage or loss of obvious gain.

**Section 2**

**RESPONSIBILITIES AND RIGHTS OF THE BUSINESS MANAGER**
Responsibilities of the business manager

Article 221

(1) Business manager is obliged to inform the business owner about his/her action as soon as possible and continue with the commenced work if it is reasonably possible, until the owner is able to attend to the business.

(2) Upon the completed work, he is obliged to submit the account and give all the proceeds from the work to the owner of the business.

(3) Unless the law prescribes it otherwise, the business manager has the responsibilities of an agent.

Due attention and liability

Article 222

(1) While performing another person’s work, the business manager is obliged to guide himself/herself by the actual or probable intentions and needs of the owner.

(2) He/she is obliged to act with the attention of a good businessman or head of a household.

(3) The court may, taking into consideration the circumstances in which someone undertook business management for another person, decrease his/her liability or exempt him/her from the liability for inadvertence.

(4) The rules for contractual and liability in tort apply to the liability of legally incapable business manager.

The rights of business manager

Article 223

(1) The business manager, who acted duly on all occasions and did what was required by the circumstances, has the right to demand that the person whose business he performed, free him of all liabilities he undertook for that transaction, take over all the liabilities that he contracted on his behalf and compensate him for all necessary and useful expenses, as well make up for the suffered damage, even if the expected result has not been achieved.

(2) He/she is also entitled to an appropriate compensation for the effort if he prevented damage for the owner of business or if he made profit that completely corresponds to the owner’s intentions and requirements.

Performing another person’s affairs with the intention to assist

Article 224

Whoever conducts another person’s affair with the intention to assist that person, and the conditions for business management have not been met, is entitled to compensation for the expenses, but not higher than the amount of the gain the other person has had from that affair.

Removal of addition

Article 225

Every business manager is entitled to take away the things by which he enlarged another person’s property and for which he/she has not been compensated in terms of the incurred expenses, provided they can be removed without damaging the things they were added to. But, the person in whose business he participated, can, if he/she wants, keep the additions if he/she compensates for their current value, not higher than the amount of made expenses.

Section 3

CONDUCTING ANOTHER PERSON’S DEALINGS DESPITE PROHIBITION

Article 226
(1) Whoever gets involved into another person’s business although the owner imposed a prohibition on it, and he/she knew or ought to have known about the prohibition, does not have the rights that belong to a business manager.

(2) He/she is liable for the damage he caused by interfering with another person’s affairs, even if it was not his/her fault.

(3) However, when the prohibition against conducting business is contrary to the law or morale, and especially if someone has forbidden another person to fulfill one of his legal obligations that cannot be postponed, the general rules on business management shall be applied.

Section 4
FALSE MANAGEMENT

Article 227

(1) Whoever performs another person’s business with the intention to keep the gain although he/she knows that the business belongs to another person is obliged to render accounts as a business manager and hand over all gains to the owner upon his/he request.

(2) A business holder can also require reversal of things into the previous state, as well as indemnity.

Section 5
APPROVAL

Article 228

If a business holder subsequently approves something that has been executed, the business manager is considered an agent working from the beginning by the order of the business holder.

PART 5
UNILATERAL DECLARATION OF INTENTION

Section 1
PUBLIC PROMISE OF REWARD

When it is obligatory

Article 229

(1) A publicly announced promise of reward toward whoever performs a certain action, accomplishes a certain success, finds himself/herself in a certain situation, or a promise made under another condition, obliges the promisor to keep the promise.

(2) A promisor of the reward or any other prize competition is obliged to determine a time limit for the competition, and if he/she does not determine it, whoever wants to participate in the competition has the right to request that the court determine an appropriate time limit.

Revoking of promise

Article 230

(1) A promise may be recalled as it was made, as well as by a personal announcement, but the person who performed the action, and neither knew nor ought to have known that the promise of reward had been recalled, has the right to request the promised reward, and the one who made the required expenditure prior to the revocation in order to perform the action defined in public announcement, unless the promisor proves that the expenditures were incurred in vain.
(2) Promise of the reward cannot be revoked if the deadline for performing an action has already been defined in an advertisement, i.e. the deadline for informing on the achieved result or accomplishing a certain situation.

**Who is entitled to reward**

**Article 231**

1) Whoever performs the action for which a reward was assigned first, is entitled to the reward.
2) If several persons performed the action simultaneously, each is entitled to equal part of the reward, unless it would be just to execute another sort of division.

**In case of competition**

**Article 232**

1) The competition organizer or one or several persons appointed by him/her shall decide on the reward assignment.
2) If the competition conditions or another general enactment applied to a certain competition prescribe the rules according to which the reward should be granted, each participant in the competition is entitled to require the annulment of the decision on reward granting, if the reward has not been granted in compliance with these rules.

**Cessation of obligation**

**Article 233**

The obligation of the promise giver shall cease if no-one notifies him/her, within the deadline stated in the advertisement, of his/her completion of the action, or accomplishment of the success, or, having fulfilled the conditions stated in the advertisement, and if the deadline has not been specified, within one year from publishing the advertisement.

### Section 2

#### SEURITIES

### 1. GENERAL PROVISIONS

**Notion**

**Article 234**

A security is a written document which binds its issuer to fulfill the obligation recorded on it in favor of its legal holder.

**Important elements**

**Article 235**

1) A security is to comprise the following important elements:
   1) designation of the type of security;
   2) company designation, i.e. name and domicile, i.e. name and residence of securities issuer;
   3) company designation, i.e. name and name of the person who; according to whose order the security is made out, or designates that it is a bearer’s security;
   4) exact designation of the issuer’s obligation arising form the security;
   5) place and date of security issue, and for those that are issued in a series, serial number;
   6) signature of the securities issuer, seal of the signature of the issuer of the securities issued in a series.

2) A special law for specific securities can regulate other important elements.

3) A document that does not contain any of those important elements is not valid as a security.
(4) Securities issued in a series, which do not contain any of those important elements, are not legally effective.

Who can the security be made out to

Article 236

A security can be made out to the bearer, can be registered, or bill to order.

Formation of obligation

Article 237

Obligation from the security arises as of the moment of its delivery to its user by the security issuer.

Special condition for issuing securities in a series

Article 238

Other conditions for issuing securities in a series are regulated by a special law.

II. MATERIALIZING THE RIGHT

Who is entitled to the right from the security

Article 239

(1) Claim from the security is associated to the security itself and belongs to its legal holder.
(2) The bearer of the security is considered a legal holder of the bearer’s security.
(3) The person to whose name the security is made out to, i.e. the person to whom the security was promptly transferred is considered the holder of the registered, i.e. bill to order.
(4) Bona fide acquirer of the registered security becomes its legal holder and acquires the right over the claim recorded on it, even when the security is no longer held by its issuer or its previous holder, and even without his/her will.

Who can request fulfillment

Article 240

Only the securities holder, i.e. his authorized person can claim the fulfillment of the claim form the security, at its submission.

III. TRANSFER OF SECURITIES

Transfer of bearer’s securities

Article 241

The right from the bearer’s security is transferred by its delivery.

Transfer of the right from the registered security

Article 242

(1) The right from the registered security is transferred through transfer (cession).
(2) A special regulation can prescribe that the right from the registered security can also be transferred through endorsement.
The transfer of the right from the registered security is performed by marking the designation, i.e. the name of the new holder, on the security, by signing the transferor’s name and registering the transfer in the Securities Register, if the issuer keeps such registry.

Transfer of right from bill to order

Article 243

Right from bill to order is transferred through the endorsement.

Types of endorsements

Article 244

(1) The endorsement can be full, blank and registered.
(2) Full endorsement contains the statement on transfer and company designation, i.e. name or the name of the person to which/who the right from the security is transferred (endorsee) and signature of the transferor (endorser) and can contain other data (place, date etc.).
(3) Blank endorsement only contains the endorser’s signature.
(4) In case of transfer to the bearer, instead of the endorsee’s name the word “to the bearer” is added.
(5) Bearer endorsement is valid as a blank endorsement.
(6) Partial endorsement is null and void.

Transfer of proxy and transfer for pledge

Article 245

(1) Security can be transferred also as a transfer of proxy, i.e. transfer for pledge.
(2) With the transfer of proxy, a clause “value in proxy” is added, and with the transfer for pledge “value for pledge” or similar.

Effects of right transfer

Article 246

(1) Through the transfer of the right from the security, its new holder acquires all the rights that belonged to a former holder.
(2) Transfer of the right from the registered security, either through cession or endorsement, is not effective toward the issuer, until he is notified of this, i.e. until this transfer is recorded in the registered securities register, if the issuer keeps such register.
(3) Transferor, i.e. endorser is not liable for issuer’s defaulting, unless a different provision exists or unless the contrary provision is inscribed in the security itself.

Effects of the transfer of proxy and transfer for pledge

Article 247

Holder of the security, which was transferred to him/her as “transfer of proxy” or “transfer for pledge’ can exercise all rights arising from that security, but can transfer the security onto another party only as transfer of proxy.

Proving legality of transfer

Article 248

(1) The last endorsee proves his/her right from the security through constant sequence of endorsements.
(2) This rule is promptly applied to the last assignor.
Restriction of transfer

Article 249

(1) Restriction of transfer by endorsement of the bill to order is performed in wording “not by order”, or similar, having the same meaning.
(2) The right from the security whose transfer by endorsement was restricted can only be transferred by conveyance.
(3) Transfer by endorsement can be restricted by the issuer and the endorser.
(4) Any transfer of the security can be restricted by a special law or by the issuer’s statement inscribed in the registered security itself.

IV. CHANGES IN SECURITIES

Changes made by the issuer

Article 250

(1) Bearer security or bill to order can be changed into the registered security by the issuer, at the request and charging the security holder.
(2) Unless he/she explicitly forbade that, the party that issued registered securities can convert them into bearer securities or bill to order, at the request and in debit of the securities holder.

Changes to be done by the securities holder when performing transfer

Article 251

(1) An endorser can transfer bills to order through an endorsement to bearer, unless defined differently by a separate enactment.
(2) Registered securities can be transferred by the assignor, i.e. endorser only to a specific person.
(3) Bearer securities can be transferred through endorsement also to a specific person.

Merging and dividing of securities

Article 252

(1) Securities issued in series can be merged in one or more securities, at the request and in debit of the holder.
(2) Securities can be divided into several securities of smaller amount, upon request and in debit of the holder, provided that they are not smaller than the smallest amount of securities denomination issued as a part of that series.

FULFILLING LIABILITIES FROM THE SECURITIES

Cessation of liability

Article 253

(1) The liability against securities shall cease upon issuer’s fulfilling the obligations towards the legal securities holder.
(2) Claims for securities shall cease even if they belong to an issuer, unless defined otherwise by law.
(3) Federal issuer of the bearer securities shall be exempted from the liability upon the fulfillment of the obligation towards the bearer even if he/she is not a legal securities holder.

The restriction of fulfillment

Article 254
(1) If the bearer securities issuer knew or ought to have known that the bearer is neither a legal securities holder nor is authorized by legal securities holder, then he/she is obliged to reject fulfillment, otherwise he/she is to be liable for damage.

(2) The bearer securities issuer cannot fulfill his/her obligation as fully valid if this has been forbidden by the authorized body or, when he/she knew or ought to have known that the procedure for securities appreciation or invalidation had been initiated.

Paying interest rates and other yields based on principal amount payment

Article 255

The debtor who paid the capital sum to the securities holder is obliged to pay coupons of interest rate, i.e. other yields from the same securities rendered upon payment of the principal if such claims are not expired yet.

Objections to the request for fulfilling the obligation

Article 256

(1) The issuer can file only those objections against the request of securities holder which relate to securities issue, such as forged securities, to securities contents, such as deadlines or terms as well as objections towards the securities holder such as compensation, lack of legally prescribed procedure for acquisition of securities and absence of authorization.

(2) The issuer can, against the request of the holder to whom he/she transferred securities, plead inadequacies of legal transaction on which basis the transfer has been performed, but such inadequacies cannot be plead against the request of the later holder.

(3) However, if the securities holder, when receiving securities from the previous holder knew or ought to have known that the previous holder handed the securities over in order to avoid the objection that an issuer has towards him/her, the issuer can file this objection towards the securities holder too.

(4) Other types of objections related to certain types of securities may be defined by separate enactment.

IV. IDENTIFICATION PAPERS AND SIGNS

Identification papers

Article 257

The appropriate provisions on securities shall be applied to railway tickets, theatre and other admission fees, coupons and other similar identification papers containing certain obligation for their issuer and in which the creditor is not stated, and from which or from circumstances under which they have been issued it is obvious that they cannot be transferred to others.

Identification signs

Article 258

(1) Cloakroom and similar signs, made of piece of paper, metal and other materials, with usually an imprinted number, or number of issued objects and usually not containing anything specific on issuer’s obligations, are used only to show who is the creditor in bond relation, in establishing of which such signs were issued.

(2) An issuer of identification sign shall be freed from obligation upon its fulfillment in good faith towards the bearer; however the bearer is not presumed a true creditor or that he/she is authorized to request fulfilling, therefore in case of dispute he/she is obliged to prove his/her capacity.

(3) A creditor may request fulfilling the obligation although the identification sign has been lost.

(4) With regards to other things, in any particular case it is necessary to follow the mutual will of issuer and consignee of the identification sign, as well as the usual procedure.
VII. OTHER PROVISIONS

Substituting the damaged securities

Article 259

A holder of damaged securities, which are not suitable for transactions but which origin and contents can be easily identified, is entitled to request issuing of new securities in the same amount and is obliged to return the damaged securities and cover the expenses.

Depreciation of securities

Article 260

Only registered securities or bills to order, if lost, can be depreciated, unless the law prescribes otherwise.

Prescription of claims based on securities

Article 261

The regulations on prescription are to be applied to prescription of claims based on securities unless prescribed otherwise by law.

Chapter III

EFFECTS OF OBLIGATIONS

PART 1

CREDITOR’S RIGHTS AND DEBTOR’S OBLIGATIONS

Section I

THE RIGHT TO COMPENSATE THE DAMAGE

I. GENERAL PROVISIONS

Fulfillment of obligation and effects of non-fulfillment

Article 262

(1) The creditor in bond relation is authorized to claim fulfillment of obligation from the debtor; the debtor is obliged to fulfill it in good faith and as it reads.

(2) When the debtor does not fulfill his/her obligation or fulfills it with delay the creditor is entitled to claim the compensation of damage that he/she suffered due to that.

(3) The debtor, assigned an appropriate deadline for fulfillment by the creditor, is liable for damage caused by delay in fulfillment.

(4) The debtor is liable for the partial or complete impossibility of fulfillment for which he/she is not responsible, but which occurred after his/her coming into delay.

(5) If the debtor proves that thing, subject to obligation, would collapsed accidentally and that he/she fulfilled his/her obligation in a timely manner he/she shall be released from liability for damage.

Releasing the debtor from liability

Article 263
The debtor shall be released from liability for damage if he/she proves that he/she could not fulfill his/her obligation, i.e. that he/she was late to fulfill his/her obligation due to circumstances arisen after concluding the contract, which he/she could not prevent, resolve or avoid.

**Contractual extending of liability**

**Article 264**

(1) The debtor’s liability can be extended in the even to the case that he/she would not otherwise be liable for.

(2) Fulfilling of such a contracting provision cannot be claimed if it is contrary to the principle of good faith and principle of honesty.

**Limitation and excluding the liability**

**Article 265**

(1) The debtor’s liability for intention or gross negligence cannot be excluded in advance by the contract.

(2) Upon the request of an interested contracting party the court can cancel the contracting provision on excluding the liability for slight errors, if such an agreement arose from monopoly position of the debtor or generally from an unequal position of contracting parties.

(3) The contract provision, which stipulates the highest amount of compensation, is fully valid, unless the thus defined amount is obviously disproportional to the damage and unless the law defines otherwise.

(4) In the event of limiting the amount of compensation the creditor has the right to obtain full compensation, if the impossibility of fulfillment was caused by intention or by the debtor’s gross negligence.

**The extent of compensation**

**Article 266**

(1) The creditor is entitled to the compensation of simple damage and the lost benefits, that the debtor should have anticipated like possible consequences of breach of the contract when he/she concluded the contract, taking into accounts the facts that he/she knew or ought to have known at that time.

(2) In case of deceit or intentional non-fulfillment as well as non-fulfillment due to gross negligence, the creditor is entitled to demand the compensation of total damage from the debtor, which was caused by the violation of the contract, regardless of the fact that the debtor did not know about the special circumstances due to which it arose.

(3) If, besides damage, some sort of profit was generated for the creditor during the breach of the obligation, this profit shall be taken into account to a reasonable degree when specifying the amount of compensation.

(4) The party invoking the breach of contract is obliged to take all reasonable measures in order to reduce the damage inflicted by that breach, otherwise the other party might claim reducing the damages.

(5) The provisions referred to in this Article are also to be applied to the non-fulfillment of obligations not regulated by the contract, unless stipulated otherwise by law.

**The creditor’s fault**

**Article 267**

When the creditor, or the person he/she is responsible for, is partly or fully responsible for the inflicted damage, its size, or for aggravating the debtor’s position, the damages are to be proportionally reduced.

**Liability for failure to notify**

**Article 268**

The contracting party that is obliged to notify the other of the facts having influence on their mutual relation is to be liable for the damage that the other party suffered due to his/her untimely notification.
Applying provisions on causing damage

**Article 269**

Unless stipulated otherwise by the provisions of this Part, the provisions of this Law regulating the compensation of extra-contractual damage are to be applied respectively to the damages.

**II. PENALTY CLAUSE**

**General provisions**

**Article 270**

(1) The creditor and the debtor can agree that the debtor shall pay a certain amount of money to the creditor or provide some other benefits if he/she does not fulfill his/her obligation or if he/she fulfills it with delay (penalty clause).

(2) The penalty is considered to be stipulated for the case of the debtor’s delay, unless the contract stipulates otherwise.

(3) The penalty clause cannot be stipulated for capital commitments.

**Methods of stipulation**

**Article 271**

(1) The contracting parties can define the amount of penalty at their own discretion, as a total amount, as percentage, for each day of delay, or in some other way.

(2) The penalty should be stipulated in the form prescribed for the contract based on which the obligation, to whose fulfillment the penalty relates, arose.

**Accession**

**Article 272**

(1) The agreement on penalty clause shall have the same legal fate of obligation to which securing it is related.

(2) The agreement shall lose legal effects if non-fulfillment or delay occurred due to the reason for which the debtor is not liable.

**Creditor’s rights**

**Article 273**

(1) When the penalty has been stipulated in case of non-fulfillment of obligation, the creditor may claim either fulfilling of obligation or invoke the penalty clause.

(2) He/she shall lose the right to claim fulfilling of the obligation if he/she claimed reimbursement of the penalty clause.

(3) When the penalty is stipulated for the case of non-fulfillment, the debtor does not have the right to disburse the penalty clause and to cancel the contract, unless it was the contractor’s intention when they stipulated the penalty.

(4) When the penalty was stipulated in case of the debtor’s delay to fulfill the obligation, the creditor is entitled to claim both fulfilling the obligation and penalty clause.

(5) The creditor cannot invoke the penalty clause due to the delay if he/she received fulfilling the obligation, and he/she did not inform the debtor without delay that he/she would retain his/her right to the penalty clause.

**Reducing the amount pertaining to the penalty clause**

**Article 274**
Upon the debtor’s request, the court can reduce the amount of the penalty clause if it establishes that it is disproportionately high considering the value and the significance of the object of obligation.

**Penalty clause and compensation of damage**

**Article 275**

(1) The creditor is entitled to claim the penalty clause even when its amount exceeds the amount of damage that he/she suffered, as well as when he/she did not suffer any damage.

(2) If the damage that the creditor suffered exceeds the amount of the penalty clause, he/she is entitled to claim the balance up to full damages.

**The compensation stipulated by law and penalty clause**

**Article 276**

If, for non-fulfillment of obligation or for the case of delayed fulfillment, the law stipulates the amount of compensation under the title of penalties, penalty clause, compensation or under another name, whereby the contracting parties have agreed upon penalty besides that, the creditor does not have the right to request the penalty clause and compensation stipulated by the law at the same time, unless the law allows it.

### III. DEFAULT INTEREST

**When somebody owes it**

**Article 277**

(1) The debtor, who is late with fulfilling his/her capital commitments, owes the penalty interest at the rate stipulated by federal law, along with the principal sum.

(2) If the rate of the agreed interest is higher than the default interest rate, it shall be charged even after the debtor’s delay.

**The right to full compensation**

**Article 278**

(1) The creditor is entitled to default interest whether he/she suffered some damage due to the debtor’s delay or not.

(2) If the damage that the creditor suffered due to the debtor’s delay exceeds the amount that he/she would obtain based on default interest, he/she is entitled to claim the balance up to the full compensation of the damage.

**Compound interest**

**Article 279**

(1) Default interest shall not be charged based on due, but unpaid contractual or default interest and based on other due periodical payments in cash, unless stipulated otherwise by the law.

(2) Default interest on the amount of unpaid interest may be claimed only from the day of submitting the request for its payment at the court.

(3) Default interest based on periodical due payments in cash shall be charged from the day of submitting the request for their disbursement at the court.
Section 2

CONTESTING DEBTOR’S LEGAL TRANSACTIONS

General rule

Article 280

(1) Each creditor, whose claim is due for payment, regardless when it arose, can contest legal transaction of his/her debtor, undertaken to the creditor’s detriment.

(2) A legal transaction is undertaken to the creditor’s detriment if after its fulfilling the debtor does not have enough funds to settle the creditor’s claims.

(3) A legal transaction also implies a failure due to which the debtor lost some substantive right or which incurred some substantive obligation for him/her.

Conditions for contesting

Article 281

(1) Burdening disposition can be contested if, at the time of disposition, the debtor knew or ought to have known that his undertaking disposition caused damage to his/her creditors and if the third party with whom or for whose benefits the legal transaction was undertaken, knew or might have known that.

(2) If the third person is either the debtor’s spouse, direct relative by blood or collateral relative up to the fourth degree, or relative by alliance up to the same degree, he/she is assumed to have known that the debtor was causing the damage to their creditors by undertaking the disposition.

(3) The debtor shall be considered to have known that he/she was causing damage to the creditors by undertaking gratuitous disposition and other related legal transactions; for contesting of such an action the third person is not required to know or could have known about it.

(4) Waiving inheritance shall be considered a gratuitous disposition.

Excluding contestation

Article 282

Usual suitable gifts, awards, gifts given as sign of gratitude, proportionate to financial potentials of the debtor, cannot be contested as causing damage to the creditor.

How is contestation done

Article 283

(1) Contestation can be done through lawsuit or objection.

(2) Proceedings for contestation are constituted against the third party, with whom or for whose benefit the legal transaction subject to contestation was undertaken, i.e. against his/her universal legal successors.

(3) If the third party, through some burdening transaction, alienated the benefits arisen from a disposition subject to contestation, proceedings can be constituted against a purchaser only if he/she knew that provisions of his/her predecessors could have been disputed; if he/she alienated the benefits through the transaction without compensation, the lawsuit can be filed against a purchaser although he/she did not know about this.

(4) The defending party can avoid contestation if he/she fulfills the debtor’s obligation.

Effects of contestation

Article 284

If the court accepts the lawsuit, the legal transaction shall lose its effects only towards the plaintiff, and only to the extent necessary for fulfilling of his/her claims.
Deadline for instituting proceedings

Article 285

(1) Proceedings for contestation can be instituted within one year regarding the disposition referred to in Article 281, paragraph 1, and for other cases within three years.
(2) The time line referred to in the previous paragraph shall be counted from the day the legal transaction subject to contestation was undertaken, i.e. from the day the transaction should have been undertaken.

Section 3

POSSESSORY LIEN

Article 286

(1) The creditor of claimable debts, who possesses some debtor’s property, is entitled to retain it for as long as his/her claim is settled.
(2) In case the debtor became insolvent, the creditor is entitled to exercise the right of retaining although his/her claim is not due.

Exceptions

Article 287

(1) The creditor does not have the possessory lien when the debtor demands the return of the object taken out of his possession against his will, or when the debtor demands the return of the object given to the creditor for keeping or loan.
(2) The creditor has no right to retain the proxy issued by the debtor or other debtor’s documents, identity documents, correspondence, and other similar objects, as well as other objects that can not be subject to sale.

Obligation of returning objects prior to fulfillment of obligations

Article 288

The creditor is obliged to give an object back to the debtor if the debtor provides him a certain security for his claim.

Effect of the possessory lien

Article 289

The creditor who keeps the debtor’s object in possession on the basis of lien is entitled to collection out of the object’s value in the same way as the secured creditor, but is obliged to promptly inform the debtor on his intention prior to initiating the collection.

PART 2

CREDITOR’S RIGHTS IN SPECIAL CASES

Generic debt/debt which must be paid in kind

Article 290

When the obligation consists of giving objects classified by type, and the debtor is in delay, the creditor, after having previously informed the debtor, can acquire the object of the same type at his discretion, and demand from the debtor to be compensated for the price and for the damage, or demand the value of owed objects and damages.
When the obligation consists of doing

Article 291

When the obligation consists of doing, and the debtor did not fulfill his obligation on time, the creditor, after having previously informed the debtor, can do whatever the debtor was supposed to do, at the debtor’s expense, and demand reimbursement for damage caused by the debtor’s delay, as well as reimbursement for other damage which he would have for this type of fulfillment.

When the obligation consists of not doing

Article 292

(1) When the obligation consists of not doing, the creditor is entitled to damages due to the fact that the debtor has acted against his obligation.
(2) If something was built up contrary to the obligation, the creditor can demand it to be removed at the debtor’s expense and can demand from the debtor to reimburse him for the damage caused by constructing and removing.
(3) If the Court finds it obviously more useful, the Court can, taking into account public interest and creditor’s interest, pass a decision not to remove what has been built up, but to have the creditor reimbursed in cash for the damage.

Right to demand compensation instead of what has been awarded

Article 293

(1) If the debtor does not fulfill his/her obligation within the deadline stipulated by an effective verdict, the creditor can invite him to fulfill it in an adequate subsequent deadline, and make a statement that he will not accept the fulfillment after expiry of that deadline, but he will demand damages for non-fulfillment.
(2) After expiry of the subsequent deadline, the creditor can only demand damages for non-fulfillment.

Court penalties

Article 294

(1) If the debtor does not fulfill some of his non-monetary obligations stipulated by an effective verdict, the Court can, at the creditor’s request, define an adequate subsequent deadline for the debtor and, with a view to influence the debtor and independently from any damage, pass a verdict on paying a certain amount of money by the debtor in case he does not fulfill his obligation within that deadline, for each day of delay, or for any other time unit, beginning after expiry of the deadline.
(2) When the debtor fulfills the obligation subsequently, the Court can decrease the amount defined in such way, taking into account the purpose of passing the decision on paying.

Chapter IV

CESSATION OF OBLIGATION

PART I

GENERAL RULE

Article 295

(1) The obligation ceases upon its fulfillment, as well as in other cases stipulated by law.
(2) Guarantees, pledge and other secondary rights shall become terminated by cessation of the principal obligation.

PART II
FULFILLMENT

Section 1.

GENERAL RULES ON FULFILLMENT

1. WHO CAN FULFILL AND FULFILLMENT COSTS

Fulfillment by a debtor or a third person

Article 296

(1) Obligation can be fulfilled not only by the debtor but also by a third party.
(2) Creditor is obliged to accept fulfillment by any person who has certain legal interest in the obligation fulfillment, even if the debtor objects to that fulfillment.
(3) Creditor is obliged to accept fulfillment by a third person if the debtor agrees with it, unless the debtor personally is obliged to fulfill obligation according to the contract or nature of the obligation itself.
(4) Creditor can accept fulfillment by a third person without the debtor’s knowledge, but also in case if the debtor has informed him on his disagreement with the third person fulfilling the obligation.
(5) But, if the debtor has offered to fulfill his obligation by himself instantly, the creditor can not accept a third party’s fulfillment.

Fulfillment by a legally incapable person

Article 297

(1) Legally incapable debtor can validly fulfill obligation if the existence of obligation is undoubted and if the deadline for obligation fulfillment is due.
(2) But the fulfillment can be contested if such a person settled a statute-barred debt or a debt arisen from gambling or bet.

Fulfillment costs

Article 298

Fulfillment costs are borne by the debtor, provided they are not caused by the creditor.

II. FULFILLMENT BY SUBROGATION

Fulfillment by transferring the right on the fulfiller

(subrogation)

Article 299

(1) In case of fulfillment of another person’s obligation, any fulfiller can negotiate with the creditor, before or during the fulfillment, for the fulfilled claim to be subrogated to him with all or only with some of the secondary rights.
(2) Creditor’s rights can also be subrogated to the fulfiller based on the contract concluded between the debtor and fulfiller before the fulfillment.
(3) In those above-mentioned cases the fulfiller’s subrogation into the creditor’s rights arises at the moment of fulfillment.

Legal subrogation

Article 300

When a person who has legal interest in fulfilling an obligation fulfills it, the creditor’s claim along with all secondary rights is subrogated to that person, as foreseen by law, at the moment of fulfillment.
Subrogation in case of partial fulfillment

Article 301
(1) In case of partial fulfillment of the creditor’s claim, secondary rights securing the fulfillment of that claim shall be subrogated to the fulfiller provided they are not required for the fulfillment of the rest of the creditor’s claim.
(2) But, the creditor and the fulfiller can negotiate on using guaranties proportionally to their claims, and they can negotiate on the fulfiller being entitled to preferential collection.

Proofs and means of securing

Article 302
(1) The creditor is obliged to deliver the means proving or securing the claim to the fulfiller.
(2) Exceptionally, the creditor can deliver an object accepted as a pledge from the debtor or someone else to the fulfiller only if the pledger agrees with it, otherwise it shall stay with the creditor to keep it for the account of the fulfiller.

How much can be demanded from the debtor

Article 303
Fulfiller to whom the claim has been subrogated cannot demand from the debtor more than he has paid to the creditor.

Excluding the creditor’s liability for the existence and collection of claim

Article 304
(1) Creditor that has accepted fulfillment by a third person is not liable for the existence and collection of claim at the time of fulfillment.
(2) This does not exclude application of rules on unlawful enrichment.

III. TO WHOM IS FULFILLMENT DONE

Authorized person

Article 305
(1) Fulfillment has to be done towards the creditor or person defined by law, court verdict, contract between the creditor and debtor, or by the creditor himself.
(2) Fulfillment is also valid when it is performed toward a third person, if the creditor approved it subsequently or made use of it.

Fulfillment towards a legally incapable creditor

Article 306
(1) Fulfillment toward a legally incapable creditor frees the debtor only if it was useful for the creditor or if the object of fulfillment is still in his/her possession.
(2) Legally incapable creditor can approve, after becoming legally capable, the fulfillment that he accepted at the time of his legal incapacity.

IV. OBJECT OF FULFILLMENT

Contents of obligation
Article 307

(1) Fulfillment consists of fulfilling of what is meant under the contents of obligation, and, neither debtor can fulfill it by doing something else, nor the creditor can demand something else.
(2) The fulfillment whereby the debtor gave an object as an owed object and the creditor accepted it, and the object is not that, is not valid; the creditor has the right to return what has been given to him and to demand the owed object.

Substitution of fulfillment

Article 308

(1) Obligation is terminated if the creditor accepts something else instead of the object owed by the debtor, based on the agreement with the debtor.
(2) In that case, the debtor is liable in the same way like the seller, for substantive and legal defects of the object given instead of what he owed.
(3) But the creditor, instead of the claim related to the debtor’s liability for substantive and legal defects of the object, can demand from the debtor, but not more than guaranties, collection of the original claim and damages.

Delivery for the purpose of sale

Article 309

If the debtor delivered to the creditor an object or some other right so that the latter can sell them and collect his/her claim out of the reached amount, and delivers him the rest, the obligation is terminated only when the creditor realized his/her claim out of the reached amount.

Partial fulfillment

Article 310

(1) Creditor is not obliged to accept partial fulfillment, unless the nature of obligation envisions otherwise.
(2) But the creditor is obliged to accept partial fulfillment of capital commitment, unless he has special interest in rejecting it.

Generic debt

Article 311

(1) If objects are defined based on type, the debtor is obliged to give objects of medium quality.
(2) But, if he knew the purpose of the object, he is obliged to give objects of adequate quality.

V. INCLUSION OF FULFILLMENT

Sequence of inclusion

Article 312

(1) When between the same persons several obligations of the same type exist and what the debtor has fulfilled is not enough for complete reimbursement, in that case, provided there is no agreement between the creditor and debtor, inclusion is performed following the sequence that the debtor defines not later than the moment of fulfilling.
(2) When the debtor’s statement on fulfillment does not exist, obligations are reimbursed following the order of their maturity.
(3) If several obligations are due in the same time, those ones that are secured the least are to be reimbursed first, and when they are equally secured, those ones burdening the debtor the most are to be reimbursed first.
(4) In case when obligations are the same in terms of everything mentioned above, they are to be reimbursed in the sequence of their formation, and if they were incurred in the same time, an object given for the purpose of fulfillment is to be distributed to each obligation proportionally to their amounts.

**Imputation of interest and costs**

**Article 313**

If the debtor besides principal owes interest and costs as well, inclusion is performed by paying off the costs first, then the interest and finally the principal.

**FULFILLMENT PERIOD**

**When the deadline is not stipulated**

**Article 314**

If the deadline is not stipulated, and the purpose of business, nature of obligation and other circumstances do not require a definite deadline, the creditor can demand immediate fulfillment of obligation, and the debtor in his/her turn can demand from the creditor for immediate acceptation of fulfillment.

**Fulfillment before expiry of deadline**

**Article 315**

(1) When the deadline is agreed only in the debtor’s interest, he/she has the right to fulfill the obligation before the expiry of the agreed deadline, but he/she is obliged to inform the creditor on his intention and to ensure that this is not inopportune.

(2) In other cases, when the debtor offers to fulfill the obligation before the expiry of the deadline, the creditor can reject the fulfillment, but he can also accept it and withhold the right to damages, if he promptly informs the debtor on that.

**Creditor’s right to demand fulfillment before expiry of deadline**

**Article 316**

Creditor is entitled to demand the fulfillment before expiry of deadline, unless the debtor gave him/her promised security or unless he/she, upon the creditor’s request, supplemented the security decreased without his fault, as well as when the deadline is agreed only in his/her interest.

**When defining of a deadline is left to one party**

**Article 317**

When defining of a deadline is left to the creditor or the debtor, the other party can, if the authorized person fails to define the deadline even after the warning, demand from the Court to define an adequate deadline for fulfillment.

**Capital commitments**

**Article 318**

(1) If payment is executed through a bank or other organization that keeps the creditor’s account, the debt shall be considered settled, unless defined otherwise by contracting parties, when the bank or other organization at which the account is kept, receives the amount crediting the creditor’s account or the transfer order of the debtor’s bank, i.e. organization ordering to credit the creditor’s account for the amount written in the order.
If the contract provides for the payment through mail, it is assumed that the parties have agreed that the debtor’s obligation is fulfilled towards the creditor when the owed sum is paid to the post office; if this type of payment is not agreed, the debt is settled when the creditor receives the payment.

If a separate provision or contract foresees the payment by check on a certain account, the assumption is that the parties agreed that the payment is executed when the debtor pays by check the sum owed crediting the indicated account.

VII. PLACE OF FULFILLMENT

General rules

Article 319

(1) Debtor is obliged to fulfill an obligation, and the creditor is obliged to accept it, in the place stipulated by a legal transaction or law.

(2) When the place of fulfillment is not defined, and it cannot be defined by the purpose of the legal transaction, nature of obligation and other circumstances, the fulfillment is carried out in the place where the debtor had a head office, i.e. legal address, and in the event where there is no legal address, his residence, at the time of obligation arising.

(3) But if the debtor is a legal entity that has several branches in various places, the head office of the unit that is to perform activities required for the fulfillment of obligation is meant under the place of fulfillment, if the creditor knew or ought to have known about that circumstance when concluding the contract.

Place of fulfillment of capital commitments

Article 320

(1) Capital commitments are settled in the place of creditor’s head office, i.e. legal address, and in the event where there is no legal address, residence.

(2) If payment is executed by transfer order, capital commitments will be fulfilled in the head office of organization keeping the creditor’s monetary assets.

(3) If the creditor changed the place of his head office, i.e. legal address at the time when the obligation arose, and due to that fact costs of fulfillment were increased, the increment in costs shall be born by the creditor.

VII. RECEIPT

Assumptions related to the receipt

Article 321

(1) Who completely or partially fulfills obligation is entitled to demand from the creditor that a receipt be issued on that at the creditor’s expense.

(2) The debtor that has fulfilled the capital commitment through a bank or mail can ask from the creditor to be issued the receipt only if he has valid reasons for that.

(3) If the receipt is issued regarding the fact that principal sum is completely paid out, the assumption is that also the interest, court and other costs, if any, are paid out.

(4) Also if the debtor of periodical payments, such as a rental fee, and other claims calculated periodically, such as electricity consumption costs, or water consumption costs, telephone usage costs, has the receipt confirming that he/she settled the claim that was due for payment later, the assumption is that he has settled the ones that were due earlier.

Refusing to issue a receipt

Article 322

If the creditor refuses to issue a receipt, the debtor can deposit the object of his obligation at the court.
IX. RETURNING A BOND

Article 323

(1) When the debtor completely fulfills his obligation he can, besides a receipt, ask from the creditor to be returned the bond too.
(2) When the creditor cannot return the bond, the debtor has the right to demand the creditor to issue him a notarized certificate on obligation being terminated.
(3) If the debtor was returned the bond, the assumption is that the obligation is completely fulfilled.
(4) The debtor that has only partially fulfilled the obligation has the right to ask for that fulfillment to be recorded on the bond.

Section 2

DELAY

I. DEBTOR’S DELAY

When the debtor is considered delayed

Article 324

(1) Debtor is considered delayed in the event that he does not fulfill obligation within the deadline stipulated for fulfillment.
(2) If the deadline for fulfillment is not stipulated, the debtor is considered delayed when the creditor invites him to fulfill the obligation, verbally or in writing, by extrajudicial warning or initiating a procedure the purpose of which is to accomplish the fulfillment.

II. CREDITOR’S DELAY

When the creditor is considered delayed

Article 325

(1) Creditor is considered delayed if he/she refuses, without good reason, to accept fulfillment or if he prevents it with his behavior.
(2) Creditor is also considered delayed if he/she is ready to accept the fulfillment of debtor’s simultaneous obligation, but he/she does not offer the fulfillment of his due commitment.
(3) Creditor is not considered delayed if he/she, at the time of offering the fulfillment or at the time stipulated for fulfillment, proves that the debtor was not in the position to fulfill his obligation.

Effects of creditor’s delay

Article 326

(1) Upon the creditor’s coming into delay ceases the debtor’s delay, and the risk of loss or of damage to objects is transferred to the creditor.
(2) Interest shall no longer be charged as of the day of creditor’s delay.
(3) A delayed creditor shall compensate the debtor for the damage that was caused by the delay he is liable for, as well as for the costs of further keeping the objects.

Section 3

DEPOSITING AND SELLING AN OWED OBJECT

Depositing at the court
Article 327

(1) If the creditor is delayed, unknown, or if it is uncertain who the creditor is or where he is located, or he/she is legally incapable, and has no representative, the debtor can deposit the owed object for the creditor at the court.

(2) Third parties legally interested in having the obligation fulfilled enjoy the same right as well.

(3) Debtor is obliged to inform the creditor on the performed depositing if he/she is aware of him or of his residence.

At which court objects can be placed

Article 328

(1) Objects shall be placed at a competent court in the place of fulfillment, unless the economical reasons or nature of business require fulfillment to be performed in the place where the object is located.

(2) Any other competent court must accept the object for depositing, and the debtor is obliged to compensate the creditor if he suffered damage for the placement at another court.

Delivery to other person for depositing

Article 329

(1) When the object of obligation is an object that cannot be deposited at the court deposit, the debtor can ask from the court to appoint a person to whom the object will be delivered for depositing at the creditor’s expense and for his/her account.

(2) In the event of obligation arising from a commercial contract, delivery of such an object for depositing at a public warehouse for the creditor’s account shall have the effect of depositing at the court.

(3) Debtor is obliged to inform the creditor on the completed delivery.

Taking back the deposited object

Article 330

(1) Debtor can take back a deposited object.

(2) Debtor is obliged to inform the creditor on taking over the objects.

(3) Debtor’s right to take over the deposited object shall be terminated upon the debtor’s declaration at the court that he/she waives that right, upon the creditor’s declaration that he/she accepts the deposited object, as well as when it is determined with a valid decision that the fulfillment meets the conditions of regular fulfillment.

Effect of depositing

Article 331

(1) The debtor shall be freed from obligation by depositing the owed object at the moment of depositing.

(2) If the debtor was late his delay shall be terminated.

(3) As of the moment of depositing object, the risk of accidental loss or damage to objects shall be borne by the creditor.

(4) Interest shall no longer be charged as of the day of depositing.

(5) If the debtor takes back the deposited object, it shall be considered that there was no depositing, and his co-debtors and guarantors shall remain under obligation.

Costs of depositing

Article 332

Costs of valid and irrevocable depositing shall be borne by the creditor if they exceed the costs of fulfillment that are borne by the debtor.
Selling instead of depositing objects

Article 333

(1) If an object is unsuitable to be deposited, or if costs of its depositing or maintaining are in disproportion to its value, the debtor can sell it through a public offer in the place which was determined for fulfillment, or some other place if this is in creditor’s interest, and the reached amount, after the sales have been deducted, shall be deposited at the court in that place.

(2) If an object has the current price, or if its value is small in comparison to the costs of public sale, the debtor is given a free hand in selling it.

(3) If an object is such that it may decompose or rot, the debtor is obliged to sell it without delay in a most propitious manner.

(4) In any case, the debtor is obliged to inform the creditor about the intended sale whenever possible, and after the sale, about the fetched price and its depositing at the court.

Delivering the Object to the Creditor

Article 334

The court shall deliver the deposited object to the creditor, on terms set forth by the debtor.

Sale for Covering depositing costs

Article 335

(1) If the costs of depositing are not paid within a reasonable deadline, the court shall order – in accordance with the depositary’s demand - that the object is to be sold, and it shall define the sale method.

(2) Sale costs and depositing costs shall be deducted from the amount obtained through sale, while the rest is to be deposited at the court on behalf of the creditor.

PART 3

OTHER METHODS OF OBLIGATION CESSATION

Section 1

OFFSETTING (COMPENSATION)

General Conditions

Article 336

Debtor can set off the claim owned to the creditor against the claim the creditor owns to him, if both claims are to be compensated in money or in other replaceable objects of the same type and of the same quality, and if both became due.

Statement on Compensation

Article 337

(1) Compensation does not take place after the conditions for it are created, but one party needs to make a statement to the other party that it will perform compensation.

(2) After the statement on compensation was made, it is considered that compensating took place at the moment when the conditions for it were created.

Absence of Reciprocity

Article 338
(1) Debtor cannot set off that which he owns to the creditor against that which the creditor owns to his guarantor.
(2) But guarantor can set off the debtor’s liability to the creditor against the debtor’s claim to the creditor.
(3) The one who gave his object as security for another person’s obligation may request of the creditor to revert the pledged object when the conditions for cessation of the obligation through compensation are fulfilled, as well as when the creditor is responsible for failing to perform compensation.

Obsolete Claim

Article 339

(1) Debt can be set off against an obsolete claim only if it was not obsolete at the moment when the conditions for compensation were fulfilled.
(2) If the conditions for compensation were created after one of the claims became obsolete, compensation is not to take place if the debtor of the obsolete claim raised a plea of prescription.

Compensation involving assigned claim

Article 340

(1) Debtor of an assigned claim can set off the claims toward the consignee, which he could set off to the assignor prior to the notification on assignment.
(2) He/she can set off even those of his claims toward the assignor, acquired prior to the notification on assignment, the deadline for fulfillment of which was not due at the moment when he was informed about the assignment, but only in case that deadline is due prior to the deadline for fulfilling the assigned claim or at the same time.
(3) Debtor who unquestioningly made a statement to the consignee that he accepts the assignment cannot set off either of his claims toward the assignor.
(4) If the assigned claim was recorded in public books, debtor can perform compensation to the consignee only in case his claim was entered in the field foreseen for assigned claims or if the consignee is informed of existence of that claim at the moment of assignment.

Cases when Compensating Is Excluded

Article 341

The following cannot cease through compensation:
1) claim that cannot be confiscated;
2) claim involving the object or value of the objects which were given to the debtor for depositing, or were lent, or those which debtor took or kept while having no right to do so;
3) claim that resulted from an intended damage inflicting;
4) claim for compensating damage that caused health loss or death;
5) claim which results from legal obligation of alimony.

Prohibition against Claim of the Other Party

Article 342

Debtor cannot perform compensation if his claim became due only after a third party prohibited the creditor’s claim toward him.

Inclusion through Compensation

Article 343

When there are several liabilities between two entities, which can cease through compensation, the compensation is performed according to the rules set for the inclusion through compensation.
Section 2

DISCHARGE OF DEBT

Agreement

Article 344

(1) Liability ceases when the creditor declares to the debtor that he/she will not ask for its fulfillment and the debtor agrees with it.

(2) In order for an agreement to be valid, it does not have to be made in the form in which the transaction out of which the liability resulted was made.

Renouncement of Security

Article 345

Returning security and renouncing other means which secured the fulfillment of liability does not imply that the creditor renounces his right to ask for its fulfillment.

Discharge of Warrantor’s Debt

Article 346

(1) Discharge of warrantor’s debt does not release the major debtor, while discharge of the major debtor’s debt does release the warrantor.

(2) When there are several warrantors and the creditor releases one of them, the other stay under the obligation, but their obligation is reduced by the part belonging to the released warrantor.

General Debt Discharging

Article 347

General debt discharging terminates all the creditor’s claims toward the debtor, except for those that the creditor did not know of when the release was performed.

Section 3

NOVATION

Conditions

Article 348

(1) Obligation ceases to exist if the creditor and debtor agree to substitute the existing obligation with a new one and if the new obligation has a different subject or a different legal foundation.

(2) Agreement between the creditor and the debtor which changes or adds the provision on deadline, place, or method of fulfillment, as well as the subsequent agreement on interest rate, contractual penalty, security or on any other accessory provision, and agreement on issuing a new document on debt, is not considered novation.

(3) Issuing bill or check due to some previous obligation is not considered novation, unless this was agreed upon.

Will to Perform Novation

Article 349

Novation is not implied, therefore unless the parties stated their intention to terminate their existing obligation when creating a new one, the previous obligation does not cease, but exists beside the new one.
Effects of Novation

Article 350

(1) Contract on novation causes the cessation of the previous obligation and forming of a new one.
(2) Security and warranty cease to exist with the termination of the previous obligation, unless it was arranged differently with the warrantor or pledger.
(3) The same is applied to other accessory rights that were connected to the previous obligation.

Absence of Previous Obligation

Article 351

(1) Novation has no effect if the previous obligation was void or already terminated.
(2) If the previous obligation was only relatively void, novation is valid if the debtor knew about the defect of the previous obligation.

Effect of Annulment

Article 352

When the contract on novation is annulled, it is considered that there was no novation and that the previous obligation never ceased to exist.

Section 4

MERGER (FUSION)

Article 353

(1) Obligation ceases due to merger when one and the same entity is creditor as well as debtor.
(2) When warrantor becomes creditor, obligation of the major debtor does not cease to exist.
(3) Obligation recorded in the public book ceases to be valid through merger, only after obliteration was recorded in the book.

Section 5

IMPOSSIBILITY OF FULFILLMENT

Cessation of Obligation due to the Impossibility of fulfillment

Article 354

(1) Obligation ceases when its fulfillment becomes impossible due to the circumstances for which the debtor is not liable.
(2) Debtor needs to prove circumstances that free him/her from his responsibility.

Generic debt

Article 355

(1) If objects defined in accordance with type are subject of the obligation, the obligation does not cease to exist even in the event of the loss of the benefits the debtor has out of those object, caused by the circumstances for which he is not liable.
(2) But if the subject of obligations are objects defined according to the type which should be taken out of the defined bulk of such objects, the obligation ceases to exist upon the loss of the whole bulk.
Transfer of Rights to the Third Party liable for Impossibility of Fulfillment

Article 356

Debtor of a certain object, who is released from his obligations due to the impossibility of fulfillment is obliged to transfer his right which he would have toward the third party, to the creditor due to the incurred impossibility.

Section 6

TIMELAPSE, CANCELLATION

Deadline in a Permanent Debtor Relation

Article 357

A permanent debtor relation with a certain expiry deadline ceases when the deadline expires, unless it was contracted or defined by law that the debtor relation is prolonged for an undefined time period after the deadline expiry, unless promptly cancelled.

Cancellation of Permanent Debtor Relation

Article 358

(1) Each party can terminate the debtor relation through cancellation, unless the term of the debtor relation has been stipulated.
(2) Cancellation must be submitted to the other party.
(3) Cancellation, unless inopportune, can be submitted any time.
(4) Dismissed debtor relation ceases to exist upon the expiry of the notice period defined by the contract, and if such a period has not been contracted, the relation ceases upon expiry of a legal deadline or deadline determined by business practice, i.e. appropriate deadline.
(5) Parties can agree that their debtor relation will cease to exist by a mere submitting of cancellation, unless stipulated otherwise by the law for the specific case.
(6) Creditor has the right to request from the debtor whatever was due before the obligation ceased to exist due to deadline expiry or cancellation.

Section 7

DEATH

Article 359

Debtor’s or creditor’s death results in cessation of obligation only if the obligation was contracted based on personal characteristics of any of the parties, or personal abilities of the debtor.

PART 4

BARRING BY LIMITATION

Section 1

GENERAL PROVISIONS (EXTINCTIVE PRESCRIPTION)

General Rule

Article 360

(1) Right to request fulfillment of obligation ceases to exist due to barring by limitation.
(2) Limitation takes place upon the expiry of the time defined by law within which the creditor was entitled to request obligation fulfillment.

(3) Court cannot take into account barring by limitation if the debtor did not invoke it.

From which point starts the limitation period

Article 361

(1) The limitation starts to lapse on the first day after the day on which the creditor had the right to request obligation fulfillment, unless the law prescribes otherwise for specific cases.

(2) If the obligation consists of refraining from doing, failing to do, or sufferance, the limitation starts to lapse on the first day after the day when the debtor acted contrary to the obligation.

Barring by Limitation Coming into Effect

Article 362

Barring by limitation comes into effect upon the expiry of the last day of the time period determined by law.

Taking into Account Time of the Predecessor

Article 363

The time period which lapsed in the benefit of the debtor’s predecessors is taken into account regarding barring by limitation period.

Prohibition of Change of Limitation Deadline

Article 364

(1) A legal transaction cannot determine a period of limitation that would be longer or shorter than the legally defined period of limitation.

(2) A legal transaction cannot define that barring by limitation will be suspended for some time.

Waiver from Barring by Limitation

Article 365

Debtor cannot waive barring by limitation before the lapse of time determined for barring by limitation.

Written Confirmation and Securing Limited Obligation

Article 366

(1) Written confirmation of an expired obligation is considered waiver from barring by limitation.

(2) Giving in pawn or any other security for expired claim has the same effect.

Effect of Fulfillment of Expired Obligation

Article 367

If the debtor fulfills an expired obligation, he has no right to request that that which he gave be given back to him, even if he did not know that the obligation expired.

Creditor whose Claim Was Secured

Article 368
(1) When limitation period expires, creditor whose claim was secured through pawn or mortgage can be repaid only out of the burdened object, if it is in his possession or if his right is recorded in the public book.
(2) However, expired claims based on interest rates and other periodical payments cannot be repaid out of the burdened object.

Accessory Claims

Article 369

When the main claim expires, accessory claims such as claims against the interest rates, capital sum enlargements, costs, penalty clause, expire as well.

Non-Application of Rules of Barring by Limitation

Article 370

Rules on barring by limitation are not applied in cases when the law defined certain deadlines within which the appeal should be raised or a certain action should be performed under the threat of losing the right.

Section 2

TIME NEEDED FOR BARRING BY LIMITATION

General Limitation Deadline

Article 371

Claims expire within the period of ten years, unless another limitation deadline is defined under law.

Periodical Claims

Article 372

(1) Claims related to periodical giving which are due annually or in shorter determined time spans (periodical claims), even if accessory claims are in question, such as claim of interest rate, even if in such periodical claims the right itself is used, such as claim of alimony, expire within three years period from the maturity day for each individual giving.
(2) The same principle applies to annuities, capital sum and interest rates, which are paid off in equal periodical amounts determined in advance, but it does not apply to payments in portions or other partial realizations.

Barring by Limitation of the Right

Article 373

(1) The right which results in periodical claims expires within five years period, beginning with the oldest unfulfilled claim becoming due after which the debtor made no payments.
(2) When the right, out of which periodical claims result, expires, the creditor loses right not only to request future periodical payments, but also to demand periodical payments which became due prior to this barring by limitation.
(3) Right to alimony defined by law cannot expire.

Mutual Claims from Contract on Trade of Goods and Services

Article 374

(1) Mutual claims of legal entities from contract on trade of goods and services, as well as claims for compensation of expenses made in relation to these contracts, expire within three-year period.
(2) Barring by limitation lapses separately for each delivery of goods, performed work or service.
Claim to Rent

Article 375

Claim to rent, either determined to be paid periodically, or at once, expires within a three-year period.

Claim for compensation of damage

Article 376

(1) Claim for compensation of caused damage expires in three years after the injured party found out about the damage and about the person who caused the damage.
(2) In any case, this claim expires in five years from the date when the damage was inflicted.
(3) Claim for compensation of damage that was caused through the breach of a contractual obligation expires upon the end of the period defined for expiry of the obligation.

Claim for compensation of damage caused in a criminal offence

Article 377

(1) When the damage is caused in a criminal offence, and a longer limitation period is anticipated for prosecution for criminal offence, the request for compensation of damage addressed to the competent person expires with the end of time period determined for limitation period of prosecution for criminal offence.
(2) The interruption of prosecution for criminal offence also implies the suspension of prescription of the request for compensation of damage.
(3) The same rule applies to the suspension of prescription

One year term for limitation period

Article 378

(1) Limitation period of one year is applied to:
1) claim for compensation of supplied electrical and thermal energy, gas, water, for chimney-sweeping and garbage removal, when the provisions or service were performed for the needs of a household:
2) claim of radio station and radio-television station for the use of radio and TV;
3) claim of post, telegraph and telephone for the use of telephone and post boxes, as well as their other claims that are paid within three months or shorter time limits;
4) claim of subscription to periodicals, counting from the expiry of time for which the periodical was ordered;
(2) The limitation period runs although the provisions or services have been extended.

Claims established before the court or other authorized bodies

Article 379

(1) All claims established by an effective court decision or decision of other authorized body, or settlement before the court or other authorized body, shall expire within ten years, as well as those for which the law usually prescribes a shorter term for limitation period.
(2) However, all occasional claims originating from such decisions or settlements and which become due in the future, shall expire within the deadline anticipated for limitation period of occasional claims.

Deadlines for limitation period of contracts of insurance

Article 380

(1) Claims of contracting parties in insurance contract, i.e. third party in a life insurance contract, expire in five, and from the other contracts of insurance in three years, counting from the first day after the end of calendar year in which the claim occurred.
(2) If the interested party proves that he/she did not know that the insured case arose before the day referred to in the preceding paragraph, the limitation period starts from the day when he/she learned about it. Anyhow, the claim expires in ten years for life insurance, and for the other cases in five years from the date referred to in the preceding paragraph.

(3) The claims of insurer from the contract of insurance expire in three years.

(4) In case of insurance from liability of a third party, when the injured party demands compensation from the insured, or receives it from him/her, expiry of the insured party’s request to the insurer starts from the day when the injured party requested compensation from the insured through a court procedure, i.e. when the insured compensated him.

(5) A direct request of the third injured party toward the insurer expires in the same period as his request to the insured liable for the damage.

(6) Limitation period of claim held by the insurer toward the third party liable for the occurrence of insured case begins to lapse at the same time as the expiry of claim of the insured toward that party and expires within the same time limit.

Section 3

SUSPENSION OF LIMITATION PERIOD

Claims between certain persons

Article 381

The limitation period does not lapse:
1) between spouses;
2) between parents and children during the term of duration of paternal right;
3) between the protégé and his/her guardian, as well as the bodies of guardianship, for the duration of guardianship and until the accounts are rendered;
4) between two persons who live in concubinage, while the concubinage exists.

Claims of certain persons

Article 382

Limitation period does not run:
1) during mobilization, in the event of immediate threat of war or the war, concerning the claims of persons under a military service;
2) for the claims held by persons employed in another person’s household, toward the employer or members of his family who live together with them, as long as the employment lasts.

Insurmountable obstacles

Article 383

The limitation period does not run for the whole period during which it was not possible for the creditor to demand fulfillment of the obligation through court procedures due to insurmountable obstacles.

Influence of the cause for interruption of limitation period

Article 384

(1) If the limitation period could not start to lapse due to a legal reason, it starts to run when that reason ceases to exist.

(2) If the limitation period started to lapse before the occurrence of the cause that stopped its further course, it continues to run when the cause ceases to exist, and the time that elapsed before the interruption is calculated into the limitation period defined by the law.

Claims toward legally incapable persons and their claims
Article 385

(1) The limitation period applies also to a minor and other legally incapable person, regardless of whether they have a legal representative or not.
(2) However, limitation period for claims of a minor who does not have a representative and other legally incapable person without a representative, cannot begin before the lapse of two years after they became fully legally capable, or after they procured a representative.
(3) If the limitation period set for a claim is shorter than two years, and the creditor is a minor without a representative or legally incapable person without a representative, limitation period for the claim begins to lapse from the moment the creditor becomes legally capable, or from the moment he/she procures a representative.

Claim toward a person doing military service

Article 386

The limitation period toward a person doing military service or participating in a military exercise cannot begin to lapse before the lapse of three months from the end or completion of the military service.

Section 4

INTERRUPTION OF LIMITATION

Acknowledgement of debt

Article 387

(1) The limitation is interrupted when the debtor acknowledges the debt.
(2) Acknowledgement of the debt may be made, not only by a statement to the creditor, but also in an indirect way, such as payment of installment, payment of interest rate, giving of security.

Bringing charges

Article 388

The limitation is interrupted by bringing charges and any other creditor’s action taken against the debtor before the court or other competent authority, in the aim of establishing, securing or realization of a claim.

Withdrawal, rejecting or refuting of charges

Article 389

(1) If the creditor withdraws the charges or action that he had taken, it is considered that interruption of limitation caused by bringing charges or any other creditor’s action taken against the debtor before the court or other competent authority in the aim of establishing, securing or realization of a claim, did not occur.
(2) In the same way, it is considered that there was no interruption if the creditor’s charges or request were rejected or refuted, or if the measure undertaken or secured with a view to carry out or secure was annulled.

Rejecting of charges due to lack of jurisdiction

Article 390

(1) If charges against the debtor were rejected due to the lack of jurisdiction of the court or any other reason not related to the essence of the matter, and the creditor brings new charges within three months from the day of going into effect of the decision on rejecting the charges, it is considered that the limitation was interrupted by the first charges.
(2) The same applies to invitation for protection and to requesting settlement of claims in a lawsuit, as well as in the case when the court or other authority instructed the debtor to realize his registered claim in a civil procedure.

**Notifying the debtor**

**Article 391**

In order to interrupt limitation it is not sufficient for the creditor to invite the debtor, either in writing or verbally, to fulfill the obligation.

**Limitation period in case of interruption**

**Article 392**

(1) After interruption, the limitation begins to lapse again, and the time that elapsed prior to the interruption is not calculated into the limitation period defined by the law.

(2) Limitation interrupted by the debtor’s acknowledgement begins to lapse again after the acknowledgement.

(3) When the interruption of limitation was caused by bringing charges or calling for protection, or requesting settlement of claims in lawsuit, i.e. registering claims in some other procedure, the limitation begins to lapse again as of the day when the lawsuit was completed or ended in some other way.

(4) When the interruption of limitation occurred by reporting of claims in bankruptcy proceedings, the limitation begins to run again as of the day when the proceedings ended.

(5) The same applies to the case when interruption of limitation occurred through the request for coercive execution or securing.

(6) Limitation that begins to lapse again after the interruption, passes when the time period defined by law for interrupted limitation, has elapsed.

**Limitation in case of novation**

**Article 393**

If the interruption arose through the acknowledgement of the debt by the debtor, while the creditor and the debtor agreed to change the basis or object of obligation, the new claim expires in the time defined for its limitation.

**Chapter V**

**VARIOUS TYPES OF LIABILITIES**

**PART 1**

**CAPITAL COMMITMENTS**

**Section 1**

**GENERAL PROVISIONS**

**The principle of the monetary nominalism**

**Article 394**

When the object of liability is an amount of money, the debtor is obliged to pay the amount of money units stated in the liability, unless the law prescribes differently.

**Currency of liability**
Article 395

If a capital commitment is payable in some foreign currency or gold, its fulfillment may be requested in local currency according to the exchange rate valid at the moment of fulfilling the commitment.

Article 396

Erased by amendments to the Law in 1993.

Sliding scale

Article 397

In the contracts in which one party is bound to produce and deliver certain objects, it is permitted to agree that the price shall depend on the costs of material and work, as well as the other elements that influence the level of production expenses, at the specific moment on the specific market.

Payment before the deadline

Article 398

(1) The debtor may fulfill his capital commitment before the deadline.
(2) A provision of the contract by which the debtor renounces this right is void.
(3) In case of fulfillment of the capital commitment before the deadline, the debtor has the right to reduce the amount of debt by the amount of the interest rate for the period from the day of payment until the maturity of commitment, only if he is authorized to do so by the contract, or it is a matter of business practice.

Section 2

CONTRACTUAL INTEREST

Rate of contractual interest

Article 399

(1) The rate of contractual interest between physical entities cannot be higher than the interest rate charged to the savings deposits, payable at sight, in the place of fulfillment.
(2) The highest interest rate between the legal entities shall be regulated by the provisions of a separate law.
(3) If the interest has been agreed, but neither its rate nor the period of maturity have been defined, the interest rate charged for the savings deposits at sight, in the place of fulfillment, shall be applied for physical entities; while the interest rate charged, i.e. agreed by a bank or other banking organization for this or similar type of work shall be applied for legal entities; the latter interest rate is due upon expiry of the year, unless foreseen otherwise for a specific case.
(4) If the agreed interest rate is higher than permitted, the highest permitted interest rate shall be applied.

Compound interest

Article 400

(1) Provision of the contract, stipulating that the interest shall be charged for the interest, if it is not paid when it is due for payment, is null and void.
(2) However, it may be agreed in advance that the interest rate shall be increased in case of the untimely payment of the due interest by the debtor.
(3) The provisions referred to in the preceding paragraphs are not applied to the credit transactions of banks and other banking organizations.
Article 401

Ceased to be valid by amendments to the Law in 1989.

Interests in non-monetary liabilities

Article 402

Provisions of this law on contractual interest are applied accordingly to other liabilities the object of which are objects defined by kind.

PART 2

LIABILITIES WITH MORE OBJECTS

Section 1

ALTERNATIVE LIABILITIES

Right to choose

Article 403

If a liability has two or more objects, but the debtor is obliged to provide only one, in order to be released from the obligation, the debtor, unless agreed otherwise, has the right to choose, and the liability ceases after he/she the object he/she chose.

Irrevocability and effect of the made choice

Article 404

(1) The choice is made when the party that has the right to choose notifies the other party of his/her choice and as of that moment the choice can no longer be changed.

(2) Making the choice implies that the obligation was simple from the beginning and that its object was the chosen object from the beginning.

Duration of the right to choose

Article 405

(1) The debtor has the right to choose until one of the owed objects, of the creditor’s choice, is completely or partly handed over to the creditor, through the procedure of coercive execution.

(2) If the creditor has the right to choose, and he/she does not declare his/her mind about the choice within the term set for fulfillment, the debtor can invite him to make the choice and determine an appropriate deadline for that, upon expiry of which the right to choose is transferred to the debtor.

Choice entrusted to a third party

Article 406

If a third party should make the choice and does not do so, each party may request the court to make the choice.

Prescription to the left over object
Article 407

If an object of obligation has become impossible due to an event for which neither party is liable, the obligation is limited to the remaining object.

Restriction in case of responsibility of one party

Article 408

(1) When an object of obligation has become impossible due to an event for which the debtor is liable, the obligation is limited to the remaining object in case that the right to choose is held by the debtor, and if the right to choose belongs to the creditor, he/she may decide if he/she will request the remaining object or compensation of damage.

(2) When an object of obligation has become impossible due to the events for which the creditor is liable, the debtor’s obligation ceases. But in the case when latter holds the right of choice, he/she may demand compensation of damage and fulfill his/her obligation with the remaining object, and if the creditor has the right to choose he may give compensation of damage and request the remaining object.

Section 2

OPTIONAL OBLIGATIONS AND OPTIONAL CLAIMS

I. OPTIONAL OBLIGATIONS

Debtor’s authorization in optional obligation

Article 409

A debtor whose obligation includes one object, but he/she is allowed to release himself from the obligation by giving some other specific object, may use that possibility until the creditor, in course of coercive execution, receives, fully or partly, the object of obligation.

Creditor’s authorizations in optional obligation

Article 410

(1) The creditor in optional obligation may request from the debtor only the object of obligation, but not another object, with which the debtor, if he/she wishes, may fulfill his/her obligation.

(2) When the object of obligation becomes impossible due to an event for which the debtor is liable, the creditor may request only the compensation of damage, but the debtor can release himself/herself from the obligation by giving the object he is authorized to give instead of the owed object.

II. OPTIONAL CLAIMS

Article 411

(1) When it is stipulated by a contract or under law that the creditor may request from the debtor instead of the owed object some other specified object, the debtor is bound to deliver that object to the creditor, upon his/her request.

(2) Besides, appropriate rules on optional and alternative obligations are valid for such optional claims according to the debtor’s intention and circumstances of the transaction.

PART 3.

OBLIGATIONS WITH MORE DEBTORS OR CREDITORS

Section 1.
DIVISIBLE OBLIGATIONS

Dividing obligations and claims

Article 412

(1) The obligation is divisible if what is owed may be divided and fulfilled in segments that have identical qualities as the whole object, and unless it loses some of its value by that division, otherwise the obligation is indivisible.

(2) When there are more debtors in a certain divisible obligation, the obligation is divided among them in equal parts, unless a different division has been determined, and each of them is liable for his segment of the obligation.

(3) When there are several creditors in a certain divisible obligation, the claim is divided among them in equal parts, unless determined otherwise, and each creditor may request only his part of the claim.

Presumption of solidarity

Article 413

When there are more debtors in a certain divisible obligation that arose due to a contract in industry, they are in joint and several liability to the creditor, unless the contractors explicitly removed the joint and several liability.

Section 2

JOINT AND SEVERAL OBLIGATIONS

I. DEBTOR’S SOLIDARITY

Contents of debtor’s solidarity

Article 414

(1) Every debtor in joint and several liability is liable to the creditor for the complete obligation and the creditor may request its satisfaction from whoever he chooses until it is completely fulfilled. But, when one debtor fulfills the obligation, it ceases to be valid and all the debtors are released from obligation.

(2) Of more debtors in joint and several liability, each may be in debt with a different deadline for fulfillment, under different conditions and generally with different variations.

Offsetting

Article 415

(1) Every debtor in joint and several liability can invoke the offsetting that was made by his joint debtor.

(2) The debtor in joint and several liability can set off the claim of his co-debtor toward the creditor with the creditor’s claim, but only for the amount of a portion of the debt of that co-debtor in joint and several obligation.

Discharge of debt

Article 416

(1) Discharge of debt performed by agreement with one debtor in joint and several obligation releases the other debtors from the obligation.

(2) But, if the purpose of discharge was to free from obligation only the debtor with whom it was performed, the joint and several obligation is decreased by the part apportioned to him/her according to the mutual relations of the debtors, while the other debtors are under joint and several obligation for the rest of the obligation.
Novation

Article 417

(1) Novation that one of the creditors performed with one of the debtors from the joint and several obligation releases other debtors too.
(2) However, if the creditor and the debtor limited the novation to one part of the obligation apportioned to the latter, the obligation of the others does not cease, but is only decreased by that part.

Compounding

Article 418

The compounding concluded by one of the joint debtors with the creditor has no effect toward the other debtors, but they have the right to accept that compounding, unless it is limited toward the debtor with whom is was concluded.

Merging

Article 419

When the functions of creditor and debtor with the same joint obligation merge in one person, the obligation of other debtors is decreased by the amount apportioned to him/her.

Creditor’s delay

Article 420

When the creditor gets into a delay toward a joint debtor, he is in delay also toward the other joint debtors.

Delay of one debtor and recognition of debt

Article 421

(1) Delay of one joint debtor bears no effect to the other debtors.
(2) The same applies to the recognition of debt that would be contracted by one of the joint debtors.

Suspension and interruption of prescription period and renunciation of prescription

Article 422

(1) If the extinctive prescription does not run or it has been interrupted toward one of the debtors, it runs for the other joint debtors and can expire, but the debtor to whom the obligation is not prescriptive and who had to fulfill it, has the right to request from the other debtors toward whom the obligation is expired, to be compensated for their respective portions of obligation.
(2) Renunciation of reached prescription has no effect towards the other debtors.

The right of the fulfiller to compensation

Article 423

(1) The debtor who fulfilled his obligation has the right to request from each joint debtor to be compensated for the portion of obligation that belonging to him/her.
(2) At that, the circumstance pertaining to the creditor freeing one of the debtors from debt or decreasing his/her debt bears no influence.
(3) The part belonging to the debtor, from whom compensation can not be obtained, is divided proportionally to all debtors.
Division on equal portions and exception

Article 424

(1) Unless agreed otherwise or derived from the legal relations of participants in business, an equal part is apportioned to each debtor.
(2) However, if the joint and several obligation was concluded in the exclusive interest of one joint debtor, he is obliged to compensate for the whole amount of obligation to the joint debtor who repaid the creditor.

II. SOLIDARITY OF CREDITORS

Solidarity is not implied

Article 425

When several persons act as a creditor, they are in solidarity only if the solidarity is contracted or defined by law.

Contents of solidarity

Article 426

(1) Each joint creditor has the right to request from the debtor satisfaction of the whole obligation, but when one of them is repaid, the obligation also ceases toward the other creditors.
(2) The debtor may fulfill his obligation toward the creditor of his/her choice, until one of the creditors demands repayment.

Offsetting

Article 427

(1) The debtor can offset his obligation with the claim he has toward the creditor who requests repayment.
(2) The debtor can offset a claim he holds toward some other creditor only up to the amount of portion of joint claim that is held by that creditor.

Discharge of debt and novation

Article 428

Through the discharge of the debt and the novation between the debtor and one of the creditors, the joint and several obligation is decreased by the respective part of the creditor’s claim.

Settlement

Article 429

The settlement made by one of joint creditors with the debtor will have no effect toward the other creditors, but they have the right to accept the settlement, unless it is related to the portion of the creditor with whom it was concluded.

Merging

Article 430

When the functions of creditor and debtor merge in the person of a joint creditor, every other joint creditor may request from him/her only his/her own portion of claims.
Delay

Article 431

(1) When the debtor is in delay toward a joint creditor, he is also in delay toward other creditors.
(2) The delay of a joint debtor is ineffective toward other creditors.

Acknowledgment of debt

Article 432

Acknowledgment of debt made to one creditor is of the benefit to all creditors.

Prescription

Article 433

(1) If one of the creditors interrupts the extinctive prescription, or if the prescription does not run for him/her, that is not of benefit for the creditors and the prescription still runs for them.
(2) Renouncing of prescription performed toward one creditor implies a benefit to other creditors as well.

Relations between the creditors after repayment

Article 434

(1) Every joint creditor has the right to request from the creditor who was repaid by the debtor to be given his/her respective portion.
(2) Unless derived otherwise from the relationship between the creditors, an equal portion belongs to each of the creditors.

Section 3

INDIVISIBLE OBLIGATIONS

Article 435

(1) The regulations on joint and several obligations are applied accordingly to the indivisible obligations in which there are several debtors.
(2) When there are several creditors in an indivisible obligation and no contracted or legally defined solidarity exists among them, the creditor may request that the debtor fulfill his obligation to him only if he/she is authorized by the other debtors to receive the repayment. Otherwise, each creditor may request from the debtor to fulfill the obligation toward all creditors together, or to present it to the court.

Chapter VI

CHANGE OF CREDITOR OR DEBTOR

PART 1

TRANSFER OF CLAIMS BY CONTRACT (CONVEYANCE)

Section 1

GENERAL PROVISIONS
What claims can be transferred by contract

Article 436

(1) The creditor can transfer his claim on a third person by a contract concluded with him/her, except the claims whose transfer is forbidden by law or which is tied to the personality of creditor, or which is by its nature in contradiction to transfer on another person.

(2) The contract on transfer has no effect toward the debtor, if he and the creditor concluded a contract stating that the latter will not be able to transfer the claim on another or that he/she will not be able to transfer it without the debtor’s consent.

Accessory rights

Article 437

(1) The accessory rights are transferred to the consignee, along with the claim, such as the right of priority payment, mortgage, pledge, rights from contract with a guarantor, rights to interest, contractual penalty, etc.

(2) However, the transferor can hand over the pledged item to the consignee only if the pledger consents to that, otherwise the item remains with the transferor, deposited on behalf of the consignee.

(3) It is supposed that due unpaid interests are transferred with the main claim.

Informing the debtor

Article 438

(1) Debtor’s consent is not required for the transfer of claims. However, the transferor is obliged to inform the debtor about the performed transfer.

(2) The repayment made to the grantor before information about transfer, is fully valid and releases the debtor from obligation, but only if he/she did not know of the transfer. Otherwise, the obligation remains and he/she is bound to fulfill it to the consignee.

Multiple transfer

Article 439

If the transferor transferred one and the same claim onto different persons, the claim is held by the consignee about whom the transferor informed the debtor first, i.e. who was the first to contact the debtor.

Section 2

CONSIGNEE – DEBTOR RELATION

Article 440

(1) Consignee holds the same rights toward the debtor that the transferor held toward the debtor before the transfer.

(2) Besides an objection he has toward him/her, the debtor can raise to the consignee also those objections which he could have raised toward the transferor until the moment when he learned about the transfer.

Section 3

TRANSFEROR - CONSIGNEE RELATION

Hand over of debt documents
Article 441

(1) The transferor is obliged to hand over to the consignee a bond or another debt document, if he has any, as well as other evidence on transferred claim and accessory rights.
(2) If the transferor transferred on the consignee only a portion of claim, he/she is obliged to hand over to him/her a notarized transcript of the bond or other document proving the existence of the transferred claim.
(3) He/she is obliged to issue him/her a notarized copy of certificate on transfer, upon his/her request.

Responsibility for existence of claim

Article 442

When the transfer was performed through a contract with compensation, the transferor is responsible for existence of claim as of the moment when the transfer was performed.

Responsibility for recoverability

Article 443

(1) The transferor is responsible for recoverability of the transferred claim if that was agreed, but only to the amount of what he had received from the consignee, as well as for the recoverability of interest rates, transfer costs and cost of proceedings against the debtor.
(2) A greater responsibility of the bona fide grantor can not be a matter of the contract.

Section 4

SPECIAL CASES OF CLAIM TRANSFER

Transfer instead of fulfillment or for collection

Article 444

(1) When the debtor transfers his claim, or a portion of claim, on the creditor instead of fulfilling the obligation, by concluding the contract on transfer, the debtor’s obligation is decreased up to the amount of the transferred claim.
(2) However, when the debtor transfers the claim to his creditor only for the reason of payment, his obligation ceases, or is decreased only upon the creditor’s collection of payment for the transferred claim.
(3) In both cases, the consignee is obliged to hand over to the transferor all that he collected through the amount of his claim to the transferor.
(4) In case of transfer because of collection of payment, the debtor of the transferred claim can fulfill his obligation also toward the transferor, even when he is informed about the transfer.

Transfer because of security

Article 445

When the transfer was performed in order to secure the consignee’s claim toward the transferor, the consignee is obliged to act with the good attention of a good entrepreneur, i.e. good host, about collection of payment for the transferred claim and to hand over the surplus to the transferor upon collected payment, after keeping the amount needed to repay his own claim.

PART 2

CHANGE OF DEBTOR

Section 1
TAKING OVER OF DEBT

I. GENERAL PROVISIONS

Contract on taking over of debt

Article 446

(1) Taking over of debt is performed by a contract between the debtor and person taking over, to which the transferor consented.
(2) Each of the above mentioned can inform the transferor about the concluded contract, and to each of them the transferor can give his consent to the taking over of debt.
(3) It is supposed that the creditor has given his consent if he received, without any reservation, fulfillment from the person taking over, which the person made in his own name.
(4) Contracting parties, as well as each of them separately, can invite the creditor to state within a defined period if he accepts the taking over of debt, and if the creditor does not state his opinion within the defined period, it is considered that he has not given consent.
(5) The contract on taking over of debt has the effect of a contract on taking over of fulfillment until the creditor gives his consent to the contract on taking over of debt, as well as if he refuses to give the consent.

The Case of Mortgage Debt

Article 447

(1) If the acquirer and the person who manages the estate made an agreement that the acquirer will take over the debt owed to the mortgage creditor in case of the disposal of mortgage real estate, it is considered that the mortgage creditor agreed on the contract on debt transfer if he did not reject it within three months, upon receiving a written notice by the person who manages the estate.
(2) The notice is to be written in such a way so that the creditor is made aware of this consequence, otherwise it will be considered that the notice was not send at all.

II EFFECTS OF CONTRACT ON DEBT ASSUMPTION

Change of Debtor

Article 448

(1) When assuming debt, the one to whom the debt is transferred replaces the previous debtor, while the latter is released from the obligation.
(2) However, if at the time of the creditor’s acceptance of the contract on debt assumption, the one to whom the debt is transferred was burdened with debts, and the creditor neither knew nor ought to have known this, the previous debtor is not released from obligation, and the contract on transfer of debt has the effect of a contract on accession to debt.
(3) The same obligation exists in the relation between the one to whom the debt was transferred and the creditor, which existed between the previous debtor and the creditor.

Subsidiary Rights

Article 449

(1) Subsidiary rights that existed until then in relation to the claim remain in force, but securities, as well as pawns, given by third parties cease, unless the warrantors and pawn mediators agree to be liable toward the new debtor.
(2) Unless stipulated otherwise, the one to whom the debt was transferred does not take the responsibility for unpaid interest rates that became due prior to the transfer.

Objections
Article 450

(1) The person who assumed the debt can address to the creditor any objection which results from the legal relation between the previous debtor and the creditor, from which the transferred debt arose, as well as any objection against the creditor.

(2) The person who assumed the debt cannot address to the creditor any objection that results from his legal relation with the previous debtor, when the relation was the basis for transfer.

Section 2

ACCESSION TO DEBT

Contract on Accession to Debt

Article 451

The contract between the creditor and the third party, whereby the third party is obliged to the creditor to fulfill his/her claim from the debtor, is binding on the third party as well as on the debtor.

Accession to Debt in case of Acquisition of A Total Estate

Article 452

(1) Entity onto which a total estate of a physical or legal entity is transferred, on the basis of a contract, or a part of that estate, is liable for debts related to that estate, or the part of it, is liable and in joint and several obligation with the previous property holder, but only up to the value of its assets.

(2) A contract, which would exclude or limit responsibility stipulated in the previous paragraph, is without legal effect toward the creditors.

Section 3

ASSUMPTION OF OBLIGATION FULFILMENT

Article 453

(1) Assumption of obligation fulfillment is performed through the contract between the debtor and a third party, which is binding on the latter, in terms of fulfillment of the debtor’s obligation toward his creditor.

(2) He is liable to the debtor if he does not fulfill his obligation toward the creditor on time, consequently, the latter requests the debtor to fulfill the obligation.

(3) But he neither assumes nor takes up the debt and the creditor has no right in regards to the debt.
Article 454

(1) Seller is bound by the contract on sale to transfer right of ownership over the sold object to the buyer, and to hand it over for that purpose, while the buyer is obliged to pay the price in cash and to take the object.

(2) Seller of other kind of right is obliged to provide the sold right to the buyer, and when realization of that right presupposes the possession of the object, then to hand him over the object as well.

Form of Real Estate Sale

Article 455

Contract on sale of real estate has to be concluded in writing, under threat of nullity.

Risk

Article 456

(1) Until the object is handed over to the buyer, the risk of loss or damage of the object is taken over by the seller, while after the handing over of the object, the risk is transferred onto the buyer.

(2) Risk is not transferred to the buyer if he broke the contract or asked for the object to be substituted due to some deficiency.

Transfer of Risk in case of Buyer’s Delay

Article 457

(1) If the transfer of the object was not performed due to the buyer’s delay, the risk is transferred to the buyer at the moment the delay that he/she caused arose.

(2) When the objects defined according to the type are the subject of the contract, the risk is transferred onto the buyer who is in delay if the seller selected the objects which were obviously intended to be handed over, while he sent notification to the buyer.

(3) Nonetheless, if the objects defined in accordance with the type are of such character that seller cannot appropriate one part of theirs, it is sufficient for the seller to perform all necessary tasks in order for the buyer to take over the object and to send an explanation to the buyer concerning that.

PART 2
COMPONENTS OF CONTRACT ON SALE

Section 1
OBJECT

GENERAL PROVISION

Article 458

(1) Object on which contract is based has to be in circulation, while the contract on sale of the object which is not in circulation is considered void.

(2) Special regulations are applied when selling an object circulation of which is limited.

(3) Sale may pertain to a future object as well.

The Object Lost Prior to the Contract

Article 459

(1) Contract on sale has no legal effect if at the moment it was concluded the object that was the subject of the contract was lost.
(2) If the object was only partially lost at the moment the contract was concluded, the seller can break the contract or he can adhere to it while the price is proportionally lowered.

(3) But the contract will remain in effect and the buyer will only have the right to lower the price if the partial loss does not hinder the realization of the purpose of the contract, or if there is such a custom in legal transactions concerning that particular object.

Sale of another person’s object

Article 460

Sale of another person’s object is binding on the contractor; however the buyer who neither knew nor ought to have known that the object belongs to someone else, can, if the objective of the contract cannot be fulfilled due to that, break the contract and ask for the compensation for damage.

Sale of the Disputable Right

Article 461

(1) The disputable right can be the subject of the contract on sale.
(2) The contract providing for the purchase of the disputable right by an attorney or any other agent, who were either entrusted with the realization of that right, or concluded a contract providing for the share in the amount assigned to their client, is void.

Section 2

PRICE

If the Price is not Fixed

Article 462

(1) If the price is not defined through the contract on sale, and the contract does not contain sufficient data which could help define it, the contract has no legal effect.
(2) If the price in the contract on sale in the commerce is not fixed, nor there are enough data which could help define it, the buyer is to pay the price which the seller charged, under normal circumstances, at the time of the contract conclusion, and in case that this price is not available then a reasonable price.
(3) The current price at the time of the contract conclusion is considered a reasonable price, and if it cannot be determined, then it is the price that is determined by the court in accordance with the circumstances of the particular case.

Price Set In Accordance With Regulations

Article 463

If the contracted price is higher than the one which has been stipulated by the competent authority for the particular type of objects, the buyer owes only the amount equaling the prescribed price, while if he already paid for the contracted price, then he has right to request that the balance in price be given back to him.

In Case The Current Price Is Contracted

Article 464

(1) In case the current price is contracted, the buyer owes the price that was determined in accordance with the official records on the market of the buyer’s place at the time when the fulfillment was supposed to take place.
(2) If there are no such records, the current price is defined on the basis of the elements used when determining the price applying the market practices.

When Deciding Upon Price Is Delegated To A Third Party
Article 465

If a third party to whom it was delegated to decide upon the price does not want or cannot decide upon it, and the contractors subsequently neither agree about the determining of the price nor break the contract, it shall be considered that the contracted price was a reasonable price.

When the Contractor Is Entrusted With Deciding upon Price

Article 466

The provision of the contract providing one of the contractors to decide, at his/her own discretion, upon the price, is considered as not being contracted at all, and the buyer owes the amount as in the case of the price not being defined.

PART 3

SELLER’S OBLIGATIONS

Section 1

DELIVERY OF OBJECT

I ON DELIVERY IN GENERAL

Time and Place of Delivery

Article 467

(1) Seller is obliged to deliver the object at the time and in the place specified in the contract.

(2) It is considered that seller has performed the obligation of delivery to the buyer, as a rule, when the seller hands over to the buyer either the object or the document which enables him to take over the object.

Object of Sale

Article 468

(1) If neither contracted nor implied otherwise by the very nature of the business transaction, seller is obliged to hand over the object to the buyer in working condition, along with its supplements.

(2) Income and other uses of the object belong to the buyer as of the day on which the seller was obliged to hand them over to him.

In case Delivery Is Contracted within Certain Period of Time

Article 469

When it is defined by the contract that the delivery of the object is to be performed within certain period of time, and it was not defined which party is to have the right to determine the date of the delivery within the period, that right belongs to the seller, unless the circumstances of the case imply that the determining of the date of delivery was left to the buyer.

In case Date of Sale is not Determined

Article 470

If the date of the delivery of the object has not been defined, the seller is to perform the delivery within a reasonable deadline after the conclusion of the contract, taking into account the type of the object and other circumstances.

In case Place of Sale was not Determined by Contract
Article 471

(1) In case the place of contract was not defined by the contract, delivery of the object is performed in the place in which the seller was resident at the time of the contract conclusion, or if this is lacking, his/her temporary residence, and if the buyer concluded the contract when performing his/her regular economic activity, then in the place of the head office.

(2) However, if at the moment of contract conclusion it was known to the contractors where the object was, i.e. where it was supposed to be made, the delivery is performed in that place.

Delivery to the forwarding Company

Article 472

In case it was specified by the contract that it is necessary to perform transport of the object, and the place to which the transport is to be performed is not specified in the contract, the delivery is performed through delivery of the object to the forwarding company or to the entity which organizes the transport.

Organizing the Transport

Article 473

If seller is to send the object to the buyer, he/she has to conclude contracts in a usual way and under usual conditions required for transportation to certain destinations.

Costs

Article 474

Costs of sale, as well as those preceding it, are borne by the seller, while the costs of object relocation, as well as all other costs after the sale are borne by the buyer, unless contracted otherwise.

II SIMULTANEOUS DELIVERY OF OBJECT AND PRICE PAYMENT

Delaying Delivery until Price is Paid

Article 475

Unless contracted or customary to act differently, the seller is not obliged to deliver the object if the buyer cannot pay at the same time, or if he is not ready to do it simultaneously, but the buyer is not obliged to pay the price before he had a chance to look at the object.

Delaying Delivery in case of Transport of an Object

Article 476

(1) When delivery of the object has been performed through delivery to the carrier, the seller can delay the sending of the object until the price has been paid, or he can send the object if he retains the right to disposal while transporting.

(2) If he retained the right to disposal with the object during the transporting, the seller can request that the object is not delivered to the buyer at the place in which he decided to buy it until the price is paid, and the buyer is not obliged to pay the price before he had a chance to look at it.

(3) However, if the contract envisions payment which includes handing in a related document, the buyer has no right to reject the payment of the price since he had no chance to look at the object.

Preventing Delivery of the Sent Object

Article 477
(1) If it shows that the buyer’s material situation after sending the object is such that it is doubtful if he can pay the price, the seller can prevent the buyer from delivering the object even if the latter already possesses the certificate with which he is authorized to request the delivery of the object.

(2) However, the seller can prevent the delivery if it is requested by a third party who is a holder of the document which authorizes him to request the delivery of the object, unless the document does not clearly state the way the effect of the transfer is to be dealt with, or if the seller proves that the holder of the document was aware of his acting which resulted in damage inflicted upon the seller, when obtaining the document.

Section 2

LIABILITY FOR MATERIAL DEFECTS

I ON MATERIAL DEFICIENCIES IN GENERAL

Material Deficiencies for which Seller Is not liable

Article 478

(1) The seller is liable for material defects of the object which were present at the moment in which the buyer takes over the risk, regardless of his knowing it or not.
(2) The seller is as well responsible for those material defects that appear after the buyer has taken over the risk, if they resulted from the origin that existed prior to this.
(3) Small material deficiency is not taken into account.

In case There Are Material Defects

Article 479

It is considered that there is a defect:
(1) if an object has no characteristics needed for its regular use or for its trade;
(2) if an object has no characteristics needed for the special use for which the buyer plans to use it, and the seller knows it or ought to have known it;
(3) if an object has no distinctive qualities or characteristics which were explicitly contracted or tacitly contracted, i.e. prescribed;
(4) if the buyer did not deliver the object that was not equivalent to the pattern or to the model, unless the pattern or model was shown only for information.

Defects for which the Seller Is not liable

Article 480

(1) The seller is not responsible for defects referred to in the item 1) and 3) of the preceding article, if the buyer knew about them or if ought to have known.
(2) The buyer ought to have known about those deficiencies which a buyer who is careful and has an average knowledge and experience as a person of the same profession and education could have noticed while looking at the object in a usual manner.
(3) However, the seller is liable for the defects the buyer could have noticed easily, if the former stated that the object had no defects or that it had certain distinctive qualities or characteristics.

Examination of the Object and Visible Deficiencies

Article 481

(1) Buyer is to examine or have the object he received examined, in a usual manner, as soon as possible in accordance with the regular course of events, and he is to inform the buyer about the visible deficiencies within eight days and in the event of a contract in economy, without delay, otherwise he loses the right related to that matter.
(2) When the examination is performed in the absence of both parties, the buyer is obliged to point out his observations to the buyer right away, otherwise he loses the right related to that matter.

(3) If the buyer shipped the object further with no transshipment, and the buyer knew it or should have known it when making the contract that there was a possibility of such further forwarding, the examination of the object can be delayed until it arrives to the place which was determined anew, and in that case the buyer is obliged to inform the seller on deficiencies as soon as he could have found out about them in the regular course of events, from his clients.

**Hidden Deficiencies**

**Article 482**

(1) If it is proved, after receiving the object from the buyer, that the object had some kind of deficiency which could not be detected by examining the object in a usual manner when taking over the object (hidden deficiency), the buyer is obliged, under threat of losing his right, to inform the seller within eight days as of the day on which the deficiency was discovered, and in the case of the contract in economy without delay.

(2) Seller is not responsible for the deficiencies that show six months after the delivery of the object, unless a longer time period has been determined by the contract.

**Deadlines in case of Repair, Substitution, and like**

**Article 483**

If an object was repaired due to a defect, or if another object was delivered, the parts were exchanged or the like, the deadlines referred to in the previous two articles come into force from the point when the repaired or another object was delivered, the exchange of parts performed, etc.

**Notification on Defect**

**Article 484**

(1) The buyer is obliged to describe closer the defect in the notification on defect and invite the seller to examine the object.

(2) If the notification on defect, sent in a timely manner by a buyer through registered mail, telegram or by some other reliable method, is late or is not delivered to the seller, it shall be considered that the buyer fulfilled his/her obligation to notify the seller.

**Importance of the fact that the seller knew about the defect**

**Article 485**

The buyer shall not lose the right to invoke a certain defect even if he/she did not fulfill his/her obligation to examine the object without delay, to notify the seller within certain deadline about the existence of defect or when the defect appeared after six months after delivering of items, if the seller knew or ought to have known about that defect.

**Contractual limiting or excluding of seller's liability for material defects**

**Article 486**

1) The contractor can limit or completely exclude seller’s liability for material defects.

2) The contract stipulation on limiting or excluding of items is null and void if the defect was known to the seller, but he/she did not inform the buyer about it, and in cases when the seller imposed that stipulation using his/her special monopoly position.

3) A buyer who waived his/her right to terminate the contract due to defects shall keep other rights due to these defects.

**Mandatory open sale**
Article 487

The holder, whose object has been sold at the mandatory open sales, shall not be liable for defects.

II. BUYER’S RIGHTS

Fulfillment, reducing prices, termination of contract, damages

Article 488

(1) The buyer who notified the seller in a timely manner and accurately about the defect can perform the following:

1. claim the removal of defects or delivering of another item without defect from the seller (contract fulfillment)
2. claim reducing price
3. declare that he/she is to terminate the contract

(2) in each of these cases the buyer is entitled to damages

(3) In addition to that and independently from that, the seller is liable to the buyer for the damage on his/her other properties that he/she suffered due to defects, according to general rules on liability for damage.

Defaulting in contract within reasonable deadline

Article 489

If the buyer does not obtain required fulfillment of contract within reasonable deadline he/she shall keep the right to terminate the contract or to reduce the price.

When the buyer can terminate the contract

Article 490

1) The buyer can terminate the contract only if prior to that he/she provided a subsequent appropriate deadline for fulfilling the contract.

2) The buyer can terminate the contract without providing the subsequent deadline if the seller, after notifying him/her on defects, stated that he/she would not fulfill the contract, or if it is obviously from the conditions of specific case that the seller will not be capable of fulfilling the contract even within subsequent deadline.

Defaulting in contract within the subsequent deadline

Article 491

If the seller does not fulfill the contract within the subsequent deadline, the contract shall be terminated according to the law, but the buyer can keep the contract if he/she immediately gives a statement to the seller that the contract shall remain in effect.

Partial defects

Article 492

1) When a part of delivered object is defective or when a part of object has been delivered, i.e. smaller quantity than it has been agreed upon, the buyer can terminate the contract referred to in the previous Articles only with respect to the part with defects or with respect to the part or quantity that are missing.

2) The buyer can terminate a complete contract only if the stipulated quantity or delivered object is an integral part, or if the buyer has some justified interest to take the object agreed upon or the entire quantity.

When the seller gives a bigger quantity to the buyer
Article 493

1) According to the contract on sale in economy when the seller of items, defined according to the type of items, gives a buyer larger quantity than it was agreed upon, and the buyer does not declare that he/she rejects the surplus it shall be considered that he/she received that surplus, therefore he/she shall be obliged to pay it at the same price.

2) If the buyer rejects to take the surplus, the seller is obliged to provide damages to the buyer.

When one price is defined for several items

Article 494

1) When several items or a group of items have been sold through one contract and at one price, and only some of them are defected, then the buyer can terminate the contract only in the part pertaining to those items not to others.

2) However, if they compose one integral part so that their separation would be detrimental, the buyer can terminate a complete contract, or if he/she declares that the contract shall be terminated only referring to defected items, the seller on his/her side can terminate the contract with respect to other things as well.

Losing right to terminate the contract due to defects

Article 495

1) A buyer loses the right to terminate the contract due to defected items when it is not feasible for him/her to return that object or to return it in the state of the thing when he/she accepted it.

2) Anyway, a buyer can terminate the contract due to some defected items if the object is completely or fully ruined or damaged due to defect that justifies the termination of contract or due to some event that is neither provoked by him/her nor by a person that he/she is liable for.

3) The same is applicable if the object has been completely or partially ruined or damaged due to the buyer’s obligation to examine the object or, if the buyer prior to revealing the defect consumed or altered one part of object when he/she regularly used it, as well as when damaging or altering is insignificant.

Preserving other rights

Article 496

A buyer who, due to impossibility to return the items or to return it in state in which he/she accepted it lost the right to terminate the contract, shall keep other rights provided by the law due to existence to some defect.

Effects of termination due to defects

Article 497

1) Termination of contract due to defected items shall have identical effects like termination of bilateral contracts due to non-fulfillment.

2) A buyer owes the seller the compensation for benefits from the items even when it is impossible for him/her to return the whole items or a part of it, though the contract has been terminated anyway.

Reducing price

Article 498

Price reducing is to be performed according to the ratio between value of the items without defects and value of defected items as of the moment of concluding the contract.

Gradual revealing of defects
Article 499

The buyer who procured the price reduction due to existence of some defect can cancel the contract or claim new price reduction if another defect is discovered.

Losing right

Article 500

1) The rights of a buyer, who notified the seller on time about existence of defects, shall expire one year after the day of sending the notification to the seller, unless the seller deceived the buyer, preventing him/her from using those rights.

2) However, the buyer who notified the seller on time about existence of defects, can, after the expiry of this deadline and unless he/she paid the price, claim the price reduction or the compensation for damages in response to the seller’s request to be repaid.

III. WARRANTY FOR PROPER FUNCTIONING OF SOLD ITEMS

Responsibilities of the seller and manufacturer

Article 501

1) If the seller of some machines, engines, appliances or some other similar items characterized as the so-called technical appliances delivered the written warranty to the buyer, whereby the manufacturer guarantees good functioning of the items during a certain time, from the day of its delivering to the buyer, the buyer is entitled to demand repair of the object within reasonable period of time or, if not repair, the delivery of the new items functioning properly.

2) These regulations are not contrary to the regulations on the seller’s responsibility for defected items.

Claiming repair or substitution

Article 502

1) The buyer may require repair or substitution of the items by the seller i.e. the manufacturer due to their incorrect functioning within the warranty period, regardless of the time the failure occurred.

2) He/she is entitled to damages caused by his/her inability to use the items from the moment of requesting repair or substitution up to the moment of their realization.

Extending guaranty period

Article 503

1) In case of slight repair the guaranty period shall be extended by the period during which the buyer was unable to use the items.

2) However, when the substitution or an important repair was done due to malfunctioning, the guaranty period shall start again from the moment of substitution i.e. from the moment of returning the repaired items.

3) If only a part of the items was substituted or significantly repaired the guaranty period shall start lapsing only for that part.

Termination of the contract and price reducing

Article 504

If the seller does not perform the repair or substitution of items within acceptable period of time, the buyer may cancel the contract or reduce the price and request damages.

Costs and risk
Article 505

1) The seller, i.e. manufacturer is obliged, at his/her own expense, to transport the items to the place of repair, i.e. substitution as well as to return repaired i.e. substituted items to the buyer.
2) During that time, the seller i.e. manufacturer shall take the risk of failure or damaging of items.

Responsibility of cooperating members

Article 506

When several self-employed manufacturers have taken part in production of specific parts of items or in performing certain actions, their responsibility toward the final manufacturer for malfunctioning caused by these spares or by these actions shall cease upon the cessation of the final manufacturer’s responsibility toward the buyer.

Loss of right

Article 507

The rights of the buyer based on the written guaranty shall expire within one year from the day when he/she was requested the repair or substitution of the items.

Section 3

LIABILITY FOR LEGAL DEFECTS (PROTECTION FROM EVICTION)

Legal defects

Article 508

1) The seller is liable if a third party’s right exists over the sold items thus excluding, reducing or limiting the buyer’s right, and the buyer did not know of the existence of such a right nor agreed to take the items burdened by such right.
2) The seller of some other right shall guarantee its existence and that there are no legal obstacles for its realization.

Notifying the seller

Article 509

When it is obvious that a third party claims the right over an item, and the seller is not aware of this, the buyer is obliged to notify the seller of this, and invite him/her to release the object from the third party’s right or claim within reasonable period of time, or if the subject of the contract is generic obligation he/she is obliged to deliver another item, while ensuring it has no legal defects.

Penalties due to legal defects

Article 510

1) If the seller does not fulfill the buyer’s request, in the event of removal of the item from the buyer the contract shall be cancelled by the force of the law itself and in the event of reducing or limiting of the buyer’s right, the buyer can, at his/her own discretion, either cancel the contract or claim a proportionate price reduction.
2) If the seller does not satisfy the buyer’s request to release the items from the rights or claims of the third party within reasonable time period, and due to this fact the purpose of the contract cannot be achieved, the buyer can cancel the contract.
3) In any case the buyer is entitled to damages.
4) However, if the buyer knew about the possibility to be taken away the items at the moment of the contract conclusion or for his/her right was to be reduced or limited he/she is not entitled to damages if that possibility actualizes; however, he/she is entitled to the reimbursement i.e. price reduction.
When the buyer does not notify the seller

Article 511

The buyer, who, without notifying the seller, was involved in dispute with the third party and lost the dispute, can invoke the seller’s liability for legal defects, unless the seller proves that he/she had the means to reject the claim of the third party.

When the right of the third party is obviously well founded

Article 512

1) The buyer has the right to invoke the seller’s liability for legal defects when he/she accepted the obvious well founded third party’s right, even without a prior notification to the buyer or the dispute.

2) If the buyer paid a certain amount of money to the third party to renounce his/her founded right, the seller can release himself/herself from the liability if he/she compensates the buyer for the amount paid and the damage suffered.

Contractual limitation or exclusion of the seller’s liability

Article 513

1) The seller’s liability for legal defects can be limited through the contract or completely excluded.

2) But, if at the moment of the contract conclusion, the seller knew or ought to have known of a certain defect related to his/her right, the stipulation referring to the limitation or exclusion of the liability shall be null and void.

Limitations of the public-legal type

Article 514

The seller shall also be liable for special limitations of public-legal nature that the buyer did not know about, if he/she knew or ought to have known about them but did not notify the buyer of them.

Loss of right

Article 515

1) The right of the buyer based on legal defects shall expire within one year from the moment he/she learned about the existence of the third party’s interest.

2) However, if the third party initiated a lawsuit prior to the expiry of this timeline, and the buyer invited the seller to participate in that lawsuit, the buyer’s right shall be expired within six months from the fully effective completion of the lawsuit.

PART 4

OBLIGATIONS OF THE BUYER

Section 1

PRICE PAYMENT

Time and place of payment

Article 516
1) The buyer is obliged to pay the price at the time and in the place stipulated in the contract. In absence of stipulation or business practices, payment shall be effected at the moment and in the place of item delivery.
2) If the price does not have to be paid at the moment of the delivery, the payment shall be performed at the seller’s residence, i.e. at the seller’s head office.

**Interest in case of credit sale**

**Article 517**

If the item sold through credit sale generates some fruit or some other use, the buyer owes the interest from the moment of accepting the item regardless whether the payment is due or not.

**Payment in case of successive deliveries**

**Article 518**

1) In case of successive deliveries the buyer is obliged to pay the price for each delivery at the moment of its collection, unless something else was agreed upon or resulting from the nature of the transaction.
2) If in the contract with successive deliveries, the buyer provided an advanced payment to the seller, the first deliveries are paid from the advance payment, unless stipulated differently.

**Section 2**

**ACCEPTING ITEMS**

**Article 519**

1) Accepting items includes taking all necessary actions in order to collect and transport items.
2) If the buyer rejects, without a valid reason, to accept the item, the delivery of which was offered to him/her in a contractual or usual manner and on time, the seller can, providing he/she has some grounds to suspect that the buyer will not pay the price, declare that he/she intends to terminate the contract.

**PART 5**

**OBLIGATION TO KEEP THE ITEMS FOR THE CO-CONTRACTOR’S ACCOUNT**

**Cases of depositing obligation**

**Article 520**

1) When, due to the buyer’s delay, the risk was transferred to the buyer prior to the item delivery, the seller is obliged to keep the item with due care of a good entrepreneur, i.e. of a good host and, to that end, take necessary actions.
2) The same is applicable to the buyer when the item is delivered to him/her but he/she wants to return it to the seller, either because of termination of the contract or requesting another item instead.
3) In both cases the contractor, who is obliged to take the actions for keeping the items, is entitled to compensation of costs required for item depositing.

**When the buyer does not want to accept the item delivered to him/her**

**Article 521**

The buyer, who does not want to accept the item sent to him/her to a previously determined destination and placed at his/her disposal there, is obliged to take the item for the account of the seller if the latter is either absent from the destination or there is nobody else who could take it on his/her behalf, providing it is possible to do that without settling the price, encountering significant inconvenience or excessive costs.

**The right of the party obliged to keep the item**
Article 522

The contracting party, which is obliged to take the actions for keeping the items, according to the previous provisions, can deposit it at the court, deliver it to somebody else for safekeeping or sell it for the account of another party, under conditions and with consequences stipulated in this Law on depositing of items at the court and of sale of the owed items.

PART 6

DAMAGES IN CASE OF CANCELING THE SALE

General regulation

Article 523

When the sale was canceled due to the breach of contract by one of the parties, the other party is entitled to damages that he/she is suffering from, in accordance with the general regulations on damages arisen as a result of the contract breach.

When the item has a current price

Article 524

1) When one contractor has canceled the sale due to the breach of the contract, and the item has a current price, the other party is entitled to claim the difference between the contractual price and the current price as of the day of cancellation of the contract, in the market of the place where the transaction occurred.

2) If there is no current price in the market of the place where the transaction occurred, the current market price that could substitute the compensation in that case shall be used to calculate the amount of compensation, plus the difference of transportation costs.

When the sale or purchase for the purpose of covering has been performed

Article 525

1) When the object of sale is a certain quantity of generic items and one of the parties does not perform his/her obligation on time, the other party can perform the sale, i.e. purchase for the purpose of covering and claim the difference between the price stipulated by the contract and the selling price.

2) Sale, i.e. purchase for the purpose of covering should be performed within reasonable period of time and in a reasonable manner.

3) The creditor is obliged to notify the debtor on intended sale, i.e. purchase.

Other damages

Article 526

The party bound to the contract is entitled to higher damages if he/she suffered from it apart from the right to damages according to the regulations referred to in the previous articles.

PART 7

CASES OF SALE WITH SPECIAL AGREEMENTS

Section 1

PREFERENTIAL SALE
General

Article 527

The provision on preferential sale binds the buyer to notify the seller of the intention to sell an item to a certain person and of the conditions of that sale; it is also binding in terms of the obligation of the buyer to offer to the seller selling of the item at the same price.

Deadlines for exercising the right and for price settlement

Article 528

1) The seller is obliged to provide the buyer with a reliable notification, within one month period from the day when the buyer notified him/her of the intended sale to the third party, about his/her decision to use the preferential sale.

2) Simultaneously with the declaration as to his/her intention to buy the item, the seller is obliged to pay the amount agreed with the third party, or to deposit it at the court.

3) If the contract with the third party provides for the deadline for price settlement, the seller can invoke this deadline only if provides sufficient security.

Possibility of succession and alienation

Article 529

The preferential sale of movable items cannot be either alienated or inherited, unless the law stipulates otherwise.

Case of forced open sale

Article 530

1) In case of forced open sale the seller cannot invoke his/her preferential sale.

2) However, the seller whose preferential sale was recorded in a public book can request termination of the open sale, unless he/she was expressly invited to attend it.

Duration of the right to preferential sale

Article 531

1) The preferential sale shall cease within 5 years form the contract conclusion, unless an earlier time was agreed upon.

2) A contracted longer period shall be reduced to 5 years period.

When the transfer of property has been performed without notifying the seller

Article 532

1) If the seller sold the item and transferred the property to the third party without notifying the seller and if the third party knew or ought to have known that the seller was entitled to preferential sale, the seller can claim the termination of the transfer and taking over of the item, within 6 months period starting from the day when he/she learned about this transfer.

2) If the buyer gave a false information to the seller about terms of purchase to the third party, and if the third party knew or ought to have known about it, the 6 months time period shall start from the day when the seller learned about the exact terms of the contract.

3) Anyway, the preferential sale shall cease after expiry of 5 years period from the moment of property transfer to the third party.

Legal right of preferential purchase
Article 533

(1) The law can stipulate the right of preferential purchase for certain persons.
(2) Duration of legal right to preferential purchase is not limited.
(3) Persons who, under the law, are entitled to preferential purchase, have to be notified of the intended sale and its terms in writing, otherwise they have the right to request termination of the sale.
(4) The rules on sales with preferential purchase right are promptly applied to the legal right of preferential purchase.

Section 2

PURCHASE FOR TRIAL

General

Article 534

(1) When it is agreed that the buyer takes the object under the condition that he tests it in order to determine if it corresponds to his/her wishes, he/she is obliged to inform the vendor if he/she intends to keep the agreement, within the period determined in the contract or by business practice, and if there is no such period, then in the appropriate period determined by the vendor. Otherwise, it is considered that he waived the contract.
(2) If an object was sold to the buyer to test it up to a certain deadline and he/she does not return it without delay upon expiry of the period or does not inform the vendor that he renounces the contract, it is considered that he/she kept the contract.

Actual trial

Article 535

When the trial is agreed in order to determine if the object has a certain quality, or whether it is suitable for a certain use, the continuation of contract does not depend on the buyer’s discretion, but on the fact that it really has those qualities, i.e. that it is suitable for a certain use.

Risk

Article 536

The risk of accidental loss or damage of the object given to the buyer for trial is borne by the vendor until the buyer’s statement that he sticks to the contract, i.e. until the end of period within which the buyer was obliged to return the object to the vendor.

Purchase after inspection, with trial option

Article 537

The provisions of purchase on trial are applied accordingly to the purchase upon inspection and the purchase with trial option.

Section 3

SALE BY SAMPLE OR MODEL

Article 538

(1) In case of sale by sample or model for contracts in industry, the vendor is liable according to the regulations on liability of vendor for material defects of objects, if the object that the vendor delivered to the buyer does not conform to the sample or model. In other cases, the vendor is liable according to the regulations on liability for non-fulfillment of obligation.
(2) The vendor is not liable for the lack of conformity if he submitted the sample, or model, to the buyer only for the reason of information and approximate defining of the feature of object, without the promise of conformity.

Section 4

SALE WITH SPECIFICATION

Article 539

(1) If the buyer’s right to subsequently determine the form, measure or some other features of the object is retained in the contract, and the buyer does not perform this specification until the agreed date, or until the expiry of a reasonable date counting from the vendor’s request to do that, the vendor can state that he cancels the contract or perform specification according to what is known to him about the buyer’s requirements.

(2) If the vendor performs specification on his/her own, he/she is obliged to inform the buyer about its details and leave a reasonable time period for him/her to perform another specification.

(3) If the buyer does not use this option, the specification performed by the vendor is obligatory.

Section 5

SALE WITH RESERVE ON OWNERSHIP

Conditions

Article 540

(1) The vendor of a certain movable object can, in a special contract provision, retain the ownership right even after the sale of the object to the buyer, up to the moment of settlement of the price by the buyer.

(2) Retaining the ownership right is effective toward the buyer’s creditors only if it has been performed in the form of the publicly notarized document, before the buyer’s bankruptcy or before the seizure of objects.

(3) The ownership right over the movable objects for which separate public books are kept, only if this is provided for by the regulations on keeping these books.

Risk

Article 541

The risk of accidental loss or damage to the objects is borne by the buyer as of the moment when the object was handed over to him.

Section 6

SALE BY INSTALLMENT PAYMENTS

The Term

Article 542

(1) The contract on sale of a movable object by installment payments of the price obliges the seller to hand over to the buyer a specific movable object before its price is fully paid, while the buyer is obliged to pay the price in installments, in certain time intervals.

(2) The provisions of the section on sale by installment payments of the price are applied only if the buyer is a physical entity.

Form of the contract

Article 543
The contract on sale by installment payments of the price has to be made in writing.

**Important components of the contract**

**Article 544**

(1) Besides the object and its price in a cash sale, the document on contract has to contain the following, under the threat of nullity: the total amount of all installment payments, also counting the one that was effected at the moment of concluding the contract, the amount of individual installments, their number and time-limits.

(2) The document on contract has to include, under the threat of nullity, the provision allowing the buyer to desist from the contract if he/she informs the seller about it in writing within three days after signing the document, as well as the provision regulating that the buyer can not waive this right in advance.

**The right of buyer to pay the price at once**

**Article 545**

(1) The buyer can always pay at once the remainder of the debt.

(2) The remainder is paid as it is, without contractual interest rates and without expenses.

(3) A different provision of the contract is null and void.

**Cancellation of contract and the request for full payment of the price**

**Article 546**

(1) The seller may cancel the contract upon the buyer’s delay to pay the first installment.

(2) After the payment of the first installment, the seller can cancel the contract if the buyer is late with at least two consecutive installments that represent at least one eighth of the price.

(3) Exceptionally, the seller may cancel the contract when the buyer is late with payment of only one installment, if not more than four installments have been planned for the payment.

(4) In cases mentioned in Paragraphs 2 and 3 of this Article, the seller may, instead of canceling the contract, request from the buyer payment of the full remainder of the prices. But, before that request he is obliged to leave the buyer a subsequent fifteen days period.

**Court prolongation of payment deadlines**

**Article 547**

When circumstances of the case justify it, the court may prolong the deadlines for payment of late installments upon the buyer’s request, if the buyer offers security that he/she will perform his/her obligations, and if the seller does not suffer damage due to that.

**Nullity of the penalty clause**

**Article 548**

The provision of the contract on penalty clause for the event of cancellation of contract, is null and void, as well as for the event of the buyer’s delay in payment of an installment.

**Cancellation of contract**

**Article 549**

(1) In the event of the contract cancellation, the seller is obliged to return to the buyer the received installments with legal interest rate as of the day when he/she received them and compensate him/her for the necessary expenses that he/she made for the object.

(2) For his part, the buyer is obliged to return the thing to the seller in the same condition it was in when it was handed over to him/her and give him/her compensation for its use until the contract cancellation.
Application of the rules on sale by installment payments

Article 550

(1) The rules on sale by installment payments are also valid in the case of other bargains that have the same essence, such as the contract of lease with the provision that the object given for lease will pass into the property of lease holder if he/she pays the lease for a specific period.

(2) It will also be applied in case of a loan given to the buyer, intended for purchase of specific objects, if the creditor and the seller had agreed that the buyer should pay to the creditor in installment payments for the object sold to him/her by the seller, according to the contract concluded between the buyer and the seller.

Nullity of the provisions unfavorable for the buyer

Article 551

Provisions of the contract on sale by installment payments are null and void if they would be more unfavorable for the buyer than the provisions in this chapter, except the provisions on retaining of ownership.

Chapter VIII

EXCHANGE

General

Article 552

(1) Each contractor is obliged by the contract of exchange toward the other party in contract to transfer on him/her the ownership of an object and deliver it to him/her for that purpose.

(2) The subject to exchange may also be other transferable rights.

Effects of the contract of exchange

Article 553

Obligations and rights of each contracting party that result from the contract of exchange are the same as those that arise from the contract of sale for the seller.

Chapter IX

SELLING ORDER

General

Article 554

(1) The contract on sale order obliges the agent to sell the specific movable object, which had been given to him by the orderer, at a certain price within a certain time limit or to return it to the orderer within that time limit.

(2) A selling order cannot be revoked.

The risk of loss and damage of object

Article 555

The object handed over to the agent remains the orderer’s and he/she bears the risk of its accidental loss or damaging, but he cannot dispose of it before it is returned to him.
When it is considered that the agent has bought an object

Article 556

(1) If the agent does not sell an object nor gives a certain price to the orderer before a defined time-limit nor returns it within the same time-limit, it is considered that he had bought the object.
(2) However, his creditors may not confiscate the object until he has paid the price to the orderer.

Chapter X

LOAN

PART 1

GENERAL PROVISIONS

General

Article 557

The lender is obliged by the contract of loan to hand over into borrower’s property a certain amount of money or some other tradable objects, and the borrower is obliged to return to him/her after a certain time period the same amount of money, i.e. the same quantity of objects of the same kind and the same quality.

Interest

Article 558

(1) The borrower may bind himself/herself to owe the interest beside the principal.
(2) In contracts in industry, the borrower owes the interest even if it has not been agreed.

Section 2

OBLIGATIONS OF THE LENDER

Delivery of promised objects

Article 559

(1) The lender is obliged to deliver specific objects at the agreed time, and if the time-limit for delivery has not been defined, then upon the borrower’s request.
(2) The borrower’s right to request delivery of specific objects expires within three months after the lender’s getting into delay, and in any case within one year after the contract conclusion.

Borrower’s poor financial situation

Article 560

(1) If it shows that the borrower’s financial situation is such that it is uncertain that he/she will be able to return the loan, the lender may reject to fulfill his/her obligation of delivery of the promised objects, if he/she did not know that at the moment of concluding the contract, as well as if the deterioration in the borrower’s financial situation happened after the conclusion of contract.
(2) But, he/she is obliged to perform his obligation if the borrower or someone else on his behalf offers sufficient security.

Damage due to the lack of lent objects
Article 561

(1) The lender is obliged to compensate the borrower for the damage that he would suffer due to material defects of the lent objects.
(2) But, if the loan is without compensation, he/she is obliged to compensate the damage only if the defects of objects were known to him or could not have remained unknown, and he/she did not inform the borrower about them.

PART 3

OBLIGATIONS OF THE BORROWER

The time limit for redeeming a loan

Article 562

(1) The borrower is obliged to return the same quantity of objects, of the same kind and quality, within the agreed time limit.
(2) If the contractors have not defined the time limit for redeeming of loan, and this cannot be determined from the circumstances of the loan, the borrower is obliged to return the loan upon expiry of the appropriate time limit which may not be shorter than two months counting from the day when the lender requested the redeeming of loan.

Choice while redeeming a loan

Article 563

(1) If the loan was not given in money, and it had been agreed that the borrower would redeem the loan in money, the borrower is nevertheless authorized to choose if he/she will return the rented objects or the amount of money that corresponds to the value of those objects, at the time and place determined in the contract for return.
(2) The same is valid in the case when it is not possible to return the same quantity of objects, of the same kind and the same quality.

Desisting from contract

Article 564

The borrower may desist from a contract before the lender delivers specified objects to him, but if the lender would suffer any damage because of that, he/she is obliged to compensate it

Redeeming of loan before deadline

Article 565

The borrower can redeem a loan also before the deadline defined for its redeeming, but he/she is obliged to inform the lender in advance about his/her intention and compensate him/her for the damage.

PART 4

SPECIAL-PURPOSE LOAN

Article 566

If the purpose for which the borrower may use the lent money is defined by the contract, and he/she uses it for some other purpose, the lender can terminate the contract.
Chapter XI
LEASE

PART 1
GENERAL PROVISIONS

General

Article 567
(1) The contract of lease obliges the lessor to hand over a certain object to the leaseholder for his use, and he in turn assumes the obligation of paying the agreed rent for that.
(2) The use also encompasses enjoyment of things (usufruct), unless it is agreed or customary otherwise.

Application of special regulations

Article 568
The provisions referred to in this Chapter shall not be applied to leases defined by special regulations.

PART 2
LIABILITIES OF A LESSOR

Hand over of property

Article 569
(1) The lessor is obliged to hand over to the leaseholder the leased property in regular condition, together with the things belonging to it.
(2) The object is in regular condition if it is in the condition specified by the contract and in the lack of the contract, in the condition that it can be used for the purpose for which the contract was made.

Maintenance of property

Article 570
(1) The lessor is obliged to maintain the property in regular condition for the duration of lease and perform the necessary repairs on the property for that purpose.
(2) He/she is obliged to compensate the leaseholder for the expenses he/she made for maintenance of property, and which he/she would be obliged to do himself/herself.
(3) The cost of minor repairs resulting from the customary use of things, as well as the costs of the use itself, are chargeable to the leaseholder.
(4) The leaseholder is obliged to inform the lessor about the necessity of repair.

Termination of contract and decreasing of rent due to repairs

Article 571
(1) If the required repairs on the leased property obstruct its use to a significant extent and over a longer period, the leaseholder can break the contract.
(2) He/she is entitled to decreasing the rent proportionally to the limitation of use of property because of those repairs.

Changes on the leased property
Article 572

(1) The lessor cannot make changes on the leased property without the permission of leaseholder for the duration of lease, if it would obstruct the use of things.
(2) If the leaseholder’s use of property would be decreased to a certain extent due to the changes, the rent shall also be proportionally decreased.

Liability for material defects

Article 573

(1) The lessor is liable to the leaseholder for all defects of the leased property that obstruct its agreed or regular use, regardless of whether he/she was aware of them or not, as well as for the defects of qualities or features envisioned explicitly or implied in the contract.
(2) The defects of lesser importance are not taken into consideration.

Defects for which the lessor is not liable

Article 574

(1) The lessor is not liable for defects of the leased property that were known to the leaseholder at the moment of concluding the contract or could not have remained unknown.
(2) However, the lessor is liable for the defect of leased property that remained unknown to the leaseholder due to gross negligence, if he had known about the defect and failed to inform the leaseholder about it.

Widening of liability for material defects

Article 575

The lessor is liable for all defects of the leased property, if he/she had claimed that it had no defects.

Contractual exclusion or limitation of liability

Article 576

(1) The liability for material defects of the leased property may be excluded or limited by contract.
(2) Provision of the contract by which the liability is excluded or limited is null and void if the lessor knew of the defects and deliberately failed to inform the leaseholder about them, or if the defect is such that it makes impossible the use of leased property, as well as when the lessor has imposed the provision by using his monopolist position.

Informing the lessor about the defects and dangers

Article 577

(1) The leaseholder is obliged to inform the lessor without unnecessary delay about any defect of the leased property that would manifest during the lease, unless the lessor is aware of the defect.
(2) He/she is also obliged to inform the lessor about any contingent danger that would threaten the leased property during the lease, so that the latter could undertake the necessary measures.
(3) The leaseholder who does not inform the lessor about the manifested defect or arisen danger, for which the latter had not known, loses the right to compensation of damage that he would suffer due to the existence of defect or arisen danger to the leased property, while he is obliged to compensate the damage that the lessor would suffer due to that.

The rights of leaseholder when the property has a defect

Article 578
(1) If the leased property has a certain irreparable defect at the moment of delivery, the leaseholder may, at his discretion, break the contract or demand decreasing the rent.

(2) When the property has a defect that cannot be repaired without major inconvenience for the leaseholder, and the delivery of property within the specified deadline was not an essential element of the contract, the leaseholder may request from the lessor either removal of defects within an appropriate time-limit or decreasing the rent.

(3) If the lessor does not remove the defect within the subsequent appropriate time-limit that the leaseholder allocated to him/her, the leaseholder can break the contract or request decreasing the rent.

(4) In any case, the leaseholder has the right to compensation to damage.

**When the defect arises during the lease and when the object does not have the agreed or customary quality**

**Article 579**

(1) Provisions from the preceding Article are also applicable in the case when a defect on the leased property arises during the lease.

(2) They are also applicable in cases when the leased property does not possess a quality it should possess according to the contract or to what is customary, or when it loses the quality during the lease.

**Lessor’s liability for legal defects**

**Article 580**

(1) When a third party claims to have a right on the leased property or to realize a right over a part of property, and addresses the leaseholder with this claim, or when he/she voluntarily takes it from the leaseholder, the latter is obliged to inform the lessor about it, unless he/she already knows about it, or else the leaseholder will be held liable for the damage.

(2) If it is found that the third party has the right that completely excludes the right of lease on the use of property, the contract of lease is broken according to the law, and the lessor is obliged to compensate the leaseholder for the damage.

(3) In case when the right of the third party only limits the leaseholder’s right, the latter may, at his choice, break the contract or request decreasing of rent, and in both cases, compensation of damage.

**PART 3**

**LIABILITIES OF A LEASEHOLDER**

**Use of property according to the contract**

**Article 581**

(1) The leaseholder is obliged to use the property only as a good businessman, i.e. a prudent administrator.

(2) He/she may use it only in the way defined by the contract or purpose of property.

(3) He/she is liable for the damage that arises through use of leased property contrary to the contract or its purpose, regardless of whether the property was used by him/her, or a person who acted upon his/her order, sub-leaseholder or any other person whom he/she allowed to use the property.

**Cancellation due to the use contrary to the contract**

**Article 582**

If the leaseholder uses the property contrary to the contract or its purpose even after a warning from the lessor, or if he/she neglects its maintenance, and there is a danger of considerable damage for the lessor, the latter can cancel the contract without giving a period of notice.
Payment of rent

Article 583

(1) The leaseholder is obliged to pay the rent within the deadlines set in the contract or by law, and in lack of contract or law, following the business practices in the place where the property was delivered to the leaseholder.

(2) Unless agreed otherwise or customary in the place where the property is delivered, the rent is paid semi-annually when the property is leased for one or more years, and if it was leased for a shorter time period, upon expiry of that period.

Cancellation due to non-payment of rent

Article 584

(1) The lessor can cancel the lease contract if the leaseholder does not pay the rent even within the period of 15 days after the lessor has notified him to make the payment.

(2) However, the contract will remain in force if the leaseholder pays the amount of the rent he owes, before he/she is informed about the cancellation.

Return of the leased property

Article 585

(1) The leaseholder is obliged to keep the leased property in good condition and return it undamaged upon the expiry of lease.

(2) The property is returned in the place where it was delivered.

(3) The leaseholder is not responsible for the wear and tear on the property that arises through its regular use, as well as for the damages that result from its worn-out condition.

(4) If the leaseholder has made any changes on the property during the lease, he/she is obliged to return it in the same condition it was in at the time it was leased to him/her.

(5) He/she can take away the improvements he/she made on the property if they can be removed without its damaging, but the lessor can keep them if he compensates the leaseholder for their value at the time of return.

PART 4

SUBLEASE

When the property may be subleased

Article 586

(1) Unless agreed otherwise, the leaseholder may let the leased property (sublease) or give it to someone else’s use on some other basis, but only if it does not cause any damage to the lessor.

(2) The leaseholder guarantees to the lessor that the sub-leaseholder shall use the property according to the contract of lease.

When the lessor can refuse to give permission

Article 587

When the lessor’s permission is required for giving the leased property on sub-lease, the lessor can refuse to give the permission only for justified reasons.

Cancellation due to unlawful sublease

Article 588
The lessor can cancel a lease contract if the leased property was subleased without his/her permission, when the permission is required according to the contract or the law.

**Direct request of the lessor**

**Article 589**

For the purpose of collection of his accounts receivable from the leaseholder resulting from the rent, the lessor can request directly from the sub-leaseholder the payment of amount that leaseholder owes to the lessor on the basis of sub-lease.

**Cessation of sublease according to the law itself**

**Article 590**

In any case, the sub-lease ceases upon expiry of the lease.

**PART 5**

**MISAPPROPRIATION OF THE LEASED PROPERTY**

**Alienation after delivery to lease**

**Article 591**

(1) In case of misappropriation of the property that had been leased to someone else before that, the acquirer of property assumes the lessor’s position, and after that the rights and obligations arise between him and the lessor.

(2) The acquirer cannot demand from the leaseholder the delivery of the property before the expiry of the period for which the lease had been agreed, and if the duration of lease has not been defined neither by contract or by law, then before the expiry of notice period.

(3) The transferor is liable as a joint guarantor to the leaseholder for the acquirer’s liabilities arisen from the lease.

**Right on lease**

**Article 592**

(1) Unless agreed otherwise, the acquirer of the leased property has the right on lease as of the next deadline after acquisition of the property, and if the transferor has received the rent in advance, he/she is obliged to transfer it to the acquirer.

(2) As of the moment when he is informed about the alienation of the leased property, the leaseholder can pay the rent only to the acquirer.

**Alienation of leased property before delivery to the leaseholder**

**Article 593**

(1) When the property subject to lease contract is delivered to the acquirer, and not the leaseholder, the acquirer assumes the lessor’s position and takes over his obligations toward the leaseholder if he knew about the lease contract at the moment of concluding the contract of alienation.

(2) The acquirer who did not know about the lease contract at the moment of concluding the contract of alienation, is not obliged to deliver the property to the leaseholder, while the leaseholder can only request compensation of damage from the lessor.

(3) As a joint guarantor, the transferor is liable for the acquirer’s lease obligations to the leaseholder.

**Cancellation of contract due to alienation of property**
Article 594

When due to the alienation of leased property the rights and obligations of lessor pass onto the acquirer, the leaseholder can cancel the contract in any case, respecting the legal notice periods.

PART 6

CESSATION OF LEASE

Lapse of a certain time

Article 595

(1) The lease contract concluded for a defined period ceases by the very expiry of the period for which it had been concluded.
(2) The same applies to cases when there is a lack of will on the contractor’s part and the duration of lease is defined by law.

Tacit renewal of a lease

Article 596

(1) When the leaseholder continues to use property upon expiry of the period for which the lease contract had been concluded, and the lessor does not object to that, it is considered that a new lease contract of unlimited duration has been concluded, under the same conditions as the previous one.
(2) The pledges that the third parties gave for the first lease cease upon the expiry of the period for which it had been concluded.

Cancellation

Article 597

(1) The contract of lease the duration of which has neither been defined nor it can be inferred from the circumstances and local tradition, ceases by the cancellation that each party can give to another, respecting the defined notice period.
(2) If the duration of notice period is not defined by contract or by law, or the local traditions, it lasts for eight days, but the cancellation cannot be made inopportune.
(3) If the leased property is hazardous to health, the leaseholder can cancel the contract without giving a notice period, even if he/she knew that at the moment of concluding the contract.
(4) The leaseholder cannot renounce the rights referred to in Paragraph 3 of this Article.

Loss of property due to Force Major

Article 598

(1) The lease ceases if the leased property is lost due to Force Major.
(2) If the leased property is partly destroyed or only damaged, the leaseholder can cancel the contract or maintain the lease and request an appropriate decrease of rent.

Death

Article 599

In the event of death of the leaseholder or the lessor, the lease continues with his successors, unless agreed otherwise.
Chapter XII
WORK CONTRACT

PART I
GENERAL PROVISIONS

Notion

Article 600

The work contract obliges the contractors (entrepreneur, contractor) to perform a specific job, such as the production or repair of an item or performing of a physical or intellectual work, while the ordering party (client) assumes the obligation to pay him/her compensation for that.

Relation with the contract of sale

Article 601

(1) The contract that obliges one party to produce a specific movable property using his/her material, is held in doubt as a contract of sale.
(2) But the contract remains a work contract if the client obliges itself to give an important element of materials necessary for production of items.
(3) In any case, the contract is considered a work contract if the contracting parties particularly had in mind the contractor’s work.

Quality of the contractor’s material

Article 602

(1) When it is agreed that the contractor should produce the item from his/her own material, and the quality has not been defined, the contractor is obliged to supply the material of medium quality.
(2) He/she is responsible to the client for the quality of the used material in the same way as the seller.

PART 2
SUPERVISION

Article 603

The client has the right to supervise the performing of work and to give instructions as appropriate when it comes to the nature of work, while the contractor is obliged to allow him/her to do so.

PART 3
CONCLUDING OF CONTRACT THROUGH TENDER

Invitation for tender based on the price of works

Article 604

(1) Invitation sent to a definite or indefinite number of persons for tender for performing of certain works, under certain conditions and with certain guarantees, obliges the one who invited them to conclude the
work contract with the one who offers the lowest price, unless he/she had excluded this obligation from the invitation for tender.

(2) In case of exclusion of the obligation to conclude a contract, the invitation for tender is considered as an invitation to the interested parties to make offers of contracts under announced conditions.

The invitation for tender for artistic or technical solution of the intended works

Article 605

Invitation sent to a definite or indefinite number of persons for tender for an artistic or technical solution of the intended works, obliges the one who invites them to conclude a contract with the participant in tender whose concept is accepted by the commission, whose composition was published in advance, according to the conditions from the invitation, unless he/she excluded this obligation in the invitation for tender.

PART 4

OBLIGATIONS OF THE CONTRACTOR

Defects of material

Article 606

(1) The contractor is obliged to draw the client’s attention to the defects of material that the client had delivered to him, and which he noticed or had to notice, or else he would be held liable for the damage.

(2) If the client had requested that the item be made from the material to the defects of which the contractor drew his attention, the contractor is obliged to act upon his request, unless it is obvious that the material is not suitable for the ordered work or if the production from the required material could cause damage to the contractor’s reputation, in which case the contractor can cancel the contract.

(3) The contractor is obliged to warn the client about the defects in his order, as well as to the other circumstances for which he knew or ought to have known, which can be significant for the ordered work or for its timely performing, or else he/she will be held liable for the damage.

Obligation to perform the work

Article 607

(1) The contractor is obliged to perform the work as it had been agreed and according to the rules of the business.

(2) He/she is obliged to perform it during a certain period, and if it had not been defined, then for the time reasonably needed for such business.

(3) He/she is not responsible for the delay that occurred because the client had not delivered the material to him/her on time, or because he/she had requested changes, or because he/she had not paid the necessary advance payment and generally for the delay that occurred due to client’s behavior.

Cancellation of contract due to departure from the terms of contract

Article 608

(1) If it shows during the performing of work that the contractor does not adhere to the terms of contract and that his/her performance is generally not satisfactory, and that the performed work will have defects, the client can warn the contractor about that and set for him an appropriate deadline to bring his/her work into conformity with his/her obligations.

(2) If the contractor does not fulfill the client’s order before the expiry of the deadline, the client can cancel the contract and demand compensation of damage.

Cancellation of contract before expiry of deadline

Article 609
(1) If the deadline is a significant element of the contract, and the contractor is in such a great delay with commencing or completing the work that it is obvious that he/she will not complete it in due time, the client can cancel the contract and demand compensation of damage.
(2) He/she has also that right when the deadline is not a significant element of the contract, if it is obvious that the client would have no interest in fulfilling the contract due to such a delay.

Entrusting a third party with performance of work
Article 610

(1) If nothing else results from the contract or nature of work, the contractor is not obliged to perform the work personally.
(2) The contractor is still responsible to the client for the performance of work even when he/she does not perform the work personally.

Responsibility for associates
Article 611

The contractor is responsible for the persons who participated, upon his/her order, in the work that he had undertaken to perform, as if he/she himself/herself had performed it.

Direct request of the contractor’s associates to the client
Article 612

Contractor’s associates can directly address the client for payment of the claims they hold toward the contractor and demand the client to settle the claims from the amount that he owes to the contractor at that moment, if those claims are recognized.

Delivery of the produced item to the client
Article 613

(1) The contractor is obliged to deliver to the client the produced or repaired item.
(2) The contractor is freed from this obligation in the event of the loss of the thing, that he had produced or repaired, if he/she is not liable for such a loss.

PART 5
LIABILITY FOR DEFECTS

Inspection of the performed work and informing the contractor
Article 614

(1) The client is obliged to inspect the performed work at the first possible convenience and inform the contractor about found defects without delay.
(2) If the client does not inspect and accept the performed work without a justified reason, upon the invitation from the contractor, it is considered that the work has been accepted.
(3) After inspection and accepting of the performed work, the contractor is no longer liable for the defects that could have been noticed by a regular inspection, unless he knew of them, and did not show them to the client.

Hidden defects
Article 615
(1) If it proves later that there is a defect that could not have been discovered by a regular inspection, the client can still refer to it, under the condition that he/she informs the contractors as soon as possible, and within one month from its discovery, at the latest.

(2) Upon expiry of two years since the acceptance of the performed work, the client can no longer refer to the defects.

**Cessation of right**

**Article 616**

(1) The client, who supplied timely information to the contractors about the defects of the performed work, cannot realize his/her right in court upon expiry of one year after the information was supplied.

(2) However, even after the expiry of the deadline, the client may claim his/her right to decreasing the compensation and compensation of damage by an objection against the request of contractors, if he/she supplied timely information about defects to the contractors.

**When contractors loses the right to refer to the previous plans**

**Article 617**

The contractors can not appeal to the provision referred to in the previous Articles when the defect is connected to the facts that were known to him/her or could not have remained unknown, and he/she did not report them to the client.

**Right to request removal of defects**

**Article 618**

(1) The client who duly informed the contractors that the performed work has a defect can demand from him/her to remove the defect and set an appropriate deadline for that.

(2) He/she also has the right to compensation of damage that he/she suffers because of that.

(3) If the removal of defects requires excessive expenses, the contractors can refuse to perform it, but in that case the client has the right to decide if he/she will decrease the compensation, break the contract, or choose the right to compensation of damage.

**Breaking of contract in a special case**

**Article 619**

When the performed work has such a defect which makes it unusable or it had been performed in contradiction to the explicit terms of the contract, the client can cancel the contract and demand compensation of damage without requesting earlier removal of defects.

**The client’s right in case of other defects of the performed work**

**Article 620**

(1) When the performed work has a defect due to which the work is not unusable, or when the work had not been performed in contradiction with the explicit terms of the contract, it is the client’s duty to allow the contractor to remove the defect.

(2) The client can set for the contractor an appropriate deadline to remove the defects.

(3) If the contractor does not remove the defect before the expiry of the deadline, the client can, at his/her discretion, perform removal of the defects and charge it to the contractor, decrease the compensation, or cancel the contract.

(4) When the defect is a minor one, the client can not use the right to cancellation of contract.

(5) In any case, he/she has the right to compensation of damage.

**Decreasing the compensation**
Article 621

Decrease of compensation is made in proportion between the value of performed work without defects at the time of concluding the contract and the value that the performed work with defect would have at that time.

PART 6

CLIENT’S OBLIGATIONS

Obligation to receive the work

Article 622

The client is obliged to receive the work performed according to the provisions of the contract and rules of the business.

Determining and payment of compensation

Article 623

(1) Compensation is determined in the contract, unless determined by a mandatory rate or some other obligatory enactment.
(2) If the compensation has not been defined, it will be determined by court according to the value of work, usual required time for such work, as well as the customary compensation for that kind of work.
(3) The client is not obliged to pay compensation before he has inspected the performed work and approved it, unless agreed otherwise.
(4) The same applies if performing and delivery of work was agreed upon in parts.

Calculation with explicit guaranty

Article 624

(1) If compensation has been agreed upon on the basis of calculation with explicit guaranty of the contractor for its accuracy, he can not demand increasing of compensation even if he has invested more work into the work and if completion of work required greater expenses than it had been anticipated.
(2) This does not exclude application of rules on cancellation and amendment of the contract because of changeable circumstances.
(3) If compensation has been agreed upon on the basis of calculation without explicit guaranty of the contractor for its accuracy, and overstepping of calculation of costs proves inevitable during the work, the contractor has to inform the client about it without delay, or else he will lose any claim due to increased expenses.

PART 7

RISK

When the contractor provided material

Article 625

(1) In the event when the contractor provided material for manufacturing of the items and the item got damaged or was lost due to any reason prior to its delivery to the client, the contractor shall bear the risk and is not entitled to either compensation of the material or compensation for his/her work.
(2) If the client checked the finished work and approved it, it shall be considered that the item has been delivered to him/her and that it was deposited to the contractor.
(3) If the client has been late due to non-acceptance of offered item then he/she will take the risk of accidental loss or damaging of items.
When the client provided supplies

Article 626

(1) The client shall take the risk of accidental loss or damage to the object if he/she gave the material for manufacturing.
(2) In that case the contractor is entitled to compensation only if the item was lost or damaged after the client’s arrival or if the client has not responded to his/her prompt invitation to examine the item.

The risk in case of delivery of items in spare parts

Article 627

If it has been agreed that the client shall examine and accept some of the spares after their production, the contractor shall be entitled to compensation for producing of the spares examined and approved by the client even if they become ruined at his/her place without his fault.

PART 8

RIGHT TO PLEDGE

Article 628

In order to secure claims for the compensation for work and compensation for used material as well as for other claims based on the work contract, the contractor has the right of pledge over goods manufactured or repaired by himself/herself as well as over other objects related to his/her work that have been delivered to him/her by the client, for as long as he keeps them and stops to keep according at his/her own discretion.

PART 9

TERMINATION OF THE CONTRACT

Termination of the contract according to the will of the client

Article 629

During the performance of work the client can cancel the contract at any moment. In that event he/she is obliged to pay the contractual compensation to the contractor, reduced by the amount of costs not caused by the latter one, and which he/she would have been obliged to pay if the contract had not been cancelled, as well as by the amount of earnings he made elsewhere or intentionally failed to make.
perform some other building works at that land i.e. on the already existing building construction, and binding
the client oblige to pay a certain price for the performed work.

(2) The contract on constructing should be concluded in writing.

Building structure

Article 631

In the sense of this chapter the building structures shall imply buildings, dams, bridges, tunnels, water
supply system, sewage, roads, railway, wells and other building constructions that require complex and large
scale works.

Monitoring works and control of the quality of material

Article 632

The contractor is obliged to allow the client constant monitoring of work as well as the control of the
quantity and quality of the used material.

Deviation from the project

Article 633

(1) For any departure from the project of constructing, i.e. contracted works the contractor has to have
an agreement in writing given by the client.

(2) He/she cannot claim increasing the agreed price for the works completed without such an
agreement.

Urgent unexpected works

Article 634

(1) Unexpected works may be performed by the contractor without the previous consent of the client if
he/she was not capable of providing that consent due to urgency of the works.

(2) Unexpected works are those works that were necessary to be initiated in order to secure either
stability of the construction or prevention of any damage, also they are caused by unexpected complex type of
soil, unexpected appearing of water or by other extraordinary and unexpected events.

(3) The contractor is obliged to notify the client immediately about these events and undertaken
measures.

(4) The contractor is entitled to a righteous compensation for unexpected works that had to be done.

(5) The client can cancel the contract if, due to these works, the contractual price would have to be
increased of which he/she is obliged to notify the contractor.

(6) In case of canceling the contract the client is obliged to pay an adequate amount of the price for
already completed works, as well as the righteous compensation for required costs.

Price of work

Article 635

Price of work may be defined according to the units of contractual works (unit price) or in total amount
for the entire construction (total contractual price).

Change of price

Article 636

(1) If the contract does not stipulate something else regarding price, the contractor that fulfilled his/her
obligation within stipulated time may request work price increase if, in the meantime between concluding the
contract and its fulfillment the prices of the components, based on which the cost of works were defined, have increased, so it is necessary to increase the price by more than 2%.

(2) In case when the contractor did not comply with the stipulated deadline in terms of performing his/her work, by his/her own fault, he/she may claim increasing the cost of work if, in the meantime, between concluding the contract and the date when the work should be completed according to the contract, the prices of components have increased based on which the cost of works has been defined, so it is necessary to increase the price by more than 5%, in line with the new prices of those components.

(3) In cases referred to in the previous paragraphs the contractor may claim only the difference of costs of work, which exceeds 2 i.e. 5%.

(4) The contractor cannot refer the increasing in the price of components, based on which the price of works was defined, if the increase occurred after his coming into delay.

Provision on unchangeability of prices

Article 637

(1) If it is agreed that the price of work will not be changed in case when after concluding the contract, the prices of components, based on which the cost of works were defined, have increased, the contractor may, besides such stipulation, claim change of the price if the price of components have increased to such an extent requiring the increase in price of work by more than 10%.

(2) However, in this case, the contractor may claim only the difference of prices, which exceeds 10%, unless the price increase happened after his/her coming into delay.

Termination of the contract due to price increase

Article 638

(1) If in cases referred to in the previous Articles the contractual prices should be significantly increased the client is entitled to cancel the contract.

(2) In case of canceling the contract the client is obliged to reimburse the contractor for an appropriate amount of contractual price for the works that have been completed as well as to pay the righteous compensation for the costs incurred up to that point.

The right of the client to claim reducing of the contractual price

Article 639

(1) In the event of more than 2% decrease in the prices of components based on which the cost of works has been defined, between concluding the contract and fulfilling the obligation by the contractor, whereby the work was completed as stipulated, the client can claim proper reducing of the price of works, which exceeds that percentage.

(2) If the contract stipulates that the price of works will not be subject to changes and the works have been performed within stipulated time, the client has the right to reduce the price, if the price of the components based on which the price of work was defined decreased to such an extent as to causing the price of work to decrease by more than 10%, and only for the difference in price exceeding 10%.

(3) In case of the contractor’s delay, the client is entitled to proportional reduction of the price of works for each reduction of prices of components, based on which the price of works was defined.

PART 2

CONTRACT ON CONSTRUCTING WORKS WITH A SPECIAL PROVISION

Article 640

(1) If the contract on constructing contains the provision “key construction” or some similar stipulation, the contractor is obliged to perform all works independently, required for construction and use of a certain facility.
(2) In that case, the contractual price shall include the value of all unexpected works and work, and shall exclude the impact of deficit work on the contractual price.
(3) If in the contract “key construction” several participants take part as a contracting party then their liability to the client shall be joint and several liability.

PART 3

LIABILITY FOR DEFECTS

Applying rules from the contract on work

Article 641

If this chapter does not stipulate differently, corresponding provisions of the work contract are to be applied to the liability for defects on buildings.

Article 642

Transfer of rights pertaining to liability for defects

The right of the client to the contractor due to the defect on building shall be transferred to all later purchasers of the construction or a part of it; the predecessor’s time period shall be included in the notice period and the period for lawsuit, so the new time period shall not lapse for new purchasers.

Special rights of tenancy right holder

Article 643

Holder of tenancy right over a socially owned flat has the right to demand removing defects by the contractor within the purview of his/her liability for defects on buildings toward the client.

PART 4

LIABILITY OF THE CONTRACTOR AND PROJECT ENGINEER FOR SOLIDNESS OF THE CONSTRUCTION

Notion

Article 644

(1) The contractor is liable for defects while constructing a building in terms of its solidness, if these defects appear within 10 years time from the moment of its hand over and accepting of works.
(2) The contractor is liable for defects on land where the construction was built, which would arise within 10 years time from the hand over and accepting of works, unless a specialized organization provided the expert opinion that the land was suitable for constructing, and during constructing no circumstances arose causing suspicion about the justification of expert opinion.
(3) The same is applicable to the designer if the defects of building are based on some defects in a plan.
(4) According to the provisions of the previous paragraphs they are liable not only toward the client, but to any other purchaser of the building.
(5) This liability cannot be either exempted nor limited by the contract.

The responsibility to inform and losing right

Article 645
(1) The client or some other purchaser is obliged to notify the contractor and the designer of defects within 6 months period from identification of the defect, otherwise he/she shall lose the right to refer to this.

(2) The right of the client or of some other purchaser towards the contractor, i.e. designer based on their liability for defects shall cease within one year time starting from the day when the client, i.e. purchaser notified the designer i.e. contractor of the defects.

Reducing and excluding liability

Article 646

(1) The contractor shall not be released from the liability if the damage occurred because he/she followed the request of the client when performing certain works.

(2) However, if the contractor reminded the client of the possible danger of damage prior to completion of certain works ordered by the client, his/her liability shall be reduced, and can be excluded according to the circumstances of a specific case.

Compensation

Article 647

(1) When both the contractor and designer are liable for damage, the liability of each of them shall be defined according to the size of his/her fault.

(2) The designer who developed the project of the building and who has been assigned to monitor performing of planned works is liable for defects on already performed works arisen due to the contractor’s fault if he/she could have noticed them by standard and reasonable monitoring and is entitled to claim an appropriate damages from the contractor.

(3) A contractor, who provided damages due to the defects on performed works, is entitled to claim damages from the designer to the extent in which defects in performed works are the result of defects in project.

(4) When a person who was assigned to perform a part of business by his/her contractor is liable for defects, then the contractor, if he/she wishes to claim the damages from him/her, has to notify him of existence of defects within 2 months starting from the day when he was notified by the client on the defect.

Chapter XIV
TRANSPORT
Section 1
General

Article 648

(1) The contract of carriage shall bind the carrier to transport a person or some item to a certain place, and the passenger i.e. the consignor shall be bound to provide a certain payment.

(2) A carrier, in the sense of this law, shall imply both person who is involved in transport business as his/her regular activity, and any other person bound by the contract to perform transport with a certain fee.

The obligations of the line transport carrier

Article 649

(1) A carrier who performs transport business on a certain line (line transport) is obliged to maintain the announced line regularly and accurately.

(2) He/she is obliged to accept any person and any item to be transported, which fulfill conditions defined in the announced general requirements.

(3) If a regular means of transport of the carrier is not sufficient for the execution of all required carriages, then the priority is given to the persons or items for whom this is defined by special provisions, and
any further priority is defined in accordance with the rank of requirements; the priority between the simultaneous requests shall be defined according to a longer distance of transport.

Waiving the contract  
Article 650

(1) A consignor, i.e. a passenger may waive the contract prior to the beginning of its fulfillment, but is obliged to provide damages that the carrier would suffer from.
(2) When the carrier is late to start transport to such a degree that another party is not interested for the agreed transport any more, or when the carrier does not want or cannot perform transport agreed upon, another party may waive the contract and claim refunding of paid in transportation fee.

Amount of the carrier fee  
Article 651

(1) If the amount of the transportation fee is defined by rate or by another announced compulsory enactment, then higher fees cannot be contracted.
(2) If the amount of the transportation fee is neither defined by rate, by another announced compulsory enactment, nor by contract, the carrier has the right to usual transportation fees applicable to that type of transport.
(3) Anyway, provisions on fees shall be applied, which are contained in the Chapter of this Law providing for the work contract.

Limiting application of the provisions from this chapter  
Article 652

The provisions referred to in this Chapter shall be applied to any type of transportation, unless the law stipulates differently for certain types.

PART 2  
CONTRACT ON GOODS TRANSPORT  
Section 1  
GENERAL PROVISIONS  

Delivery of items  
Article 653

A carrier is obliged to deliver the item accepted for transport to the specific place, handing it over to the consignor or to a certain person (consignee).

Of what a consignor should notify the carrier  
Article 654

(1) A consignor is obliged to inform the carrier about the type of shipment, its contents and quantity, and inform him/her where to the shipment should be transported, consignee’s name and address, his/her name and address, as well as other anything else the carrier requires in order to fulfill his/her obligations without delays and hindrances.
(2) When the values, securities or other things of value are placed in a shipment, a consignor is obliged to inform the carrier about this at the moment of delivering these items to be transported and impart to him/her the their value.

(3) When a hazardous item is to be transported or the item with special requirements for transportation, a consignor is obliged to inform his/her carrier on time in order for the latter to be able to undertake certain appropriate measures.

(4) If a consignor does not provide information referred to in 1 and 3 to the carrier or gives false information, he/she is liable for the damage arisen due to this reason.

Bill of lading

Article 655

(1) The contractors can agree to make a bill of lading on a shipment delivered for transportation.

(2) A bill of lading should contain: consignor’s name and address, carrier’s name and address, type of shipment, its contents and quantity as well as the value of valuable objects, destination, the transportation fee amount, i.e. the receipt certifying that the fee has been paid in advance, the provision on the amount burdening the shipment, place and date of the issue of the bill of lading.

(3) Other provisions of the contract of carriage can be added to the bill of lading.

(4) A bill of lading should be signed by both contracting parties.

(5) A bill of lading may contain the provision “upon order” or be made out to the bearer.

The contract of carriage and bill of lading

Article 656

Existence and validity of the contract of carriage are independent of existence of the bill of lading and its accuracy.

Receipt on acceptance of the items for transportation

Article 657

If a bill of lading has not been issued, a consignor can demand the carrier to be issued a receipt on acceptance of the shipment, which will contain the information from the bill of lading.

Section 2

CONSIGNER – CARRIER RELATION

Packing

Article 658

(1) A consignor is obliged to pack the objects in a prescribed or usual manner in order to avoid causing any damage or endangering safety of people or assets.

(2) A carrier is obliged to point to consignor to defects in packaging that could be easily noticed, otherwise he/she is responsible for damaging of the shipment that might happen due to these defects.

(3) However, a carrier is not responsible for damaging of the shipment, if the consignor claimed accepting the shipment for transportation with these defects although he/she was reminded of defects in packaging.

(4) A carrier is obliged to reject the shipment if defects in its packaging are of such nature that they can endanger the safety of people or assets or can cause a certain damage.

(5) A carrier is responsible for the damage that the third party may suffer from during the period when the item is placed with the carrier, and the latter has a right to claim the fees from the consignor.
Transportation fee and transportation costs

Article 659

(1) A consignor is obliged to pay the transportation fee and transportation costs to the carrier.
(2) Unless stated in the loading bill that the consignor shall pay transportation fee and transportation costs, it shall be considered that the consignor has instructed a carrier to collect these from the consignee.

Shipment managing

Article 660

(1) A consignor can dispose of a shipment and change the orders contained in the contract, also he/she may order the carrier to stop any further transportation of the shipment, to return the shipment to him/her, to deliver it to another consignee or to send it to some other place.
(2) A consignor’s right to change the orders shall cease upon arrival of the shipment at the determined place and upon the carrier’s delivery of the bill of lading to the consignee or when the carrier calls the consignee to accept the shipment, or when the consignee requests its delivery by himself/herself.
(3) If the bill of lading has been issued by order, i.e. as registered one, the consignor’s right, referred to in the previous paragraph, shall belong only to the holder of bill of lading.
(4) An authorized designee using the right to issue new orders to the carrier is obliged to compensate the costs and damage that he/she suffered from to the latter one as well as an authorized designee is obliged to provide the guaranty to the carrier upon his/her request that the costs and damage shall be compensated to him/her.

The assignment of transport

Article 661

(1) A carrier is obliged to perform transportation by the route indicated in the contract.
(2) If the assignment of the transport is not agreed upon, a carrier is obliged to perform it using the route most convenient for the consignor’s interest.

Hindrances while performing transportation

Article 662

(1) A carrier is obliged to inform the consignor about all circumstances that could have an impact on performing transportation and follow the instruction received from him/her.
(2) A carrier is not obliged to follow the instruction received from the consignee, if their performance could endanger the safety of people or assets.
(3) If it happens that a carrier cannot wait for instructions of the consignee he/she is obliged to act as any good businessman, i.e. good host would do in that situation and is obliged to inform a consignor and request his/her further instruction.
(4) A carrier has the right to be refund of costs that he/he suffered from due to hindrances arisen without his fault.

Fees in case of stopping transport

Article 663

(1) If transport has ceased due to some reason for which a carrier is liable, he/she has the right to the proportionate part of the fees for performed transportation, but is obliged to provide damages that might arise on the second party’s side due to ceasing transportation.
(2) If the transport stopped due to some reason for which none of the interested parties is liable, the carrier has the right to the difference between the contracted transportation fees and transportation costs from the place where the transportation was stopped to the destination.
(3) The carrier does not have a right even to a part of compensation if, during the transport the shipment was lost due to force major.
When the shipment cannot be delivered

Article 664

(1) If a consignee cannot be informed about the shipment arrival, or rejects to accept it or if a shipment cannot be delivered in general, if a consignee does not pay a due fee to the carrier and other amounts related to the shipment, the carrier is obliged to inform the consignor about this, request instructions from him and undertake appropriate measures for depositing items for his/her account.

(2) If within a reasonable deadline an authorized person does not undertake anything with the shipment, the carrier has the right to sell it according to the rules applied to owed objects in case of creditor’s delay, and to collect his/her claims based on the reached price, and is obliged to deposit the remainder at the court for the authorized designee.

Carrier’s liability toward a consignor

Article 665

If the carrier has delivered a shipment to the consignee and has not collected the amount related to the shipment from him/her, then he/she is obliged to pay this amount to the consignor, but he/she has the right to claim the fees from the consignee.

Section 3

CARRIER - CONSIGNEE RELATION

Notifying the Consignee on Arrival of the Shipment

Article 666

(1) The carrier is to notify the consignee, without delay, that the shipment arrived, as well as to make it available to him, as it was stated in the contract, and to present him the bill of lading in case it was issued.

(2) In case the bill of lading was issued by order or to bearer, he/she is obliged to act in accordance with the previous paragraph only if it was stated in the bill of lading, who is to be notified, at the place of choice, that the shipment arrived.

Delivery of Shipment after Issue of the Duplicate of bill of lading

Article 667

Carrier can reject to hand over the shipment if the bill of lading duplicate is not given to them at the same time, which proves that the consignee confirmed that the shipment was handed over to him/her.

Right of Consignee to Request Delivery of Shipment

Article 668

(1) Consignee can realize his/her rights stated in the contract on transport, concerning the carrier, and request from them to hand over the bill of lading and the shipment, only once it reaches the place of choice.

(2) Carrier is obliged to hand over the shipment to the consignee, at his/her request, prior to its arrival at the place of choice, only if they were authorized to do that by the consignor.

(3) Consignee can realize the rights stated in the contract on transport, and request from the carrier to perform the delivery of the shipment, only if he/she fulfills all the conditions specified in the contract on transport.

Determining Exact Sameness and State of Shipment
Article 669

(1) The authorized party has the right to request that the shipment be identified in the minutes and in case the shipment was damaged, the damage is to be described.
(2) If it was found that the shipment was not the one that was handed over to the carrier, or that the damage is greater than that which was stated by the carrier, the carrier is to cover the costs of the check.

Obligation of Consignee to Pay Compensation for Transport

Article 670

(1) When taking over the shipment as well as the bill of lading, if it was issued, the consignee is obliged to pay the compensation for transport to the carrier, unless stated otherwise in the contract on transport or in the bill of lading, as well as to pay the sums with which the shipment is burdened.
(2) If the consignee considers that he/she is not obliged to pay to the carrier the amount that he requests, he/she can realize the rights stated in the contract only if he/she deposits the disputable amount at the court.

Section 4

CARRIER’ LIABILITY FOR LOSS, DAMAGE AND DELAY OF SHIPMENT

Loss or Damage of Shipment

Article 671

(1) Carrier is liable for loss and damage of shipment which takes place from the point of its takeover to the point of its delivery, except if they were caused by the authorized party, by characteristics of the shipment, or by external causes which could be neither anticipated, nor avoided, nor removed.
(2) Provisions of the contract on transport, of the general conditions of transport, fees, or of any other general act, which lessen the liability, are considered void.
(3) But the provision which in advance determines the highest amount of the compensation is valid, unless it is in an obvious disproportion with the damage.
(4) This limitation of the amount of the compensation is not valid if the carrier caused the damage intentionally or in an entirely careless manner.
(5) If not contracted otherwise, height of the compensation is determined in accordance with a market price of the shipment at time and place of the delivery in order to be transported.

Loss or Damage of Shipment comprising Valuable Objects

Article 672

(1) In case of loss or damage of the shipment in which there were valuable objects, securities or any other valuable objects, the carrier is obliged to compensate for the existing damage only if he/she was informed about the characteristics of the objects and of their value, when they were handed over for transport, or if he/she caused the damage intentionally or in an entirely careless manner.
(2) If there were other objects in the shipment together with the cited objects, the carrier is liable for their loss or damage, in accordance with general rules on liability of the carrier.

Paying Back the Compensation Paid for Transport

Article 673

In case of total loss of the shipment, the carrier is obliged to pay back the compensation for transport if the same has been paid, beside having to pay the compensation for damage.

If Consignee Takes Over the Shipment without Complaint
Article 674

(1) When the consignee takes over the shipment without complaint and settles the carrier’s claims, the liability of the carrier ceases, unless the damage has been determined prior to takeover of the shipment, and written down in the protocol.

(2) The carrier remains liable for damaging of the shipment which could not have been noticed at the moment of delivery, if they have been informed by the consignee about those impairments right after they were detected, but not later than eight days from the day of the delivery.

(3) The carrier cannot invoke the provisions of the previous paragraphs, if the damage was caused on purpose or due to gross negligence.

Liability of the Carrier for Delay

Article 675

The carrier is responsible for the damage that was caused by delay, unless the delay has been caused by a fact that excludes its liability for the loss or damage of the object.

Responsibility for Assistants

Article 676

The carrier is responsible for persons who performed the forwarding in accordance with carrier’s order.

Section 5

PARTICIPATION OF SEVERAL CARRIERS IN TRANSPORT OF THE SHIPMENT

Their joint and several obligation

Article 677

(1) The carrier which entrusts another carrier with a complete or partial performance of the forwarding of shipment which it took over, remains liable for its transportation starting with it being taken until it is handed over, but it has the right to be compensated by the carrier with which it entrusted the shipment.

(2) If another carrier takes over the bill of lading along with the shipment, it becomes contractual party in contract on transport, with rights and duties of a solidary debtor and solidary creditor, whose shares are proportionate to their participation in transport.

(3) The same is valid when several forwarding companies, which will participate in transport one after the other, are entrusted with performing transport, in one and the same contract.

(4) Each of the forwarding companies has the right to request that the check up of the state of the shipment be made, at the moment of its being handed over to the company in order to perform his part of the transport.

(5) Carriers under joint and several liability participate in compensating for damage in proportion with their shares in transport, except for the one which proves that the damage was not made while the company transported the shipment.

(6) Complaints performed to the latter carrier are also effective toward all earlier carriers.

Divided Responsibility of the Carriers

Article 678

When several carriers, selected by the consignor, take part one after the other in the performance of the transport of the same shipment, each one of them is liable only for its part of the transport.

Section 6

RIGHT TO PAWN

When Carrier Has Right to Pawn
Article 679

(1) In order to secure the payment of compensation for transportation and necessary expenses which are related to transportation, the carrier has the right to pawn on objects which were handed over to it in order to be shipped, or are related to the shipment, for as long as it holds them, or the document allowing it to dispose of the objects.

(2) If there were several carriers taking part in the transport, their claims related to performance of the transport have been provided through this pawn as well, and the last carrier is obliged, unless stated otherwise in the bill of lading, to collect all the debts, according to the bill of lading.

(3) Claims of the previous carrier, as well as its right to pawn, are transferred onto the previous carrier that paid out the claims.

(4) The same is valid in case when the carrier pays the claims of the forwarding agent.

Conflict of Rights

Article 680

(1) When the commission agent, dispatcher and warehouseman have the right to pawn in addition to the carrier, payment of the claims of any of these creditors, which resulted from forwarding or transport, are first to be covered, in the order reverse from the one in which they originated.

(2) Other claims of the commission agent and the warehouseman, as well as the claim of the forwarding agent and the carrier which arose through an advance payment, are payable only upon the payment of the claims referred to in the previous paragraph, in the order in which they originated.

PART 3

CONTRACT ON PASSENGER TRANSPORT

General Provision

Article 681

The carrier is obliged to transport passengers in a safe manner, using the means of transport that were defined in the contract, while providing those conditions of comfort and hygiene which are considered necessary in accordance with the type of transport as well as with distance.

Right of Passenger to a Particular Seat

Article 682

Carrier is obliged to give the passenger the seat in the vehicle that was contracted.

Responsibility of the Carrier for Delay

Article 683

(1) Carrier is obliged to transport a passenger to the certain place and at the certain time.

(2) The carrier is liable for damage which may be inflicted on the passenger due to delay, unless the delay was due to the causes that could be eliminated neither by them, nor by a special care of an expert.

Responsibility of the Carrier for Safety of Passengers

Article 684

(1) The carrier is responsible for passengers’ safety from the start until the end of transport, regardless of transport being compensated for or free, and is also obliged to compensate for damage which results from health damage, wound or death of a passenger, unless this was caused by the passenger, or there was an external cause which could not be anticipated, avoided or eliminated.
(2) The provisions of the contract, as well as the general conditions of transport, fees, or any other general act, which lessen the liability, are considered void.

**Responsibility for Luggage Handed Over for Transport as well as for Other Objects**

**Article 685**

(1) The carrier is obliged to transport luggage which was handed over by the passenger at the same time when they transport the passenger himself/herself, and hand it back to him/her at the end of the transport.  
(2) The carrier itself is liable for damage of the object that the passenger retains, in accordance with the general rules on responsibility.  
(3) The carrier is liable, under the general rules on liability, for the damaged objects that the passenger holds with him/her.

**Chapter XV**

**CONTRACT ON LICENSE**

**PART 1**

**GENERAL PROVISIONS**

**Notion**

**Article 686**

Contract of license obliges the license giver to transfer the right to usage of invention, technical knowledge, of the stamp, pattern or model, to the license acquirer, entirely or partially, while the acquirer is obliged to pay a certain compensation for that.

**Form**

**Article 687**

Contract of license has to be concluded in writing.

**Duration of License**

**Article 688**

License to use a patented invention, pattern or model cannot be concluded for the time longer than the time of the legal protection of those rights.

**Exclusive License**

**Article 689**

(1) The license acquirer obtains the exclusive right to use the object of the license through the contract of license, but only if it was exclusively contracted (exclusive license).  
(2) Other possibilities of use of the object of license are kept by the license giver.  
(3) If it is not stated in the contract of license which license is the subject of the contract, it is considered that he/she is given a non-exclusive license.

**Spatial Limitation of Right to Use**

**Article 690**

(1) Right to use the object of the license can be spatially limited only if it is not contrary to the regulations on the unique Yugoslav market.
(2) If the right to use the subject of the license is not spatially limited by the contract, it is considered that the license is spatially unlimited.

**PART 2**

**OBLIGATIONS OF THE LICENSE ISSUER**

**Delivery of the License Subject**

**Article 691**

(1) License giver is obliged to hand over the subject of the license to the license acquirer within a defined time period.

(2) License giver is obliged to hand over to the license acquirer the technical documentation as well, which is needed for the practical application of the subject of the license.

**Instructing and Informing**

**Article 692**

License giver is obliged to give all the instructions and information which are needed for the successful use of the license subject.

**Obligation of Guarantee**

**Article 693**

License giver guarantees to the license acquirer that the subject of the license is technically feasible and technically usable.

**Guaranty**

**Article 694**

(1) License issuer guarantees that the right to use which is the subject of the contract belongs to him/her, that there is no burden on it, and that it is not limited in credit of a third party.

(2) If the subject of the contract is the exclusive license, the license issuer guarantees that he/she did not transfer the right to use to another person, neither completely nor partially.

(3) The license issuer is obliged to keep safe and protect the right transferred to the license acquirer against any requests of third parties.

**Obligation of the Issuer of Exclusive License**

**Article 695**

If the exclusive license was contracted, the license issuer can use neither the subject of the license in any form by himself/herself, nor its separate parts, nor enable someone else to do it within the limits of the spatial validity of the license.

**Section 3**

**OBLIGATIONS OF LICENSE HOLDER**

**Exploitation of the License Subject**

**Article 696**

The license holder is obliged to exploit the subject of the license in the contracted way, in the contracted scope and within the contracted limits.
Usage of Subsequent Improvements

Article 697

Unless stipulated otherwise by law or contract, license acquirer is not authorized to use the subsequent improvements of the subject of the license.

Keeping the Subject of the License

Article 698

If the subject of the license comprises the non-patented invention or secret technical knowledge or experience, the license acquirer is obliged to keep it secret.

Quality

Article 699

(1) If the license to use the seal has been transferred together with the license for production, the license acquirer can trade the goods having that seal only if its quality is the same as the quality of the goods which are being produced by the license issuer.

(2) The opposite agreement has no legal effect.

Marking

Article 700

License acquirer is obliged to mark the goods with a designation on production in accordance with the license.

Compensation

Article 701

License acquirer is obliged to pay the contracted compensation to the license issuer on time and in the way stipulated by the contract.

Reporting

Article 702

If the compensation is determined depending on the scope of the use of the license subject, the license acquirer is obliged to submit the report on the scope of usage and make annual statement of account, unless the contract defines a shorter deadline for that.

Change of Contracted Compensation

Article 703

If the contracted compensation became obviously disproportionate in relation to the gain that the license acquirer obtains from the use of the license subject, the interested party can request the change of the contracted compensation.

Section 4

SUBLICENSE

When It Can Be issued

Article 704
(1) Exclusive license acquiree can transfer the right to use the subject of license to another person (sublicense).

(2) It can be specified by the contract that the license acquiree cannot give away his/her sublicense, or that he/she cannot give it away without the permission of the license issuer.

**When Issuer Can Refuse to Give Permission**

**Article 705**

If the permission of license issuer is needed for issuing the sublicense, he/she can refuse to give it to the acquiree of the exclusive license only when it is well grounded.

**Dismissal Due to Non-Permitted Sublicense**

**Article 706**

License issuer can terminate the contract of license without a notice period if the sublicense was issued without his/her permission, in case the law or the contract stipulate the permission.

**Direct Request of License Issuer**

**Article 707**

(1) Contract of sublicense does not create any special legal relation between the sublicense acquiree and license issuer, not even in the case when the license issuer gave the necessary permission for conclusion of sublicense.

(2) However, the license issuer may, in order to collect his claims from the license acquiree based on the license, request directly the acquiree of the sub-license to pay the amount that he owes to the issuer of sublicense, based on the sub-license.

**PART 5**

**TERMINATION OF CONTRACT**

**Passage of a specific period**

**Article 708**

The license contract concluded for a specific period ceases by the very passage of the period for which it had been concluded, and it is not necessary to cancel it.

**Tacit renewal of license**

**Article 709**

(1) When the license acquiree continues to exploit the subject of license after passage of the period for which the license contract had been concluded and the license issuer does not oppose it, it is considered that a new license contract of indefinite duration has been concluded, under the identical terms as the preceding one.

(2) Guaranties that third parties gave for the first license cease with the passage of period for which it had been concluded.

**Cancellation**

**Article 710**

(1) Contract of license with undefined duration ceases by cancellation that each party can give to another, respecting the determined period of notice.
(2) If the period of notice has not been determined in the contract, it is six months, but the license giver cannot cancel the contract during the first year of its validity.

**Death, bankruptcy and regular liquidation**

**Article 711**

(1) In case of death of the license issuer, the license continues with his successors, unless agreed otherwise.

(2) In case of death of the license acquirer, the license is extended by his successors who continue with his activity.

(3) In case of bankruptcy or regular liquidation of license acquirer, license issuer can cancel the contract.

**Chapter XVI**

**DEPOSIT**

**PART 1**

**OF DEPOSIT IN GENERAL**

**Section 1**

**GENERAL PROVISIONS**

**Notion**

**Article 712**

(1) Contract of deposit obliges the depositary to receive an object from the depositor, to keep it and return it upon the request of the latter.

(2) Only movable things can be subjects of deposit.

**Deposit of another person’s object**

**Article 713**

(1) The contract of deposit can be validly concluded also by the person who is not owner of the object, in his own name, and the depositary is obliged to return the object to him/her, unless he/she finds out that the object was stolen.

(2) If a third party demands the object from depositary, as an owner, by undertaking a legal action, the depositary is obliged to inform the court as to from whom he/she had received the object, and at the same time inform the depositor about the instituted legal action.

**Section 2**

**OBLIGATIONS OF DEPOSITARY**

**Obligations of preserving and informing**

**Article 714**

(1) The depositary is obliged to preserve the object as his/her own, and if the deposit includes the compensation, as a good entrepreneur, i.e. good host.

(2) If the place or manner of preserving the objects have been agreed upon, the depositary can change them only if changed circumstances require it, or else he/she will be held responsible both for an accidental loss or an accidental damaging of objects.

(3) The depositary is obliged to inform the depositor about all changes that he would notice on the object and about the dangers of their damaging.
Delivery of objects to a third party for depositing

**Article 715**

The depository can not give the object, entrusted to him, to another person, for the purpose of depositing without depositor’s consent or without necessity, or else he/she will be responsible for its accidental loss or damage.

Use of objects

**Article 716**

(1) The depository does not have the right to use the object entrusted to him/her as a deposit.

(2) In case of illicit use of objects, the depository owes to the depositor an appropriate compensation, and is held responsible for accidental loss or damage of objects that would happen on that occasion.

(3) When a non-disposable object is deposited and the depository is allowed to use it, the rules pertaining to the loan for use (commodatum) are applied to the relation between the contractors. and the rules pertaining to the contract of deposit are only applied to the time and the place for return of objects, unless otherwise has been agreed upon by the contractors.

Use and delivery of objects to a third party

**Article 717**

When the depository uses the object without depositor’s consent, without necessity and contrary to the contract, changes the place or way of its depositing or when he/she deposits the object to a third party, he/she is not responsible for accidental loss or damage of objects that would occur even if he had acted in accordance with the contract.

Return of objects

**Article 718**

(1) The depository is obliged to return the object immediately after the depositor’s request, including all earnings and other yields from the object.

(2) If a deadline for return of the object has been specified, the depositor can request the return of object even before the deadline, except when the deadline is not set exclusively in the depositor’s interest.

(3) The return is effected in the place where the objects are delivered to the depositary, unless a different place is specified in the contract, in which case the depository has the right to compensation of expenses for transfer of objects.

Section 3

**RIGHTS OF DEPOSITORY**

Compensation for expenses and damage

**Article 719**

The depository has the right to request from the depositor to compensate him/her for justified expenses made for preserving the object, as well as for the damage he/she suffered because of the deposit.

Compensation

**Article 720**

The depository does not have the right to the compensation for his effort, unless a compensation has been agreed, if the depository deals with receiving objects for the purpose of deposit, or if the compensation could be expected in regards to the circumstances of the business.
Return of objects in case of free deposit

Article 721

(1) The depository, who assumed the obligation of keeping the deposited object free of charge over a certain period, can return it to the depositor before the expiry of the agreed deadline if the object itself would be in danger of loss or damage, or if its further keeping could cause its damaging.

(2) If a deadline has not been agreed upon, the depository referred to in the preceding paragraph can desist from the contract at any moment, but he/she is obliged to set an appropriate deadline to the depositor for collecting the object.

Section 4

SPECIAL CASES OF DEPOSIT

Unreal deposit

Article 722

When disposable objects are given for deposit with the depository’s right to spend them and obligation to return the same quantity of objects of the same sort, then the rules of contract of loan are applied to his relationship with the depositor. The rules of contract of deposit shall be valid only in view of place and time of return, unless the contracting parties determined something else in regards to that.

Deposit in case of necessity

Article 723

Whoever is entrusted with the object in case of some misfortune, for example in case of fire, earthquake, flood, is obliged to keep it with greater attention.

PART 2

DEPOSITS IN HOTEL INDUSTRY

Hotelkeeper as a depository

Article 724

(1) Hotelkeeper is considered depository in view of the objects that the guests brought and is held responsible for their disappearance or damage in the amount the maximum of which is determined by a special regulation.

(2) That responsibility is excluded if the objects were ruined or damaged due to circumstances that could not be avoided or removed because of their origin in the object itself, if they disappeared or were damaged due to the behavior of the guest himself/herself, or the behavior of the persons whom he had brought or who came to visit him.

(3) The hotelkeeper owes full compensation if a guest deposited an object with him/her, as well as if the damage occurred by his fault or fault of the person for whom he is responsible.

Hotelkeeper’s obligation to receive objects for the purpose of the deposit

Article 725

(1) The hotelkeeper is obliged to receive the objects for the purpose of depositing, which the guests bring and wish to hand over for depositing, unless he/she has no appropriate premises for their keeping, or if, whatever reason, their keeping exceeds his/her capacities.

(2) If the hotelkeeper refuses to take an object for keeping without a justified reason, he/she owes full compensation for the damage that the guest suffers due to that.
Guest’s duty to report damage

Article 726

The guest is obliged to report disappearance or damage of objects as soon as he/she finds out about them, or else he/she will have the right to compensation only if he/she proves that the damage had occurred by fault of the hotelkeeper or person for whom he/she is responsible.

Announcements about exclusion of responsibility

Article 727

Announcements put up in the hotelkeeper’s premises have no legal effect if they are excluding, limiting or conditioning his/her responsibility for the objects which were brought by the guests.

Possessory lien

Article 728

The hotelkeeper who receives guests for an overnight stay has the right to retain objects which the guests brought, until full settlement of accommodation charges and other services.

Extension of application of provisions on hotelkeeper’s deposit

Article 729

Provisions on hotelkeeper’s deposit are promptly applied to hospitals, garages, sleeping cars, organized camps, and the like.

Chapter XVII

WAREHOUSING

PART 1

GENERAL PROVISIONS

Notion

Article 730

(1) Entrepot agreement obliges the storekeeper to receive and keep certain goods and to take necessary or agreed measures for its keeping in a certain state, and to deliver it upon a request from depositor or other authorized person, while the depositor is obliged to pay him for that a designated compensation.

(2) When delivering goods, it is the depositor’s duty to give all necessary information about it and state its value.

Exclusion of liability and some obligations of the storekeeper

Article 731

(1) The storekeeper is liable for the damage on goods unless he/she proves that the damage was caused due to the circumstances that could not have been avoided or removed, or it was caused by depositor’s fault, defects or natural feature of goods, as well as incorrect packaging.

(2) The storekeeper is obliged to warn the depositor about defects, or natural features of goods, i.e. about incorrect packaging, due to which the goods could be damaged, as soon as he/she noticed or had to notice the above mentioned defects.
(3) If such unavoidable changes would occur on the goods and cause the danger of goods being spoilt or ruined, the storekeeper is obliged to sell the goods without delay in the most appropriate way, if the depositor is not able to do that on time upon his/her call.

(4) The storekeeper is obliged to take actions for protecting depositor’s rights toward the carrier who delivered damaged or defective goods to him/her on behalf of the depositor.

When the obligation of insurance exists

Article 732

(1) The storekeeper is bound to secure the goods received for keeping, only if that was agreed upon.
(2) If the contract does not define the risks to be encompassed by the insurance, the storekeeper is obliged to secure the goods from the customary risks.

Limitation of damage compensation

Article 733

Compensation for damage, which the storekeeper is obliged to pay because of loss, decrease or damage of goods from the moment of its receipt until delivery, cannot exceed the real value of goods, unless the damage was caused deliberately or by gross negligence.

Mixing of disposable objects

Article 734

(1) The storekeeper cannot mix the received disposable objects with objects of the same type and quality, unless the depositor accepted it, or if it is obvious that those are objects that can be mixed without risking inflicting damage for the depositor.
(2) If the objects are mixed, the storekeeper can, upon request from an authorized person, set aside the part that belongs to him, without participation of other authorized persons involved in mixing the objects.

Inspecting goods and taking samples

Article 735

The storekeeper is obliged to allow the authorized person to inspect the goods and take its samples.

Claim of storekeeper and lien

Article 736

(1) Besides compensation for depositing, the storekeeper has the right to compensation of expenses that were required for preserving of goods.
(2) He/she has the lien on the goods for his claims from the contract on storing and other claims that arose in connection to keeping the goods.

Collecting goods and sale of uncollected goods

Article 737

(1) The depositor can collect goods even before the agreed deadline.
(2) If the depositor does not collect goods upon expiry of the agreed deadline or upon expiry of one year, and if a deadline for keeping has not been agreed upon, the storekeeper can sell the goods for his/her account on a public sale, but he/she is obliged to inform the depositor in advance about the intention and leave him/her an additional time of at least eight days to collect the goods.

Defects at receipt of goods
Article 738

(1) The consignee of goods is obliged to inspect it at the moment of its taking over.
(2) If the consignee notices any defects during the take over of goods, he is obliged to immediately warn the storekeeper, or else it is considered that the goods was regularly received.
(3) The consignee is obliged to give reliable information to the storekeeper about defects of goods that could not have been established at the moment of its taking over, within seven days counting from the day of taking over the goods, or else it will be considered that the goods was received regularly.

Application of rules on deposit

Article 739

The rules on deposit are applied to the contracts of storing as appropriate, unless regulated otherwise by the rules on storage.

PART 2

WAREHOUSE RECEIPT

Obligation to issue a warehouse receipt

Article 740

The storekeeper who is authorized under law to issue a warehouse receipt for goods taken for storage is bound to issue it to the depositor on his/her request.

Elements and contents of warehouse receipt

Article 741

(1) The warehouse receipt consists of a receipt and a warrant.
(2) The receipt and warrant contain the following data: title, i.e. name and profession of depositor, his headquarters i.e. place of residence, name and headquarters of storekeeper, date and number of warehouse receipt, location of warehouse, type, nature and quantity of goods, statement about the amount up to which the goods is insured, as well as the other data required for identifying goods and determining of its value.
(3) The receipt and warrant have to be interconnected.

Warehouse receipt for parts of goods

Article 742

(1) The depositor can request that the storekeeper divide the goods into certain parts and too issue him/her a separate warehouse receipt for each of the parts.
(2) If he/she has already received a warehouse receipt for the whole quantity of goods, he/she can request from the storekeeper to issue him/her separate warehouse receipts for each separate part, in exchange for the warehouse receipt that he/she had received.
(3) The depositor can request from the storekeeper to issue him/her a warehouse receipt for only one part of disposable goods that he/she had left with him.

Rights of warehouse receipt holder

Article 743

(1) Warehouse receipt holder has the right to demand that the goods denoted in it be delivered to him.
(2) He can dispose of the goods denoted in a warehouse receipt by transferring the warehouse receipt.

Transfer of receipt and warrant
Article 744

(1) Receipt and warrant can be transferred by endorsement, together or separately.
(2) At each transfer, they have to be dated.
(3) Upon the request from receipt and warrant consignee, transfer onto him/her will be recorded in the warehouse registry, where his/her headquarters i.e. place of residence also will be noted down.

Rights of receipt holder

Article 745

(1) Transfer of receipt without a warrant gives the consignee the right to demand that goods be delivered to him/her only if he/she pays the holder of warrant, or gives to the storekeeper for warrant holder, the amount that should be paid to him/her on the day when the accounts receivable become due.
(2) The holder of receipt without warrant can request that the goods be sold, if the sales price is sufficient to pay the amount that belongs to the holder of warrant, while the surplus is to be delivered to the former.
(3) In the event of disposable goods, the holder of receipt without warrant can request from storekeeper to hand over to him/her a part of goods under the condition that he/she leaves with the storekeeper an appropriate quantity of cash on the account of a warrant holder.

Rights of warrant holder

Article 746

(1) Transfer of warrant without receipt entitles a consignee to pledge on goods.
(2) At the first transfer, the following information has to be written on the warrant: title, i.e. name and profession of creditor, his/her business headquarters, i.e. place of residence, amount of his/her accounts receivable including interest rates, and date of maturity.
(3) The first consignee of warrant is obliged to report to the storekeeper without delay that the warrant had been transferred to him/her, while the warehouse is obliged to rewrite the transfer into its register and make note on the warrant that the transfer had been effected.
(4) The warrant can not be further transferred by endorsement without taking actions referred to in the preceding paragraph.
(5) The warrant which does not bear the amount of pledgee’s accounts receivable, is binding in terms of the total value of objects stated therein, to the credit of the pledgee.

Protest for non-payment and sale of goods

Article 747

(1) The holder of warrant without receipt, who is not compensated for the accounts receivable granted by the warrant within the time period, is bound to lodge a protest according to the Bill Regulations, under threat of loss of right to demand payment from the endorsers.
(2) The holder of warrant who lodged a protest can demand sale of pledged goods upon expiry of eight days after maturity of accounts receivable, and the same right belongs to the endorser who paid to warrant holder the accounts receivable secured by the warrant.
(3) The amount required for payment of sale costs, storekeeper’s dues from the contract on storing and his other accounts receivable that arose in connection with deposited goods are extracted from the amount reached by sale. The secured accounts receivable of warrant holder are also paid while the rest is allocated to the receipt holder.

Request of payment from warrant endorsers

Article 748

(1) The warrant holder can request payment from the endorser only if he/she could not effectuate full payment by sale of pledged goods.
(2) This request has to be made within the term defined in the Bill Regulations for request to the endorsers, and the term begins to run as of the day when sale of goods was effected.
(3) Warrant holder loses the right to demand payment from the endorsers if he/she does not request sale of goods within one month after the protest, at the latest.

Chapter XVII
ORDER
PART 1
GENERAL PROVISIONS
Notion

Article 749
(1) The contract of order obliges the agent toward the principal to undertake certain business on his behalf.
(2) Simultaneously, the agent is being authorized to undertake the business.
(3) The agent has the right to compensation for his/her effort, unless agreed otherwise or resulting from the nature of mutual relations.

Persons bound to respond to the offer of order

Article 750

Whoever deals professionally with effecting other people’s businesses or gives public offers for conducting such businesses is bound to inform the other party without delay if he/she does not wish to accept the order on offer related to such businesses. Or else, he/she will be held responsible for the damage that the other party would suffer because of that.

PART 2
AGENT’S OBLIGATION

Effectuating of order as it reads

Article 751
(1) The agent is bound to effectuate the order according to the received instructions, with attention of a good entrepreneur, i.e. prudent administrator, remain within its limits, pay attention to and be guided by the principal’s interests.
(2) When the agent holds that effectuating of order according to received instructions would be harmful for the principal, he/she is obliged to draw the latter’s attention to that and ask for new instructions.
(3) If the principal has not given definite instructions about business to be conducted, the agent is bound to guide himself/herself by the principal’s interests and act as a good entrepreneur, i.e. prudent administrator, and if the order is without compensation, as he would conduct his own business in similar circumstances.

Diverging from order and instructions

Article 752
(1) The agent can diverge from the received order only with the principal’s consent. In case when due to a short notice or any other reason he/she cannot ask for consent from the principal, he/she can diverge from the order and instructions only if he/she could have had founded opinion upon evaluation of all circumstances that principal’s interests had required it.
(2) If the agent oversteps the limitations of order or diverges from the received instructions in other case than the one referred to in the preceding paragraph, he/she shall not be considered an agent, but a business manager, unless the principal approves his job subsequently.

Replacement

Article 753

(1) An agent is obliged to perform the order in person.
(2) He/she can assign execution of the order to another person only if authorized by the principal to do it or if forced to do it due to circumstances.
(3) In such cases he/she is responsible only for choosing his/her assistant and for instructions he/she gave to him/her.
(4) In other cases he/she is responsible for assistant’s work, as well as for loss of items or damaging of items that might happen to an assistant.
(5) In any case a principal can immediately claim fulfilling the obligation based on the order by his/her assistant.

Rendering accounts

Article 754

An agent is obliged to render an account and without any delay deliver whatever he/she received on the basis of performing the assignments to the principal, regardless whether the item received for the principal’s account was owed to the latter or not.

Delivering reports

Article 755

Upon the principal’s request, an agent is obliged to deliver a report on the status of business dealings and to render an account even prior to a certain deadline.

Liability for use of the principal’s money

Article 756

If an agent used the money for his/her own needs, which was received for the principal’s account, he/she is obliged to pay an interest rate at the highest allowed contractual rate, starting from the day of use and the penalty interest to other owed money that has not been delivered on time, starting from the day when he/she was supposed to deliver it.

Agent’s joint and several liability

Article 757

If execution of a certain task has been assigned to several participants through the same order for their joint execution, they are jointly and severally responsible for the obligations referred to in this order, unless something else is stipulated.

PART 3

PRINCIPAL’S OBLIGATIONS

Advance money
Article 758

Upon the agent’s request the principal is obliged to give him/her a certain amount of money to cover anticipated expenses.

Reimbursement for charges and undertaking the responsibility

Article 759

(1) The principal is obliged to reimburse all expenses required for executing the order to the agent, even if his/her efforts were unsuccessful and it was not his/her fault, with the interest rate as of the day the expenses arose.

(2) He/she is obliged to undertake the obligations that the agent has assumed performing assignments on his/her own behalf, or to release him/her from them using some other methods.

Damages

Article 760

The principal is obliged to provide damages to the agent that he/she suffered from without his/her own fault when executing an order.

The amount of damages

Article 761

Unless stipulated differently, the principal shall owe damages at the usual amount, and if there is no usual business practice in reference to that, just damages shall be allocated.

Payment of damages

Article 762

(1) Unless stipulated differently, the principal is obliged to pay damages to the agent upon completion of his/her job.

(2) If the agent executed the order partially without his/her fault, then he/she has a right to a proportional portion of damages.

(3) Should the damages contracted in advance be obviously disproportional to performed services, the principal can claim its reducing.

Lien

Article 763

In order to provide damages and expenses, the agent has the right to pledge movables of the principal that he/she received on the basis of the order, as well as cash amounts that he/she charged for the principal’s account.

Principal’s joint and several liability

Article 764

If several people assigned an agent to execute an order, they are under joint and several liability toward him/her.
PART 4

CESSATION OF AN ORDER

Waiving the contract

Article 765

(1) The principal can waive the contract.
(2) In case of waiving the contract in which the agent is allocated a compensation for his/her efforts, the principal is obliged to reimburse the agent for an appropriate portion of the compensation and to provide damages that he/she suffered from due to waiving the contract, if there were no valid reasons to waive the contract.

Cancellation

Article 766

(1) The agent can cancel the order whenever he/she wants to, not only when it is inopportune.
(2) He/she is obliged to provide damages to the principal that he/she suffered from due to the inopportune cancellation of the order, unless there were valid reasons for it.
(3) Upon cancellation, the agent is obliged to continue assignments that cannot be delayed, for as long as the principal is in the position to attend to them.

Death, cessation of the legal entity

Article 767

(1) An order shall expire by the agent’s death.
(2) Agent’s successors shall be obliged to inform the principal about his/her death and to undertake all necessary measures to protect the interests of the latter, until he/she is capable to attend to them by himself/herself.
(3) The order shall expire by the principal’s death only if stipulated so or if the agent has accepted an order based on his/her own relations with the principal.
(4) In that case the agent is obliged to continue the assignments, until these are capable of managing them themselves.
(5) If the principal or the agent is a legal entity, the order shall cease when that entity ceases to exist.

Bankruptcy, loss of legal capacity

Article 768

An order shall cease when either a principal or agent go bankrupt or either completely or partially lose their legal capacity.

The moment of order expiry

Article 769

(1) When the principal has waived the contract, when he/she died or has gone bankrupt, has completely or partially lost legal capacity, the order shall cease at the moment when the agent finds out about the event causing the order expiry.
(2) When the agent has been issued a written proxy he/she is obliged to return it upon order expiry.

Exceptions
Article 770

When an order has been issued to allow the agent to settle one of his/her claims from the principal, the principal cannot waive the contract and the order shall not expire either by death, principal’s or agent’s bankruptcy or when one of them completely or partially loses his/her legal capacity.

CHAPTER XIX
COMMISSION

PART 1
GENERAL PROVISIONS

Notion

Article 771

(1) The commission contract shall oblige the commissioner to perform one or several jobs assigned by a client on his/her own behalf and for the client’s account for certain compensation (fee).
(2) A commissioner has the right to damages even if it is not agreed upon.

Application of the rules on the mandate contract

Article 772

Provisions on orders shall be applied to the commission contract unless the rules on commission stipulate otherwise.

Conclusion of business transaction under conditions different from the order

Article 773

(1) If the commissioner concluded some kind of business transaction under unfavorable conditions, compared to those stipulated in the order and he/she was not allowed to do that, he/she is obliged to compensate the difference to the client as well as the arisen damage.
(2) In case referred to in the previous paragraph the client may refuse to accept the concluded business transaction, provided he/she immediately informs the commissioner about this.
(3) However, the client shall lose that rights if the commissioner shows the readiness to immediately pay the difference to him/her and compensate for the damage.
(4) If the business has been concluded under more favorable conditions that those stipulated in the order, all proceeds shall belong to the commissioner.

Selling goods to an overindebted person

Article 774

A commissioner shall be responsible to the client for the damage if he/she sold the goods to the person for whose overindebtedness he/she knew or ought to have known.

When the commissioner purchases the client’s goods or sells his/her own goods to the client

Article 775
(1) A commissioner who was entrusted to sell or purchase some goods listed in the stock exchange or market, if the client allowed him/her so, may keep the goods for himself/herself as a buyer, i.e. deliver it if he/she acts as a seller at the price valid at the moment of performing the assigned business.
(2) This event effectuates arising the relationship between the commissioner and client as stipulated in the sale contract.
(3) If the stock market i.e. market price and the price defined by the client do not correspond, the commissioner - seller is entitled to the lower price compared between the two and the commissioner - buyer is obliged to pay the higher price.

PART 2

COMMISSIONER’S OBLIGATIONS

Depositing and insuring

Article 776

(1) A commissioner is obliged to keep the consigned goods with due attention of a good businessman.
(2) He/she is responsible for accidental loss or damage on the goods, in case it was not secured and he/she was obliged to do it according to the order.

Notification of the condition of accepted goods

Article 777

(1) When accepting the goods from the carrier sent by his/her client, a commissioner is obliged to identify condition of goods and notify the client as to on which day the goods are due to arrive without any delay as well as of visible damages or defects, otherwise he/she will be liable for the damage that might arise for the client due to such failure.
(2) He/she is obliged to take all required measures in order to protect the client’s rights toward the responsible person.

Notification of changes on goods

Article 778

A commissioner is obliged to notify the client of all changes on the goods which could cause a decrease in goods’ value; if there is no time to wait for the client’s instructions or if he/she stalls giving instructions and in case there is a danger for significant damaging of the goods, the commissioner is obliged to sell it in the most favorable way.

Informing the client about the names of co-contractors

Article 779

(1) A commissioner is obliged to inform the client about the person with whom he/she performed the business assigned by the client.
(2) This is not applicable in case of sale of movables being performed through commission agencies, unless stipulated otherwise.

Rendering of accounts

Article 780

(1) A commissioner is obliged to render an account on performed business without any unnecessary delays.
(2) He/she is obliged to give the client everything he/she accepted based on business performed for his/her account.
(3) A commissioner is obliged to transfer claims to the client and other rights acquired against the third party, with whom the business was performed on his/her own behalf and for his/her account.

Del credere

Article 781

(1) A commissioner is responsible for fulfilling the obligations of his/her co-contractor only if he/she provided special guarantees that his/her obligations shall be fulfilled (del credere), in that case he/she is jointly and severally liable with him/her.

(2) A commissioner who guaranteed fulfilling the obligations of his/her co-contractors is entitled to special compensation (del credere fees).

PART 3

CLIENT’S OBLIGATIONS

Compensation (commission fee)

Article 782

(1) A commissioner is obliged to pay the commissioner certain compensation when the business is completed as well as when its performing is not hindered by some cause for which the client is responsible.

(2) In case of gradual fulfilling, a commissioner may require a proportional part of the compensation after each partial fulfillment.

(3) If concluded business has not been fulfilled due to the reasons for which either commissioner or client is not responsible, the commissioner is entitled to a related compensation for his/her efforts.

(4) A commissioner who was disloyal to his/her client is not entitled to any compensation.

The amount of compensation

Article 783

(1) If the amount of compensation is not defined either by the contract or a rate, the compensation shall belong to the commissioner according to the extent of performed business and achieved results.

(2) If in the given event the compensation is considerably higher compared to the scope of performed business and achieved results, then upon the client’s request the court can reduce it to some reasonable amount.

Reimbursement

Article 784

(1) The client is obliged to reimburse the costs to the commissioner required for fulfilling the order, with the rate starting from the day when they were made.

(2) The client is obliged to provide a special compensation to the commissioner for the use of his/her storehouse and means of transport, unless this is included in compensation for the performed businesses.

Advance payment to the commissioner

Article 785

Unless the commission contract stipulates otherwise, the client is not obliged to provide advance payment of funds required for operating of the assigned business.

PART 4

LIEN
Article 786

(1) The commissioner has the right of pledge over objects that are subject to the commission contract while these objects are placed with him/her or with somebody else who keeps the object for him/her or until he/she has the document providing for the disposal of these object.

(2) Prior to other client’s creditors, the commissioner can collect his/her claims from values derived from these objects from all commission transactions concluded with the client, as well as based on loans and advance payments given to the client, regardless whether they are related to these objects or some other.

(3) The commissioner has a preferential right of collection of payment from the claims, which he/she gained for the account of the client while executing the order.

PART 5

RELATIONS WITH THIRD PARTIES

Client’s rights to claims from the transaction with the third party

Article 787

(1) The client may request fulfilling the obligation based on the business that the commissioner concluded with the third party but for his/her account only when the commissioner assigned this to him/her.

(2) However, with regards to the relationship between client on one side and the commissioner together with his/her creditors on the other side these claims shall be considered to be the client’s claims as soon as they arose.

Constraints on the commissioner’s creditors’ rights

Article 788

In order to collect payments related to their claims, even in case of commissioner’s bankruptcy, commissioner’s creditors cannot undertake the measures of execution related to rights and objects, which were acquired by the commissioner while executing the order on his/her own behalf but for the commissioner’s account, unless the claims resulted from acquisition of these rights and objects.

Commissioner’s bankruptcy

Article 789

(1) In the event of the commissioner’s bankruptcy the client may request separation of objects given to the commissioner out of the bankruptcy estate as well as of the objects supplied by the commissioner for his own account.

(2) In the same event the client may ask the third party, which was given the objects by the commissioner, to pay the price of object to him/her, i.e. the part unpaid to him/her.

Chapter XX

COMMERCIAL AGENCY AGREEMENT

PART 1

GENERAL PROVISIONS

Notion
Article 790

(1) The commercial agency agreement shall oblige the agent to ensure that the third parties conclude the contracts with his/her principal, in that sense he/she serves as agent between them and the principal, also upon received authorization he/she shall conclude the contract with the third parties on behalf and for the account of the principal and the latter shall be bound to pay a certain compensation (fee) for each concluded contract.

(2) The principal can have several agents in the same area for the same type of transactions.

(3) One agent cannot undertake the obligation without the principal’s consent to work for another principal in the same area and to perform the same type of business.

Form

Article 791

The commercial agency agreement has to be concluded in written form.

Concluding contract on behalf on the principal

Article 792

The agent can conclude contracts on behalf and for the account of his/her principal, if he/she was given a special or general authorization.

Accepting the fulfillment

Article 793

The agent cannot either request or accept fulfillment of claims of his/her principal, unless he/she is specifically authorized for that.

Statements given to the agent for the principal

Article 794

In the event when the contract is concluded through agent’s mediation the principal’s co-contractor can give valid statements to the agent with regards to the shortcomings of the contract subject-matter, as well as other statements with regards to that contract, for the purpose of preservation or exercise of the contractual right.

Statements given on behalf of the principal

Article 795

The agent is authorized to make necessary statements to his co-contractor for the purpose of preservation of his principal’s right.

Security measures

Article 796

For the purpose of protection of principal’s interest the agent can require undertaking of needed security measures.
PART 2

AGENT’S OBLIGATIONS

Attending to principal’s interests

Article 797

(1) Agent is obliged to attend to principal’s interests and to manage all dealings that he is engaged in with a due attention of a good entrepreneur.
(2) While doing that he/she is obliged to follow instructions given by the principal.
(3) He/she is obliged to give all necessary information on the market situation, especially those that have importance for a respective transaction.

Participating in concluding businesses

Article 798

The agent is obliged to follow principal’s instructions while participating in concluding transactions until the moment of full completion of the transactions.

Keeping of business secrets

Article 799

(1) The agent is obliged to keep his/her principal’s business secrets that he/she learned about in relation to the assigned task.
(2) He/she shall be held responsible if he/she uses or discloses them to another person upon termination of the commercial agency agreement.

Returning of things let to use

Article 800

Upon expiration of the commercial agency agreement the agent is obliged to return every object given to him/her by the principal for use until the time of contract expiry.

Special case of responsibility

Article 801

The agent is liable to the principal for the fulfillment of obligations of the contract, the conclusion of which he/she mediated or which he/she has concluded on behalf of the principal based on authorization, only if he/she provided specific written guarantees.

PART 3

PRINCIPAL’S OBLIGATIONS

Materials and documentation

Article 802

When the agent needs a certain material or certain documentation for performing his/her tasks the principal is obliged to make it available to him/her.
Obligation of informing

Article 803

(1) The principal can accept or refuse the conclusion of contract, at his/her own discretion, the contract which was prepared by the agent, but is obliged to inform the agent on his/her decision without delay.

(2) The principal is obliged to inform the agent without delay on the need for decreasing the extent of business concluded through agent’s mediation to the level smaller than the agent had reasonable grounds to expect, in order for the agent to be able to promptly decrease his mediation to an adequate level, otherwise he/she shall be responsible to the agent for the damage suffered.

Compensation (commission fee)

Article 804

(1) The principal is obliged to pay a compensation to the agent for contracts concluded through his/her mediation, as well as for contracts concluded by the agent himself/herself, provided that he/she was authorized to do it.

(2) The agent is also entitled to the compensation for contracts that the principal directly concluded with the clients found by the agent.

Acquisition of a right to compensation

Article 805

Unless defined otherwise between the contracting parties, the agent acquires the right to compensation upon executing the contract, but he/she shall be also entitled to it in the event if the contract remains unfulfilled, provided that such non-fulfillment was caused by the principal.

Compensation amount

Article 806

(1) If the amount of compensation is not stipulated in the contract or by tariff the agent is entitled to regular compensation.

(2) If in such an event the amount of compensation is in disproportion with the service rendered the Court can decrease it to a righteous amount upon the principal’s request.

Special compensation

Article 807

The agent that has collected some of principal’s claims under his/her authorization is entitled to special compensation out of the amount collected.

Costs

Article 808

(1) The agent is not entitled to the reimbursement of the expenses that have originated from his/her regular performance of mediating duties, unless stipulated otherwise.

(2) But he/she is entitled to the reimbursement of the special expenses that he has incurred for the credit of principal or by his order.
PART 4

LIEN

Article 809

In order to secure collection of matured claims that have arisen in relation to the contract the agent has the right of pledge over the amounts that he/she has collected for the principal under his/her authorization, as well as over all principal’s objects that he/she has received from the principal or another person in relation to the contract as long as they are in his/her possession, or held by someone else that keeps them for him/her, or while he holds a deed providing for his/her disposal over those objects.

PART 5

TERMINATION OF THE CONTRACT

Termination of the contract concluded for an indefinite period of time

Article 810

(1) When the extent of commercial agency agreement is not stipulated under the contract, nor it can be defined out of the business circumstances, each party can terminate the contract at the end of each calendar quarter.

(2) Notice shall be given to the other party at least one month prior to the expiry of calendar quarter, and if the contract period was three years the notice should be given two months prior to the expiry of calendar quarter.

(3) Contracting parties can define the periods of notice and termination of contract differently, but between the period of notice and moment of termination a one-month notice must be provided.

Termination of contract without the period of notice

Article 811

(1) Each party can cancel the contract without the period of notice due to serious reasons by stating those reasons.

(2) If the statement on cancellation is made without serious reasons standing behind, this shall be considered a notice with a regular period of notice.

(3) The agent who terminated his/her activity due to a groundless notice is entitled to damages on the basis of lost compensation, and if he/she groundlessly canceled the contract the principal will be entitled to damages.

(4) Groundless notice entitles the other side to cancel the contract without the period of notice.

Termination of a contract concluded for a definite period of time

Article 812

(1) When the commercial agency agreement is concluded for a definite period of time it expires upon the expiry of this specific period of time.

(2) If such a contract is tacitly extended it shall continue to be considered the contract concluded for an indefinite period of time.
Chapter XXI

MEDIATION

PART 1

GENERAL PROVISIONS

Notion

Article 813

Contract on mediation obliges the mediator to attempt to find and connect the principal with a party that would negotiate conclusion of a certain contract with him/her, and the principal to pay the agent a certain compensation in case such a contract is concluded.

Application of provisions of the Law on Work by Contract (Locutio Operis)

When it was negotiated that the mediator would be entitled to certain compensation and if his/her efforts showed no results such a contract should be subject to the provisions of work by contract.

Acceptation of fulfillment

Article 815

(1) Mediation order does not include authorization for the mediator to accept fulfillment of the obligation from the contract concluded through his/her mediation on principal’s behalf.

(2) A separate written proxy is needed for that case.

Revocation of the mediation order

Article 816

Principal can revoke the mediation order whenever he/she wants to, unless he/she waived it and on the condition that such a revocation does not impair the bona fide principle.

Absence of obligation for the principal to conclude a contract

Article 817

Principal is not obliged to initiate negotiations with a party found by the mediator, nor to conclude a contract with him/her under conditions that he/she imparted to the mediator, but he/she shall be liable for damage if he/she acts against the principle of bona fide.

PART 2

MEDIATOR’S OBLIGATIONS

Obligation to look for an opportunity

Article 818

(1) Mediator is obliged to look for an opportunity for conclusion of a certain contract with the care of a good entrepreneur, and to indicate it to the principal.

(2) Mediator is obliged to mediate during negotiations, and to try to reach conclusion of the contract if he/she has specifically obliged himself/herself to that.

(3) He/she shall not be held responsible if he/she, besides the necessary care, fails in his efforts.
Obligation of informing

Article 819

Mediator is obliged to inform the principal on all circumstances, which are relevant for the planned activity that he/she knows of or ought to have known.

Mediator’s liability

Article 820

(1) Mediator is liable for the damage that any of the parties that he/she mediated between would suffer, and that could arise due to the fact that he/she mediated for a legally incapable person for whose incapability he knew of or ought to have known, or a person for whom he/she knew or ought to have known was not going to fulfill obligations from that contract, or generally for any damage that was caused by him/her.

(2) Mediator is liable for the damage that the principal could suffer due to the fact that he/she informed a third party on the contents of the order, on negotiations or terms of contract conclusion.

Mediator’s log and certificate

Article 821

Mediator in commerce is obliged to enter relevant data on the contract concluded through his mediation into a separate book (mediator’s log) and to issue an excerpt from that log containing his signature (mediator’s certificate).

PART 3

PRINCIPAL’S OBLIGATIONS

Compensation

Article 822

(1) Mediator is entitled to compensation despite the fact it is not negotiated.

(2) If the amount of compensation is not stipulated by tariff or any other general enactment, nor by a contract or business practice, it shall be defined by the court based on the mediator’s efforts and service rendered.

(3) Upon principal’s request the court can decrease negotiated mediator’s compensation, if it finds excessively high given the mediator’s efforts and service rendered.

(4) Decrement of the compensation negotiated can not be requested if the mediator was paid after conclusion of the contract that he mediated for.

When the mediator acquires the right to compensation

Article 823

(1) Mediator acquires the right to compensation at the moment of contract conclusion that he mediated for.

(2) But if the contract is concluded under a suspensive condition the mediator shall acquire the right to compensation only upon the fulfillment of the condition.

(3) When the contract is concluded under a resolutory condition, the fulfillment of condition does not affect the mediator’s right to compensation.

(4) In the event of the invalidity of the contract the mediator will be entitled to compensation provided that he/she did not know about the cause of invalidity.
Costs reimbursement

Article 824

(1) Mediator is not entitled to reimbursement of costs incurred when executing the order, unless it was agreed.

(2) But if his/her right to cost reimbursement is recognized by the contract, he/she is entitled to it even if the contract has not been concluded.

Mediation for both parties

Article 825

(1) Unless stipulated otherwise, the mediator that was given a mediation order by both parties can ask only a half of mediator’s compensation and reimbursement of a half of costs from each party, if the cost reimbursement was agreed.

(2) Mediator is obliged to attend to interest of both parties he/she is mediating between, with the care of good entrepreneur.

Loss of right to compensation

Article 826

Mediator who works for the other party against the contract or his principal’s interest shall lose the right to mediator’s compensation and cost reimbursement.

Chapter XXII
FORWARDING
PART 1
GENERAL PROVISIONS

Notion

Article 827

(1) Freight forwarding contract obliges a forwarding agent to conclude, for the purpose of transporting certain objects, a contract of carriage and other contracts needed for carrying out the transport, on his/her behalf and for the account of the principal, as well as to perform other duties and actions, and the principal is obliged to pay him a certain compensation.

(2) If stipulated by the contract, the forwarding agent can conclude the contract of carriage and undertake other legal actions on behalf and for the account of the principal.

Waiving the contract

Article 828

Principal can desist from the contract at his/her own discretion, but in such case he/she is obliged to reimburse the forwarding agent for all costs that he/she had until that moment, and to pay him/her a proportional part of compensation for the work he/she has done until that day.

Application of rules of the contract of commission, i.e. commercial agency

Article 829

Rules of the contract of commission, i.e. commercial agency, which are not defined under this Chapter shall be promptly applied to relations between the principal and forwarding agent.
PART 2

OBLIGATIONS OF THE FORWARDING AGENT

Warning about shortcomings of order

Article 830

Forwarding agent is obliged to warn the principal of the shortcomings of his order, especially of those causing him/her considerable costs or damage.

Warning about shortcomings of packaging

Article 831

If the object is not packed or generally has not been properly prepared for transporting, the forwarding agent is obliged to warn the principal of those shortcomings, and if awaiting for the principal to remove them would cause him/her damage, the forwarding agent is obliged to remove them for the principal’s account.

Keeping of principal’s interests

Article 832

(1) Forwarding agent is obliged to act according to principal’s interests in any situation, and with the care of good entrepreneur.

(2) He/she is obliged to inform the principal without delay on the general condition of objects, as well as on all events of relevance for the principal, and to take necessary measures for the preservation of his/her rights towards the responsible entity.

Acting according to principal’s instructions

Article 833

(1) Forwarding agent is obliged to follow the instructions regarding the assignation of travelling, means and way of transport, as well as other instructions given by the principal.

(2) If it is not possible to follow the instructions indicated in the order, the forwarding agent is obliged to ask for new instructions, and if there is no time for that or it is impossible, the forwarding agent is obliged to act as requested by principal’s interests.

(3) Forwarding agent is obliged to inform the principal without delay on any departure from the order.

(4) If the principal has neither defined the direction of travelling, nor the means, i.e. way of transport, the forwarding agent will define them as requested by the principal’s interests in such case.

(5) If the forwarding agent has departed from the instructions received he/she will be responsible for the damage caused by the force major, unless he/she proves that the damage would occur even if he/she followed the given instructions.

Responsibility of forwarding agent for other entities

Article 834

(1) Forwarding agent is responsible for the selection of carrier as well as for the selection of other entities with whom he/she concluded a contract (on storage of goods, etc.) when executing the order, but he/she is not responsible for their work, unless he/she assumed that responsibility under the contract.

(2) Forwarding agent that assumes execution of the order to another forwarding agent instead of executing it himself/herself is responsible for his/her work.

(3) If the order includes explicit or tacit authorization to the forwarding agent in assuming the execution of order to another forwarding agent or if it is obviously in principal’s interest he shall be responsible only for the selection of forwarding agent, unless he assumed the responsibility for his work.

(4) Responsibilities under this Article can not be terminated or limited by the contract.
Customs and paying of customs

Article 835

Unless stipulated otherwise in the contract, the order for forwarding objects across the border includes obligation for the forwarding agent to perform all necessary activities related to customs and to pay customs duties for the account of principal.

Forwarding agent carrying objects himself or doing other jobs himself

Article 836

(1) Forwarding agent can entirely or partly transport objects himself, the carriage of which was assigned to him, unless agreed otherwise.
(2) If the forwarding agent has done the transport or a part of the transport himself he has the rights and liabilities of a carrier and in that case he is entitled to adequate compensation for transport besides the compensation for forwarding and cost reimbursement in relation to forwarding.
(3) The same is applied to other transactions under the order, business practice or general conditions.

Insurance of shipment

Article 837

(1) Forwarding agent is obliged to insure the shipment only if agreed so.
(2) If it is not stipulated in the contract which risks should be covered by insurance, the forwarding agent is obliged to insure the objects against common risks.

Rendering of accounts

Article 838

(1) Upon the completion of work the forwarding agent is obliged to render an account to the principal.
(2) At the principal’s request the forwarding agent is obliged to render an account while executing the order.

PART 3

PRINCIPAL’S OBLIGATIONS

Payment of compensation

Article 839

Principal is obliged to pay the compensation to the forwarding agent as stipulated the contract, and if the compensation has not been agreed upon, to pay the compensation stipulated by tariff or some other general enactment, and if this is not stipulated, the compensation shall be defined by the court.

When the forwarding agent can ask for compensation

Article 840

Forwarding agent can ask for the compensation upon the fulfillment of his obligations under the freight forwarding contract.

Costs and advance payment

Article 841

(1) Principal is obliged to compensate the forwarding agent for the costs incurred during the execution of the order on objects forwarding.
(2) Forwarding agent can ask for costs reimbursement immediately after they have incurred.
(3) At the forwarding agent’s request the principal is obliged to pay him an advance payment for costs in the amount needed for executing the order for objects forwarding.

When compensation is agreed to be paid out by a consignee

Article 842

If it was agreed that the forwarding agent would collect his outstanding debts from a consignee the forwarding agent shall retain the right to ask for the settlement of compensation from the principal if the consignee refuses so.

Dangerous objects and valuables

Article 843

(1) Principal is obliged to inform the forwarding agent on the features of objects that can jeopardize the safety of persons or goods or that can cause damage.
(2) In case when the shipment consists of valuables, securities or other precious objects the principal is obliged to notify the forwarding agent and inform him on their value at the moment of delivery for forwarding.

PART 4

SPECIAL CASES OF FORWARDING

Forwarding with fixed compensation

Article 844

(1) In the event when one total amount for executing the order for objects forwarding is defined under a freight forwarding contract, it shall include compensation on the basis of forwarding as well as the compensation for other expenses, unless stipulated otherwise.
(2) In that case, forwarding agent is responsible for the carrier’s performance, as well as that of other entities, services of which he used on the basis of authorization from the contract.

Collective Forwarding

Article 845

(1) Forwarding agent can organize collective forwarding when carrying out received orders, unless the contract excludes such possibility.
(2) If forwarding agent succeeds in achieving difference in the height of freight, in favor of the principal, he has right to special additional consideration.
(3) In case of collective forwarding, the forwarding agent is responsible for loss or damage of object, which befell during the transport, and which would not happen, if there was not for collective forwarding.

PART 5

FORWARDING AGENT’S LIEN

Article 846

(1) In order to collect his claims resulting from the contract on forwarding, the forwarding agent has the right to pawn on those objects which he received in order to forward them, as well as in all things concerning the forwarding, as long as he has the object or the document which enables him to dispose with them.
(2) If another forwarding agent participated in forwarding, he is obliged to collect the claims and to realize the right to pawn of the forwarding agents preceding him.
(3) If another forwarding agent pays the forwarding agent’s claims in relation to the principal, these claims and the forwarding agent’s right to pawn are transferred onto him, according to the law.

(4) This is valid as well in the case of another forwarding agent paying the claims of the carrier.

Chapter XXIII

CONTRACT ON CONTROL OF GOODS AND SERVICES

Notion

Article 847

(1) In contract on control of goods, one contractual party (controlling official) is obliged to perform control of goods in a proficient and objective manner, and to issue a certificate on that, while the other party (control principal) is obliged to pay the contractual price for the performed control.

(2) Control of goods may consist of identification of quality, quantity and other properties of the goods.

Extent of Control

Article 848

Controlling official is obliged to perform control in the scope and in the way which were defined in the contract, whereas the contract does not specify any of this, then in the scope and in the way which correspond to the nature of the objects.

Invalidity of Certain Provisions of Contract

Article 849

(1) Provisions of contract binding the controlling official such responsibilities that could influence objectivity when performing control or validity of the document on performed control (certificate) are null and void.

(2) Control is considered performed only once the certificate has been issued.

Depositing Goods and Patterns

Article 850

(1) Controlling official is obliged to keep the goods that the control principal handed over to the former in order to perform the contractual control.

(2) Controlling official is obliged to keep the patterns, which were handed over to him, for at least six months, unless otherwise stated in the contract.

Obligation of Informing the Principal

Article 851

Controlling official is obliged to inform the control principal about all significant conditions in the process of control and safekeeping of goods, and especially about necessary and useful expenses which were charged onto his account.

Compensation

Article 852

(1) Controlling official has the right to contractual, i.e. customary compensation for the performed control and safekeeping of the goods.
(2) Controlling official has the right to compensation of all necessary and useful costs which were charged onto the account of the control principal.

Lien

Article 853

In order to provide contractual or customary compensation and compensation for necessary and useful costs, the controlling official has the right to pawn the goods which were handed over to him in order to be controlled.

Delegating the Goods Control to Another Controlling Official

Article 854

(1) Controlling official can delegate controlling process referred to in the contract to someone else, unless the control principal explicitly forbade that.
(2) Controlling official is responsible to the control principal for the work performed by the other controlling official.

Goods Control as well as Performing of Certain Legal Actions

Article 855

(1) On the basis of the explicit order of the control principal, the controlling official is authorized to perform certain legal actions on behalf and on the account of the control principal, besides performing contractual control.
(2) Controlling official has the right to special customary and contractual compensation for performance of certain legal actions on behalf and for the account of the control principal.

Control of Goods with Guarantee

Article 856

(1) Controlling official can guarantee for unaltered properties of the controlled goods within the contractual period.
(2) Control principal has right to special, contractual or customary compensation, for the received guarantee concerning properties of goods.

Control of Services and Goods which are not intended for Trade

Article 857

If control performance relates to services or objects that are not intended for trade, the controlling official and control principal have the same rights and obligations as in the case of goods control.

Canceling Contract

Article 858

Control principal can decide on canceling the contract, until the moment of completion of the ordered control; in that case he/she is obliged to pay a proportionate part of the compensation, as well as performed necessary and useful costs to the controlling official, as well as to compensate him for the damage.

Chapter XXIV

CONTRACT ON ORGANIZATION OF JOURNEY
PART 1

GENERAL PROVISIONS

Notion

Article 859

Contract on organization of journey obliges the journey organizer to give to the passenger a set of services which consist of transport, lodging, and other services which are connected to that, while the passenger is obliged to pay one total lump-sum price to the organizer.

Issuing Certificate on Journey

Article 860

(1) Organizer of the journey issues a certificate on journey to the passenger while concluding the contract.

(2) Certificate on journey needs to include: place and date of issuing; designation and address of journey organizer, passenger’s name; place and date of beginning and ending of journey; dates of lodging, necessary data on transport, lodging, as well as on other services which were included in price; the smallest number of passengers; total price for set of services specified by contract; conditions under which passenger can ask for canceling of contract, as well as other data which are considered useful in the certificate.

(3) If, prior to the issuing of the certificate on journey, journey program was handed to passengers, which comprises data referred to in the previous paragraph, the certificate of journey may comprise only information as to the existence of such a program.

Relation between Contract and Certificate on Journey

Article 861

(1) The fact that there is a valid contract on journey organizing is independent of the fact that there is a certificate on journey and of its contents.

(2) However, journey organizer is liable for damage inflicted upon the other party due to the fact that the certificate on journey was not issued or due to its inaccuracy.

Assumption of Certificate Accuracy

Article 862

Whatever is written in the certificate is considered correct until the opposite is proven.

PART 2

RESPONSIBILITIES OF JOURNEY ORGANIZER

Protection of Rights and Interests of Passengers

Article 863

Journey organizer is obliged to offer services to the passenger, of contents and properties specified in the contract, certificate, or journey program, and to attend to rights and interests of passengers, in accordance with good business customs in this field.

Obligation of Informing

Article 864

Journey organizer is obliged to inform passengers about prices and conditions of transport, lodging and special services, as well as to supply information related to quality of means of transport and accommodation,
time-table, connections, border and customs formalities, as well as sanitary, monetary and other administrative regulations.

**Obligation of Confidentiality**

**Article 865**

Organizer can give information he/she has, concerning passengers, their luggage and their movements, to third parties, only if he/she has passenger’s permission, or if a competent institution requests so.

**Liability for Journey Organization**

**Article 866**

Journey organizer is liable for damage inflicted upon the passenger due to total or partial non-performance of the obligations which relate to the journey organizing specified in the contract and in this law.

**Liability of Journey Organizer when Performing Certain Services**

**Article 867**

If he/she himself/herself does service of transport, accommodation, or other services related to performing of an organized journey, the organizer is liable for the damage inflicted upon the passenger in accordance with regulations related to those services.

**Responsibility of Journey Organizer when performing of certain Services is entrusted with Third Parties**

**Article 868**

(1) Journey organizer who entrusted the third parties with performing of the transport services, accommodation or other services related to journey realization, is liable to the passenger for damage inflicted due to total or partial non-performance of these services, according to the regulations related to them.

(2) However, when services were performed according to the contract and regulations related to them, the organizer is liable for damage inflicted upon the passenger due to their realization, unless it has been proven that he acted as a careful organizer when selecting the entities to perform those services.

(3) Passenger has the right to request indirectly from the third party liable for damage total or supplementary compensation for the inflicted damage.

(4) Organizer of journey acquires all the rights that the passengers would have toward the third party liable for the damage (right of recourse), to the same extent to which he/she compensated the passenger for the damage.

(5) Passenger is obliged to submit to journey organizer his/her documents and everything else which is necessary for realization of right of recourse.

**Decreasing the Price**

**Article 869**

(1) If services stated in the contract on organizing of journey are incomplete or poorly performed, passenger can request corresponding decreasing of the price, in case that he/she submitted his/her complaint to the journey organizer within eight days from the day of the journey ending.

(2) Request for price decreasing does not influence the right of passenger to request the damage compensation.

**Excluding and Limiting Liability of Journey Organizer**

**Article 870**

(1) Provisions of contract on journey organizing are void if they exclude or reduce liability of journey organizer.
(2) However, written provision of the contract which defines the highest amount of compensation in advance is considered valid, unless it is in an obvious disproportion with the damage.
(3) This limitation of compensation amount is not valid if the organizer causes damage intentionally or due to gross negligence.

PART 3

PASSENGERS’ OBLIGATIONS

Payment of the Price

Article 871

Passenger is obliged to pay contractual price for journey at the contracted time, or in accordance with the business practice.

Obligation of Providing Data

Article 872

Passenger is obliged to promptly submit, if organizer requests so, all the data needed for journey organizing, and especially for acquisition of transport tickets, accommodation bookings, as well as documents needed for crossing the border.

Fulfilling Conditions Specified in the Regulations

Article 873

Passenger is obliged to make sure that he/she himself/herself, his/her personal documents and his/her luggage are in accordance with conditions specified by border, customs, sanitary, monetary, and other administrative regulations.

Liability of Passengers for Inflicted Damage

Article 874

Passenger is liable for damage inflicted upon journey organizer if he/she fails to fulfill obligations based on the contract and on provisions of this law.

PART 4

SPECIAL RIGHTS AND OBLIGATIONS OF CONTRACTUAL PARTIES

Passenger Replaced by Another Person

Article 875

Unless contracted otherwise, the passenger can appoint another person to use services stated in the contract instead of him/her, if this person fulfills special preconditions for certain journey, and the passenger compensates to the organizer of the journey the costs resulting from the request.

Contractual Price Increase

Article 876

(1) Journey organizer can ask for increasing of the price stated in the contract, only if, after the conclusion of the contract, there were changes in the foreign currency exchange rate or change in prices of the carrier which influence the journey price.
(2) Organizer can realize his right to increase the price stated in the contract, referred to in the previous paragraph, only if that has been specified in the journey certificate.

(3) If increasing of the price stated in the contract does not exceed 10%, the passenger can cancel the contract without being obliged to compensate for the damage.

(4) In that case, the passenger is entitled to reimbursement by the journey organizer.

Right of Passenger to Waive the Contract

Article 877

(1) Passenger can waive the contract, partially or entirely, at any moment.

(2) If passenger gives up the contract prior to the beginning of the journey within a reasonable deadline that is determined according to the type of arrangement (timely quitting), the organizer of the journey has the right only to compensation of administrative costs.

(3) In case of untimely quitting of the contract, journey organizer can request from the passenger compensation in a certain percentage of the contractual price which is defined in proportion to time left from the beginning of the trip, and which has to be economically legitimate.

(4) Journey organizer has the right to compensation of the performed costs if the passenger gave up the contract due to the circumstances which he could not avoid or remove and which would present a justified reason not to conclude the contract, if they existed at the time of the contract conclusion, as well as in case of the passenger providing adequate substitute, or the substitute was provided by the organizer.

(5) If the passenger gives up the contract after the beginning of the journey, and not due to the circumstances referred to in the previous paragraph of this Article, the organizer has the right to full amount of the journey price stated in the contract.

Right of Journey Organizer to Waive the Contract

Article 878

(1) Organizer of the journey can give up the contract, entirely or partially, without being obliged to compensate for damage, if extraordinary conditions take place prior to or while performing the contract, which could be neither anticipated, nor avoided, nor removed, and which would represent a justified reason for organizer of the journey not to conclude the contract, if they existed at the time of the contract conclusion.

(2) Moreover, journey organizer can give up the contract without being obliged to compensate for damage if a minimal number of passengers, specified in the certificate on journey, did not assemble, if passengers are informed about that within a reasonable time period which cannot be shorter than five days prior to the day on which the journey is to commence.

(3) In the case of giving up the contract prior to its realization, organizer must return that which he obtained from passengers entirely.

(4) If the organizer gives up the contract during its realization, he has the right to the righteous compensation for the realized contractual services, and he is obliged to take all the measures needed for protection of the passenger’s interests.

Change in Journey Program

Article 879

(1) Changes in journey program can be performed only if they were caused by extraordinary circumstances that journey organizer could not have anticipated, avoided or removed.

(2) Costs which resulted the change the program are covered by journey organizer, while reduction of the costs is made in credit of passengers.

(3) Substitution of accommodation specified in the contract can be performed only through usage of an object of the same category, or in debit of the organizer, through the use of the object of the higher category, and at the place of accommodation stated in the contract.

(4) If there were essential changes in the journey program with no good reason, journey organizer has to return entirely that which he obtained from the passenger that gave up the journey due to that fact.

(5) If there were essential changes in the program which were performed during realization of the contract, passengers cover only real costs of realized services, in case of giving up the journey.
Chapter XXV

MEDIATED CONTRACT ON JOURNEY

Notion

Article 880

Through mediated contract on journey, mediator, on behalf and on account of passengers, is obliged to conclude either contract on journey organizing or on performing one or more special services which enable realization of journey or stay, while passengers are obliged to pay the compensation for that.

Obligation of Certificate Issuing

Article 881

(1) When mediator is responsible for conclusion of contract on journey organizing, through the mediated contract on journey, he is obliged to issue the certificate on vehicle journey, which beside the data related to the journey itself and designation and address of the journey organizer, has to contain the designation and address of the mediator, as well as the information that he acts in that capacity.

(2) If the capacity of mediator is not stated in the certificate on journey, the mediator in the process journey organizing is considered journey organizer.

(3) In case of mediated contract on journey relating to contract conclusion on some special service, mediator is obliged to issue certificate which is related to the service denoting the amount paid for that service.

Conduct in accordance with Passenger’s Instructions

Article 882

(1) Mediator is obliged to act according to timely instructions given by the passenger, if they are in accordance with the contract, customary business of mediator and interests of other passengers.

(2) If passenger does not give necessary instructions, mediator is obliged to work in the way that is most suitable for passengers in given circumstances.

Selection of Third Parties

Article 883

Mediator is obliged to perform selection of third parties in bona fide, which are supposed to perform services specified in contract, and is responsible to passengers for his selection.

Proper Application of Provisions of Contract on Journey Organizing

Article 884

Provisions of this law related to the contract on journey organizing, are properly applied onto mediated contract on journey, unless the provisions of this Section stipulate otherwise.

Chapter XXVI

CONTRACT ON ENGAGEMENT OF CATERING FACILITIES

(CONTRACT ON ALLOTMENT)

PART 1

GENERAL PROVISIONS

Notion
Article 885

(1) The contract on allotment shall oblige a caterer to provide certain number of beds in determined facilities to the tourist agency during defined period of time and to provide catering services to the people sent by the agency and pay certain fees, the agency is obliged to try to fill up vacant places, i.e. to inform that there is no possibility to provide this during defined periods of time as well as to pay the price of offered services if the included hotel facilities were used.

(2) Unless the contract stipulates it differently, it shall be considered that catering facilities for accommodation shall be available for one year.

The form of contract

Article 886

The contract on allotment shall be concluded in written form.

PART 2

TOURIST AGENCY OBLIGATIONS

Obligation of informing

Article 887

(1) A tourist agency is obliged to inform a caterer on the course of filling in the accommodation facilities.

(2) If it is not possible to fill all engaged accommodation facilities the tourist agency is obliged to notify the caterer about this within stipulated or usual period of time and to deliver the list of guests, as well as to define the deadline in that notification up to which the caterer is entitled to use the engaged facilities freely.

(3) Catering facilities that are not noted as vacant in the list of guests shall be considered to be available from the day of receiving that list by the hotel for the period of time referred to in the list.

(4) After expiry of that period of time, the tourist agency shall again acquire the right to fill the accommodation facilities engaged.

Obligation to comply with the contractual prices

Article 888

A tourist agency cannot charge higher prices to the people they send to use the catering facilities, for the catering services, than it is stipulated by the contract on allotment or by catering price list.

Obligation to pay catering services

Article 889

(1) Unless stipulated differently in the contract, the tourist agency shall pay the price of catering services upon performed businesses.

(2) A caterer is entitled to require paying of an adequate advance payment.

Obligation to issue a special written documentation

Article 890

(1) A tourist agency is obliged to issue a special written documentation to the persons that are to be sent on the basis of the contract on allotment (a special written documentation)
(2) A special written documentation shall be registered or assigned to a group, is non-transferable and contains the order to the caterer to provide the services outlined in this document.
(3) A special written documentation serves as a proof that the person is a client of the tourist agency, who concluded the contract on allotment with the caterer.
(4) Based on a special written documentation, the calculation of mutual claims between tourist agency and the caterer shall be executed.

PART 3
CATERER’S OBLIGATIONS

Obligation to make accommodation facilities agreed upon available

Article 891

(1) A caterer shall undertake final and irrevocable obligation to provide the agreed number of beds during the certain period of time and provide services stated in a special written documentation to the people sent by the tourist agency.

(2) A caterer cannot agree with another tourist agency to engage facilities that are already booked on the basis of the contract on allotment.

Obligation of equal treating

Article 892

A caterer is obliged to provide services to the people sent by the tourist agency under the same conditions like to the people with whom the contract on catering services has been concluded directly.

Obligation of the caterer not to change the prices of services

Article 893

(1) A caterer cannot change the contractual prices if the tourist agency is not informed about this at least six months in advance, except in the case of change in foreign exchange rates, which effects the contractual prices.

(2) New prices can be applied upon expiry of six months from their delivery to the tourist agency.

(3) New prices shall not be applied to the services for which the list of guests has been delivered already.

(4) In general, the change of prices does not affect bookings that are confirmed by a caterer.

Obligation to pay fees

Article 894

(1) A caterer is obliged to pay the fees to the tourist agency for the tourist revenues earned on the basis of the contract on allotment.

(2) Tourist fees shall be established in percentage out of the costs of the performed catering services.

(3) If the percentage of the fees is not defined by the contract, the fees shall belong to the tourist agency, which is defined by general terms of tourist agency operating or, if they do not exist, by business practices.

PART 4

TOURIST AGENCY’S RIGHT TO WAIVE THE CONTRACT

The right to cancel the engagement of accommodation facilities
Article 895

(1) A tourist agency can temporarily give up the engaged accommodation facilities without canceling the contract on allotment or committing to provide damages to the caterer, if it sends the notification of canceling the use of the facilities within the set deadline.
(2) If the canceling notice is not defined by the contract, it shall be defined on the basis of business practice applicable in catering services.
(3) In case the notification of canceling is not sent within the anticipated period of time, a caterer is entitled to claim damages.
(4) A tourist agency can waive the contract completely without any obligation to pay damages if it sends the notification of waiving within reasonable period of time.

Obligation of the tourist agency to fill the engaged facilities

Article 896

(1) A contract on allotment may envision a special obligation of the tourist agency to fill the catering services that are being engaged.
(2) If in that case the engaged facilities are not occupied, the tourist agency is obliged to pay the fees to the caterer per unused bed daily.
(3) In that case a tourist agency is not entitled to cancel the contract through timely notification, either partially or fully.

Chapter XXVII

INSURANCE

PART I

GENERAL PROVISIONS

Notion

Article 897

The contract on insurance shall oblige an insurance agent to pay certain amount to the insurance company (insurer), the company is obliged to pay the compensation to the insured party or to the third party, in event the insured event occurs, i.e. the contractual amount or does something else.

The event subject to insurance

Article 898

(1) An event referring to the insurance (insured event) must be a future event, uncertain and independent of the contractor’s will.
(2) The contract on insurance is null and void if the insured event already existed at the moment of its concluding, or arose at that point, or was certain to arise, or the possibility that it would occur has already ceased.
(3) However, if it has been already agreed that that the insurance shall cover certain period of time preceding conclusion of the contract, the contract shall be null and void only if at the moment of its concluding an interested party knew that the insured event had already occurred, i.e. the possibility for its occurring had already ceased.

Excluding some insurance
Article 899

The provisions of this Chapter shall not be applied to marine insurance as well as to some other insurance subject to application of the rules on marine insurance.

The provisions stated above shall not be applicable to claims’ security or relations based on re-insurance.

Exceptions to the provisions of this chapter

Article 900

(1) The contract can depart only from those provisions of this Chapter which explicitly allow that, as well as from those offering the possibility to the contractors to act according to their own discretion. Departure from other provisions, unless forbidden by this or by some other laws, is allowed, if it is in the primary interest of the insured party.

PART 2

CONCLUDING CONTRACT

Of when the contract is concluded

Article 901

(1) The insurance contract shall be concluded when the insured parties sign the insurance policy or the coverage list.

(2) The written offer made to the insurer for concluding the insurance contract shall bind the offering party, if he/she has not determined the short deadline, within 8 days from the day the offer arrived to the insurer, and if a medical check-up is necessary, within 30 days.

(3) If an insurer does not reject the offer within that deadline, which does not depart from terms under which he/she performs the proposed insurance, it shall be considered that he/she accepted the offer and that the contract is concluded.

(4) In that case the contract shall be considered as concluded upon the receipt of the offer by the insurer.

Policy and coverage list

Article 902

(1) The policy should contain the following: contractual parties, subject of insurance, i.e. insured person, the risk covered by insurance, duration of insurance period and period of coverage, insurance amount or reference - unlimited insurance, premium or contribution, date of policy issue and signatures of contractual parties.

(2) The insurance policy can be substituted temporarily by the coverage list, which shall contain essentials of the contract.

(3) An insurer is obliged to remind the insurance agent that general and special insurance terms are an integral part of the contract and to deliver its text to him/her, unless these terms are printed on the policy.

(4) Fulfilling the obligation referred to in the previous paragraph has to be stated in the policy.

(5) In case of discrepancy between some provisions referring to general or special terms and some provision of the policy, the policy provision shall be applied and in case of discrepancy between a printed provision of the policy and its provision in writing the latter one shall be applied.

(6) According to the contractors’ agreement the policy can be registered, order policy or bearer’s policy.

No policy insurance

Article 903
Insurance terms can envision events when the relation based on insurance contract arise by very premium payment.

**Concluding the contract on behalf of another person without authorization**

**Article 904**

1. Whoever concludes the contract on behalf of another person without his/her authorization is liable to the insurer for obligations referred to in the contract, until the one on whose behalf the contract is concluded approves it.
2. An interested party can approve the contract even after the arising of the insured event.
3. If the approval has been rejected, the party contracting insurance shall owe the premium for the insurance period within which the insurer is informed about rejecting the approval.
4. But, business manager, who informed the insurer that he/she shall act without authorization on behalf and for the credit of another person, is not responsible for insurance liabilities.

**Insurance for another person’s account or for the account of whoever it concerns**

**Article 905**

1. In case of insurance for another person’s account or for the account of whoever it concerns, the insurance agent is obliged to fulfill the obligation of paying premium and other obligations from the contract but he/she cannot execute rights referring to insurance even if he/she holds the policy without the consent of the person whose interest has been insured and who holds them.
2. The insurance agent is not obliged to deliver the policy to an interested person until the premiums that he/she paid to his/her insurer as well as the expenses of the contract.
3. The insurance agent is entitled to the right of preferential collection of payments of these claims from the owed compensation, as well as the right to claim their payment directly out of insurance.
4. The insurer can pronounce all objections to any person using insurance for another person’s account, which he might have based on the contract toward the insurance agent.

**Insurance agents**

**Article 906**

1. If an insurer authorizes somebody to represent him/her but does not define the scope of that authorization, then an agent is authorized to conclude insurance contract, to contract amendments to the contracts or extension of its validity, to issue insurance policies, to collect premiums and to accept statements sent to the insurer on behalf and for the account of the insurer.
2. If the insurer limited authorization of his/her agent and insurance agent did not know this, it shall be considered that such limitations did not exist.

**PART 3**

**OBLIGATION OF INSURED PARTY I.E. OF INSURANCE AGENT**

**I. REPORTING ON CIRCUMSTANCES SIGNIFICANT FOR RISK ASSESSMENT**

**The obligation of reporting**

**Article 907**

An insurance agent is obliged to report all circumstances significant for risk assessment to the insurer at the moment of concluding the contract, those that he/she knew of or ought to have known.
False reporting done deliberately or non-disclosure

Article 908

1) If an insurance agent performed a false reporting deliberately or concealed some circumstances of such nature that, had the insurer known about the real situation he/she would not have concluded the contract, the insurer can request canceling the contract.
2) In case of contract canceling due to the reasons stated in the previous paragraph, the insurer keeps the charged premiums and has the right to claim paying of the premium for the insurance period within which he/she claimed canceling the contract.
3) The insurer’s right to claim cancellation of the insurance contract shall cease if he/she does not declare that he/she intends to utilize that right within three months starting from the day of revealing falsity of the report or for non-disclosure.

Unintentional falsity or incompleteness of the report

Article 909

1) If an insurance agent performed a false reporting or failed providing due information, however, he/she did it unintentionally, the insurer can declare that he/she shall cancel the contract or propose increase of the premium, proportionally to a higher risk, at his/her own discretion, within one month from revealing a failure or incompleteness.
2) In that case the contract shall cease within 14 days from the day the insurer declared the cancellation of the contract to the insurance agent, and in case of the insurer’s proposal to increase the premium the canceling shall come into effect under the law itself, unless the insurance agent accepts the proposal within 14 days from the day he/she received it.
3) In case of canceling, the insurer is obliged to refund the respective part of the premium for the period of the time remaining until the end of insurance period.
4) If the event of insurance occurred prior to revealing incorrectness or incompleteness of an application, or after that but prior to canceling the contract, i.e. prior to making an agreement on premium increase, the compensation shall be reduced in proportion to the rate of premiums paid and the rate of premiums that should be paid according to real risk.

Extension of application of the previous Articles

Article 910

The provisions of the previous Articles referring to the consequences of false reporting or non-disclosure, which are significant for risk assessment shall be applied in cases of insurance concluded on behalf and for the account of another person or for the credit of the third party, or for the account of another person or for whoever it concerns if these persons knew about incorrectness of the report or keeping the conditions secret, which are significant for risk assessment.

Cases when the insurer cannot refer to incorrectness or incompleteness of the report

Article 911

1) An insurer, who knew or ought to have known about the circumstances significant for risk assessment at the moment of concluding the contract, which were reported as false by the insurance agent or kept secret, cannot refer to incorrectness or non-disclosure.
2) The same shall be applied in case when the insurer found out about these circumstances during time of insurance period but did not use any legal authorization.

II. PREMIUM PAYMENT

Obligation of payment and accepting premium
Article 912

1) The insurance agent is obliged to pay the insurance premium, and the insurer is obliged to accept the premium payment from any person having legal interest for its payment.
2) Premium shall be paid within stipulated deadlines, and if it is necessary to pay it at once, then it shall be paid when concluding contract.
3) The place of premium payment is the place where the insurer has his/her head office, i.e. place of residence, unless the contract defines some other place.

Consequences of non-payment of premium

Article 913

1) If it is stipulated that the premium shall be paid when the contract is concluded, the insurer’s obligation to reimburse fees or amount of money defined by the contract shall start on the following day from the day of the premium payment.
2) If it is stipulated that the premium shall be paid after concluding the contract, the insurer’s obligation to reimburse fees or amount of money defined by the contract shall start from the day contracted as a day of beginning of insurance.
3) However, if the premium that was due after the contract conclusion was not paid before the maturity day, by the contractor or by any other interested person, the insurance contract shall cease according to the law upon expiry of 30 days from the moment the insurance agent received the insurer’s registered mail along with the notification of the premium arrival, with the remark that such deadline cannot expire earlier than 30 days from the day of premium arrival.
4) In general, insurance contract shall cease under the law itself, if the premium is not paid within 1 year from its arrival.
5) The provisions of this Article shall not be applied to life insurance.

III. NOTIFYING THE INSURER OF CHANGES OF RISK

Risk increase

Article 914

1) The insurance agent is obliged, with regards to property insurance, to inform the insurer about each change of circumstances that might be significant for risk assessment, and with regards to personal insurance, only if the risk increased because the insured party has changed his/her occupation.
2) He/she is obliged to inform the insurer, without any delay, about risk increase, if he/she increased the risk through some of his/her actions, whereas if it occurred without his/her participation, he/she is obliged to inform him/her within 14 days from the moment he/she learned about it.
3) If the risk increase is in such an extent that the insurer would not conclude the contract if such situation existed at the moment of its conclusion, he/she can cancel the contract.
4) However, if risk increase is in such an extent that the insurer would conclude the contract but with the higher premium, if such situation existed at the moment of its conclusion, he/she can propose a new premium rate to the insurance agent.
5) If the insurance agent does not accept a new premium rate within 14 days from the day of accepting proposal of a new rate the contract shall be subjected under a mandatory cessation.
6) However, the contract shall remain in effect and the insurer cannot use authorization to propose a new premium rate to the insurance agent or to cancel the contract, if such authorization are not used within one month period of time when he/she learned about the risk increase, or if he/she shows in whichever way that he agrees to extend the contract prior to expiry of that deadline (if he/she accepts the premium, reimburse for the insured event that took place after the increase and the like).

When the insured event occurs in the meantime

Article 915
If the insured event takes place prior to insurer’s informing about the risk increase or after he/she was informed about the risk increase, prior to canceling the contract or reaching an agreement with the insurance agent in reference to premium increase, the fees shall be reduced proportionally to the ratio between premiums paid and the premiums to be paid in accordance with the increased risk.

Risk Decrease

Article 916

(1) In case of the risk decrease after contract conclusion, policy holder has the right to request corresponding reduction of premium, beginning from the day on which he/she informed the insurer about the reducing.

(2) If the insurer does not agree upon the risk reducing, the policy holder can break the contract.

Obligation of Notifying on Occurrence of the Insured Case

Article 917

(1) Insured person is obliged to notify the insurer of the occurrence of the insured case, at the farthest three days from the day on which he/she found out about it, except in case of life insurance.

(2) If he/she does not perform this obligation at the defined time, he/she is obliged to compensate the insurer for damage he/she could have had due to that.

Invalidity of Provisions on Loss of Right

Article 918

Provisions of contract are void, if they presuppose loss of right to compensation or to insurance sum, in case the insured party does not perform any of prescribed or contractual duties.

PART 4

INSURER’S OBLIGATIONS

Compensation or Contractual Sum Payment

Article 919

(1) In the event of insured case occurring, the insurer is obliged to pay compensation or amount stated in contract within the time period stated in the contract as well, which should not be longer than fourteen days, beginning from the point when the insurer received notification that the insured case set in.

(2) However, if certain time is necessary to determine if there is the insurer’s obligation or to determine rate of its amount, this time period is effective from the day on which it was determined that there was such obligation, and its amount.

(3) If the amount of insurer’s obligation is not defined within time period specified in the first paragraph of this Article, the insurer is obliged to pay the amount of indisputable part of his obligation as advance money.

Ceasing of Insurer’s Obligation in case of Intention and Fraud

Article 920

If the policy holder, the insured person, or the user caused insured case to take place, either by intention or through fraud, the insurer is not obliged to pay any levies, and the opposite contractual provision has no legal effect.

Objections of the Insurer
Article 921

(1) Insurer can make objections against any request of the policy submitter, as well as against the request of any other person referring to it, which relate to the contract toward the person with whom he/she concluded the contract on insurance.

(2) Exceptionally, the insurer can make only those objections, which arose prior to occurrence of the insured case, against the requests of third party in case of voluntary liability insurance, as well as against the requests of bearers of certain rights related to insured party, right of which shifted from ruined or damaged object to compensation based on insurance, in accordance with the law.

PART 5

TERM OF INSURANCE

Commencement of Insurance Coming into Effect

Article 922

(1) Unless contracted otherwise, the contract on insurance takes effect beginning from the twenty-fourth hour of the day which is defined in the policy as a day of commencement of insurance term, until the ending of the last day of the period for which insurance was contracted.

(2) If duration of insurance term is not defined by contract, each party can terminate contract beginning with due date of premium, informing in written form the other party and prior to the premium expiration at the latest.

(3) If insurance was contracted for the time period longer than five years, each party can state in written form that it dismisses the contract and inform the other party about it, after expiration of this period, providing six months notice.

(4) Contract cannot be formulated in such a manner as to preclude the right of each side to break the contract in the previously defined manner.

(5) Provisions of this Article are not valid in case of life insurance.

Effects of Bankruptcy on Insurance

Article 923

(1) In case of bankruptcy of policy holder, insurance is still valid, but each party has the right to terminate contract on insurance within three months from the point in time at which bankruptcy came into effect, and in that case, a part of paid premium, which is in proportion with the rest of insurance time, belongs to the bankrupt’s estate.

(2) In case of the insurer’s bankruptcy, contract on insurance ceases upon the expiry of thirty days after starting the bankruptcy procedure.

PART 2

PROPERTY INSURANCE

Section 1

GENERAL PROVISIONS

Insurance Interest

Article 924

(1) Property insurance can be contracted by any person in whose interest is that the insured case does not take place, since in that case he/she would be subject to material loss.

(2) Only persons who had substantial interest that the insured case does not take place, at the time damage was done, can realize their insurance rights.
Purpose of Property Insurance

Article 925

(1) Property insurance provides for compensation for the damage that would be inflicted upon insured person’s property, due to occurrence of the insured case.

(2) Compensation amount cannot be greater than the damage that was inflicted upon the insured person due to occurrence of the insured event.

(3) In case of insurance of crops and fruits and other agricultural products, amount of damage is defined in relation to value they would have at the harvest time, unless contracted otherwise.

(4) Provisions of contract that limit compensation amount to the amount smaller than the damage amount are valid.

(5) Loss of profit is taken into account when determining the amount of damage, only if it is contracted.

(6) If during the same insurance period, more insured cases occur one after the other, compensation related to insurance for each of them is defined and paid out entirely in relation to the whole amount of insurance, without it being reduced by the amount of earlier paid compensations in that period.

(7) If the value of the insured object has been agreed upon in the contract on insurance, the compensation is defined according to that value, unless the insurer proves that contractual value is significantly greater than the real value, and there is no justified reason for that difference (as, for example, insurance of used object in relation to value of such new object, or insurance of subjective value).

Prevention of Insured Case and Rescue

Article 926

(1) Insured person is obliged to take prescribed, contractual and all other measures needed to prevent occurrence of the insured case, and if the insured case takes place, he/she is obliged to do all in his/her power to restrict consequences of damage.

(2) The insurer is obliged to compensate for costs, losses, as well as for other damage caused by the reasonable attempt to remove immediate danger pertaining to the occurrence of the insured case, as well as by the attempt to limit its harmful consequences, even if those attempts were failures.

(3) The insurer is obliged to give this compensation even if it, along with the compensation for damage related to insured case, exceeds the insurance amount.

(4) If the insurer does not fulfill its obligation of prevention of insured case or obligation of rescue, and there is no excuse for that, obligation of the insurer is reduced by the amount for which the damage was greater, due to the non-fulfillment.

Transfer of Damaged Insured Object

Article 927

Unless contracted otherwise, the insured party has no right to transfer damaged object to the insurer after the occurrence of the insured case nor to ask them to pay the insurance full amount.

Loss of Object due to Events not Specified in the Policy

Article 928

(1) If the insured object or object in relation to the use of which liability insurance was concluded is lost during insurance period, due to an event which was not specified in the policy, contract ceases to be valid, and the insurer is obliged to pay back to policy holder a part of premium in proportion to the remaining time period.

(2) If one of few things covered in one contract is lost due to an event which was not specified in the policy, insurance is still valid concerning other objects, although there are some necessary changes due to the reduction of the subject of insurance.

Section 2

LIMITATION OF INSURED RISKS
Damage Covered by Insurance

Article 929

(1) The insurer is obliged to compensate for damage occurring accidentally or through the policy holder’s, the insured person’s or the insurance user’s fault, unless his obligation in relation to certain damage was exclusively excluded through the insurance contract.

(2) He/she is not liable for damage these persons caused intentionally, and the provision in policy that envisioned his/her responsibility in that case, is void.

(3) However, if the insured case came into effect, the insurer is obliged to compensate for damage caused by any person for actions of whom he/she is liable on any basis, regardless of the damage being caused by carelessness or intentionally.

Damage Caused by Deficiencies of Insured Object

Article 930

The insurer is not liable for damage of insured object that results from its deficiencies, unless contracted otherwise.

Damage Caused by War Operations and Uprisings

Article 931

(1) The insurer is not obliged to compensate for damage caused by war operations or uprisings, unless contracted otherwise.

(2) The insurer is obliged to supply evidence that damage was caused by these events.

Section 3

OVERINSURANCE AND CONTRACT WITH MORE INSURERS

Overinsurance

Article 932

(1) If one party swindles, when concluding contract, and in such way contracts an insurance amount which is greater than the real value of the insured object, the other party can ask for termination of contract.

(2) If the contracted insurance sum is greater than the value of the insured object, and none of the parties acted negligently, the contract stays in effect. The insurance amount is reduced up to the amount of real value of insured object, while premiums are reduced in proportion to that.

(3) In both cases, a bona fide insurer keeps received premiums and has right to unreduced premium for the current period.

Subsequent Value Reduction

Article 933

If insured value is reduced during insurance term, every contractual party has the right to a corresponding reduction of the amount of insurance and of premium, beginning from the day on which it stated its request for reduction to the other party.

Multiple and Double Insurance

Article 934

(1) If an object has been insured with one or more insurers concerning the same risk, for the same interest and for the same time, so that the sum of insurance amounts does not exceed the value of the object
(multiple insurance), every insurer is responsible for performing of obligations which resulted from the contract they concluded.

(2) However, if the insurance amounts exceeds the value of insured object (double insurance), and policy holder did not act negligently, all the insurance is valid, and every insurer has the right to contractual premium for the period of insurance in progress, and insured person has right to request, from every one of insurers, compensation in accordance with contract concluded with them, but total sum is not to be greater than amount of damage.

(3) When insured case occurs, the policy holder is obliged to notify about that every insurer of the same risk, and inform them about names and addresses of other insurers, as well as about amounts of insurance of individual contracts concluded with them.

(4) After having paid the compensation to the insured person, every insurer pays the part of the compensation proportionate to the amount of insurance that they committed to concerning the total sum of insurance amounts. However, the insurer who paid more has the right to request from other insurers compensation for that amount.

(5) If a contract was concluded without stating insurance amount or if it provides for an unlimited coverage, it is considered that the contract was concluded as assuming the highest amount of insurance.

(6) Other insurers are responsible for the share of the insurer who cannot pay his/her part, proportionally to their shares.

(7) If insurance agent concluded contract on insurance which resulted in double insurance, not knowing that there was a previously concluded insurance, he/she can, regardless of the fact that the previous insurance was concluded by him/her or someone else, within a month from the moment he/she found out about the insurance, request corresponding reduction of the insurance amount and of the premium of the more recent insurance, but insurer retains the received premiums and has right to premium for the current period.

(8) If double insurance resulted from reduction of value of insured object while being insured, insurance agent has right to corresponding lowering of the insurance amounts and premiums, starting with the day on which he/she stated his/her request regarding lowering to the insurer.

(9) If insurance agent acted in mala fide, regarding double insurance, every insurer can ask for the contract cancellation, retain received premiums and request unreduced premium for the current period.

Co-insurance

Article 935

When contract on insurance is concluded with several insurers who agreed upon taking a joint risk as well as its distribution, every insurer stated in the insurance policy is liable for the total compensation, to the insured person.

Section 4

SUB-INSURANCE

Article 936

(1) When it is ascertained that in the beginning of the respective insurance the value of insured object was greater than insurance amount, compensation amount owed by the insurer is reduced proportionally, unless contracted otherwise.

(2) Insurer is obliged to pay full compensation up to the insurance amount, if it was contracted that relation between value of the object and insurance amount has no significance for defining compensation amount.

Section 5

TRANSFER OF CONTRACT AND PAYMENT OF INSURANCE COMPENSATION TO ANOTHER PERSON

Transfer of Contract onto Procurer of Insured Object

Article 937
(1) In case of theft of insured object, as well as of object in relation to usage of which liability insurance was contracted, rights and obligations of insurance agent are transferred in accordance with law, onto procurer, unless contracted otherwise.

(2) However, if only one part of insured objects was purloined, and these parts do not represent a separate whole, contract on insurance ceases in accordance with law regarding purloined objects.

(3) In case when theft of an object causes a greater or smaller possibility of insured case taking place, general provisions on risk increase or reduction are applied.

(4) Policy holder who does not inform the insurer that the insured object was stolen, is obliged to pay the premium which become due even after the day of misappropriation.

(5) Insurer and procurer of insured object can give up insurance at fifteen day notice, while they are obliged to submit notice within thirty days at the latest from the point on which they found out about larceny.

(6) Contract on insurance cannot be terminated if insurance policy is made out to the bearer or by order.

Apportion of Compensation for Pawn Bearer and Other Rights

Article 938

(1) After coming into effect of the insured case, liens and other rights which earlier existed in relation to the insured object have as an object indebted compensation, as in case of insurance of personal object, likewise in the case of insurance of another person’s objects due to obligation of its safekeeping and returning, so the insurer cannot pay out compensation to the insured person without agreement of bearers of these rights.

(2) These persons can directly request the insurer to cover their claims within the limits of insurance sum and in the legal order.

(3) However, if the insurer neither knew nor could have known about those rights at the moment of payment, the performed payment of compensation to the insured person remains valid.

Section 6

TRANSFER OF INSURED PERSON’S RIGHTS TOWARD RESPONSIBLE PERSON ONTO INSURER (SUBROGATION)

Article 939

(1) By force of law, all rights of the insured person toward the party who is liable for damage on any basis, are transferred onto the insurer, through payment of compensations from the insurance funds, up to the amount of the paid compensation.

(2) If this transfer of rights onto insurers was prevented due to the insured person’s guilt, entirely or partially, the insurer is free from his/her obligation toward insured person, in an adequate proportion.

(3) Transfer of rights from the insured party onto insurer cannot be to the disadvantage of the insured party, so if the compensation that the insured person obtained from insurer is for any reason lower than the amount of damage he/she suffered, insured party has right to obtain the rest of compensation from the funds of the liable party, prior to payment of insurer’s claims in accordance with rights transferred onto him.

(4) Exceptionally, with regards to the rules on transfer of insured person’s rights onto insurer, these rights are not transferred onto insurer if damage was caused by person in full blood relationship with insured person or person for actions of whom the insured person is liable, or who lives with him/her in the same household, or person who works for insured person, except in case of those persons causing damage intentionally.

(5) However, if any of persons mentioned in the previous paragraph was liability insured, the insurer can request from his insurer compensation of amount that was paid to the insured person.

Section 7

LIABILITY INSURANCE

Insurer’s Responsibility

Article 940

174
In case of liability insurance, the insurer is liable for damage resulting from insured case only if third person suffering damage requests compensation for it.

Expenses of the lawsuit dealing with the liability of insured person are charged to the insurer, within limits of insurance sum.

**Personal Right of Injured Person and Direct Lawsuit**

**Article 941**

(1) In case of liability insurance, injured person can request immediately from insurer compensation for damage that was inflicted upon him/her due to an event for which insured person is responsible, but at most up to the amount of insurer’s obligation.  
(2) From the day on which the insured case occurred, injured person, has personal right to compensation from insurance, thus every later change in insured person’s rights toward insurer has no influence on the right of the injured person to compensation.

**PART 3**

**PERSONAL INSURANCE**

**Section 1**

**GENERAL PROVISIONS**

**Determination of Insured Sum**

**Article 942**

In contracts on personal insurance (life insurance and accident insurance) the amount of insurance sum, which is to be paid by the insurer when the insured case occurs, is determined in policy in accordance with the agreement by the contractual parties.

**Life Insurance Policy**

**Article 943**

(1) In addition to components that every policy should have, the following has to be stated in life insurance policy: name and surname of person whose life is insured, date of birth and event or deadline on which the right to request payment of insured sum depends.  
(2) Life insurance policy can be made out to certain person or by order, but cannot be made out to the bearer.  
(3) Policy endorsement, in order to be considered valid, by order, needs to contain beneficiary’s name, date of endorsement, and signature of endorser.

**Incorrect Stating of Insured Person’s Age**

**Article 944**

Exceptionally to general provisions of this chapter and consequences of incorrect statements and concealment of circumstances of importance for risk assessment, the following rules are to be applied in case of incorrect reporting the age in life insurance contracts:  
1) Life insurance contract is null and void and the insurer is obliged to return all accepted premiums in any case, if at the time of its conclusion the insured party’s age has been reported as false age and the real age is above the limit up to which the insurer provides life insurance under his/her own conditions and rates.  
2) The contract shall be fully valid if it was reported falsely that the insured party is younger than he/she really is but his/her real age is within the age limit up to which the insurer provides life insurance; the insured amount shall be reduced proportionally to the contractual premium and the premium envisioned for the life insurance of persons, who are of the insured party’s age.
3) In case the insured party is younger than it is reported at the time of concluding the contract, the premium shall be reduced to the adequate amount and the insurer is obliged to refund the difference between the accepted premiums and the premium to which he/she is entitled.

Consequences of non-paying the premium and reducing the insured amount

Article 945

1) If the insurer of life insurance does not pay some premium when due, the insurer is not entitled to claim its payment through court proceedings.

2) If, upon the insurer’s request, delivered through registered mail, neither the insurer pays premium payable within certain period of time defined in that letter, which cannot be shorter than one month starting from the day of its delivery, nor any other interested person pays it, the insurer can only declare to the insurance agent, if at least three annual premiums are paid, that he/she is to reduce the insured amount to the amount of insurance purchase value, otherwise he/she shall cancel the contract.

3) If the insured event occurred prior to contract canceling or reducing the insured amount, the insured amount shall be considered reduced i.e. the contract canceled, depending on whether the premiums were paid at least for the period of three years or not.

The insurance of the third party

Article 946

1) Agent’s life insurance, as well as life of the third party can be subject to life insurance.

2) The same shall be applicable to accident insurance.

3) If the insurance is related to death of the third party, in order for the contract to be valid it is necessary to have his/her written agreement contained in policy or in a separate document, given when signing the policy, which provides the insured amount stated on it.

The insurance in case of death of a minor and the persons deprived of legal capacity

Article 947

1) The insurance in case of death of a third person younger than 14 as well as the person who is completely deprived of legal capacity shall be null and void and the insurer is obliged to refund all premiums to the insurance agent accepted on the basis of such an agreement.

2) In order for the insurance in case of death of the third person older than 14 to be valid, the written consent of his legal representative as well as the written consent of any insured person shall be required.

Compound compensation and insured amount

Article 948

1) In case of personal insurance the insurer who paid out the insured amount cannot be entitled, on any grounds, to the compensation by the third person responsible for representing the insured event.

2) The insurer, i.e. the beneficiary shall have the right to compensation from the third party responsible for occurrence of the insured event, regardless of his/her right to the insured amount.

3) The provisions referred to in the previous paragraphs do not refer to the case when the accident insurance has been contracted as liability insurance.

Section 2

EXCLUDED RISKS

Suicide of the insured party
Article 949

1) The insurance contract in case of death does not include the risk of the insured party’s suicide if it happens during the first year of insurance.
2) If the suicide happens within 3 years starting from the day of concluding the contract the insurer is not obliged to pay the insured amount to the beneficiary but the mathematical reserve of the contract.

Intentional murder of the insured party

Article 950

The insurer shall be released from the obligation to pay the insured amount to the beneficiary if he/she intentionally caused the death of the insured party, but is obliged to pay mathematical reserve of the contract to the insurance agent provided that at least three annual premiums were paid so far, or to his/her heirs if he/she is the insured party.

Causing the accident intentionally

Article 951

The insurer shall be released from the obligation referred to in the accident insurance contract if the insured party caused the accident intentionally.

War operations

Article 952

1) If the insured party’s death was caused by war operations, the insurer is not obliged to pay the insured amount to the beneficiary, unless something else is stipulated, but he/she is obliged to pay mathematical reserve of the contract.
2) Unless stipulated otherwise, the insurer shall be released from the obligation from the contract on accident insurance, if the accident was caused by war operations.

Contractual risks’ exclusion

Article 953

The contract on insurance in case of death or an accident can exclude other risks from the insurance.

Section 3

RIGHTS OF INSURANCE AGENT BEFORE THE INSURED EVENT OCCURRED

Repurchase

Article 954

1) Upon the request of the contractor of life insurance, which is concluded for the entire insured party’s life the insurer is obliged to pay out the repurchase value of policy, if at least three annual premiums were paid up to that point.
2) The policy has to contain the terms under which the contractor can claim payment of its repurchase value, and the method of calculation of the value, according to the insurance conditions.
3) Neither the creditors of insurance agent nor the insurance beneficiary can claim the repurchase; the repurchase value shall be paid to the beneficiary upon his/her request, if the beneficiary’s intention is irrevocable.
4) Exceptionally to the previous paragraph, the creditor, who was given the policy as pledge, can claim policy repurchase if claims, due to which the pledge was given are not settled on maturity date.

**Advance payment**

**Article 955**

1) Upon the request of the party contracting life insurance, which is concluded for the entire life of the insured party, the insurer can pay a part of the insured amount in advance to him/her up to the amount of the policy purchase value that is refundable later on by the insurance agent.

2) The insurance agent is obliged to pay a certain interest on the accepted advance payment.

3) If the insurance agent was late to pay the due interest it he/she shall be considered to have claimed the repurchase.

4) The insurance policy has to contain the terms of providing the advance payment, the possibility to refund the amount that was accepted as advance payment to the insurer, the interest rate amount, consequences if the due interest is not paid as it is regulated by the insurance terms.

**Policy pledging**

**Article 956**

1) The life insurance policy can be pledged.

2) The policy depositing shall be effective for the insurer only if he/she is notified in writing about pledging the policy with a certain creditor.

3) When the policy is the order policy, the pledging shall be performed through endorsement.

**Section 4**

**LIFE INSURANCE IN CREDIT OF THE THIRD PARTY**

**Determining the beneficiary**

**Article 957**

1) The party contracting life insurance can, through contract, by some other legal transaction, even in the will, determine the person to who the contractual rights shall be assigned.

2) If the insurance is related to the life of another person, in order to determine the beneficiary it is necessary to provide his/her consent.

3) The beneficiary need not be designated by name, it is sufficient for the deed to contain necessary data for his/her defining.

4) When children or descendents are designated to be the beneficiaries, the benefits shall also belong to those who were born subsequent to that point and the benefits intended for the spouse shall belong to the one who was married with the insured party when he/she died.

**Dividing benefits between several beneficiaries**

**Article 958**

When children, descendents or generally heirs are designated to be the beneficiaries and if the insurance agent has not designated how the division between them shall be done, the division shall be pro rated to their inherited portions, and if the heirs are not beneficiaries, the insured amount shall be divided into equal parts.

**Revocation of the provision on defining the beneficiaries**
Article 959

1) The provision on assigning the benefits from the insurance to a certain person can only be revoked by the insurance agent, his right cannot be exercised either by his creditors or by his legal successors.
2) The insurance agent can revoke the provision on benefits until the beneficiary declares, in whatever way, that he/she accepts it; as of that moment it becomes irrevocable.
3) However, the contractor can revoke the provision on benefits even after the beneficiary’s statement that he/she will accept it if the beneficiary tried to murder the insured party, and if the benefit was assigned without any compensation the provisions on revoking the gifts are also be applied to revocation.
4) It shall be considered that the beneficiary refused the benefits intended for him/her if, after the insurance agent’s death, he/she does not state that he/she will accept it within one month from the invitation of his/her successors.

Personal and direct right of the beneficiary

Article 960

1) The insured amount to be paid to the beneficiary shall not be a part of the inheritance of the insurance agent even if the successors are determined to be beneficiaries.
2) The beneficiary is only entitled to the insured amount from the beginning of the insurance contract conclusion regardless how and when he/she was appointed to be a beneficiary and regardless whether he/she declared he/she would accept it before or after the insured party’s death; therefore he/she can contact the insurer directly claiming the insured amount refunding.
3) If the insurance agent determined his/her children, his/her descendents or heirs in general to be his/her beneficiaries, then each of the beneficiaries is entitled to a certain portion of the insured amount even if he/she gives up the inheritance.

Insurance agent’s and insured party’s creditors

Article 961

1) Insurance agent’s and insured party’s creditors are not entitled to the insured amount contracted for the beneficiary.
2) However, if the premiums paid by the insurance agent were disproportional in comparison to his/her capability at the moment when they were paid in, his/her creditors can claim acquiring the part of premiums that exceed his/her capability, if the conditions were fulfilled under which the creditors have the right to negate the debtor’s legal actions.

Assigning the insured amount

Article 962

Any beneficiary can transfer his/her right to the insured amount onto somebody else even before the insured event took place but he/she has to have the written consent by the insurance agent, which will contain the name of the person to whom the right shall be transferred; if the insurance is related to another person’s life, the same consent is required.

Of when a certain beneficiary died prior to the maturity date

Article 963

When the person who was designated to be a beneficiary without compensation died prior to the capital amount or rent were due, the benefits from insurance shall not belong to his/her successors but to his/her succeeding beneficiary; if such is not designated then to the insurance agent’s property.

Insurance in case of death without designated beneficiary
Article 964

If the party contracting insurance in case of death does not appoint a beneficiary, or if the provision on designating the beneficiary expires due to revoking, due to the certain person’s refusing or any other reason and if the insurance agent does not designate any other beneficiary, the insured amount shall belong to the insurance agent’s property and, being a part of it, shall be transferred to his/her successors along with other rights.

Bona fide paying of the insured amount to the unauthorized person

Article 965

1) When the insurer pays the insured amount to the person that would have a right to it if the insurance agent did not designate the beneficiary, he/she shall be released from the obligation contained in the insurance contract if at the moment of the effected payment he/she did not know nor ought to have known that the beneficiary is determined by the letter of will or by some other enactment that was not distributed to him/her; the beneficiary has can claim refunding from the person who had accepted the insured amount.

2) The same shall be applied to the event of the replacement of the beneficiary.

Chapter XXVIII

PLEDGE

PART 1

GENERAL PROVISIONS

Notion

Article 966

The pledge agreement shall oblige the debtor or the third party (pledger) to deliver some movables over which there is the property right, to the creditor (pledgee), so that he/she can collect the payment from its value before other creditors; if his/her claims are not settled after the due date, the creditor shall be bound to keep the accepted object safe and return it undamaged to the pledger upon the expiry of his/her claims.

Article 967

Deleted by the amendments to the Law dated from 1993.

Acquisition of lien

Article 968

Pledgee shall acquire the lien when he/she is given the object, which is subject to the contract.

Capacity

Article 969

In order to conclude a fully valid contract on pledge it is necessary for the pledger to have the capacity to manage the objects that he/she is pledging.

A pledge over the already pledged objects

Article 970
1) The contract on pledge can be concluded for the object, which is already pledged.
   2) In that case the lien shall come into effect when the pledger notifies the creditor who possesses the object of concluding the contract on pledge with another creditor and orders him/her to deliver the object upon settlement of his/her claims.

The pledge for the future or conditional obligation

Article 971

The pledge can be given for the future as well as for the conditional obligation.

Extending the pledge to other pledger’s obligations

Article 972

The pledge providing the fulfillment of some obligation shall be extended to the contractual obligations that would arise between the pledgee and the pledger upon the contract conclusion, which would be due for payment prior to fulfillment of the obligation for whose providing the pledge was given.

Proscribed provisions

Article 972

1) The contractual provision on pledge regulating the pledged object to be transferred to the creditor’s property shall be null and void, unless his/her claim is due for payment, as well as the provision that the creditor will be able, in that case, to sell the pledged object at the price designated in advance or to keep it for himself/herself.
   2) However, if the pledged object has a prescribed price, the contractor can agree that the creditor will be able to sell the pledged object at the prescribed price or to keep it for himself/herself at the same price.

PART 2
PLEDGING OBJECTS

Section 1
PLEDGER’S OBLIGATIONS

Article 974

1) A pledger is obliged to deliver the object which is subject to contract to the pledgee or to the third party, determined by the agreement, or the document providing the exclusive right to its holder to utilize it.
   2) Contractors can agree on their common keeping of the object or the document.

Section 2
PLEDGEES’S OBLIGATION

Keeping the pledged object

Article 975

1) A pledgee is obliged to keep the object with a due attention of a good businessman, i.e. of a good host.
   2) He/she is obliged to return it as soon as his/her debt is repaid.
Utilization of the pledged object

Article 976

1) A pledgee is not entitled to utilize the pledged object or to deliver it to another person for use, or to pledge it (sub-pledge), unless the pledger gives his/her permission for it.
2) The pledger who utilizes the object without the pledger’s permission or delivers it to another person for use, or pledges it, is liable for accidental loss, or damaging of objects that would have happened at that time.

Fruits of the pledged object

Article 977

1) If the pledged object is fruitful, and it is not agreed to whom the fruit will belong after its separating from the object, the creditor can keep it for himself/herself, if he/she wants so.
2) In such case, the amount of the net income from the fruits shall be subtracted from the expenses, to compensation of which the creditor is entitled, from the related interest rate and from the capital sum.
3) The same shall be applicable to the benefits earned from the utilization of the pledged object.

Taking the pledged object away from the pledgee

Article 978

Upon the pledger’s request, the court shall order taking the pledged object away from the pledgee and delivering it to the third party who will keep it for himself/herself, if the pledgee does not keep the pledged object properly, if he/she uses it without the pledger’s permission or gives it to another party to use it, or does not use it according to the permission, and in general treats it in defiance with the contract and the law.

Section 3

PLEDGEE’S RIGHTS

Of when the pledged object has defects

Article 979

When it shows the pledged object has a defect of material or legal nature, and is not sufficient as a security for claim settlement, the secured creditor has it entitled to claim another suitable pledge from the pledger.

Selling the pledged object

Article 980

1) If the creditor’s claims are not paid when due, the creditor can request the court’s decision to sell the object at an open sale, or at the current price when the object has a market or stock exchange price.
2) If the costs of open sale are too high compared to the value of the pledged object, the court can decide that the creditor should sell the object at the price defined by an expert assessment, or keep it for himself/herself, if he/she wants so.

Selling the objects that are pledged as security for claims from contract in commerce

Article 981
1) If a debtor does not settle the claim when due, which arose based on the contract in commerce, the creditor is not obliged to approach the court, but he/she can initiate the selling of the pledged object at the open sale after expiry of 8 days from the moment of warning the debtor and the pledger, when they are not the same person, that he/she will do it.

2) A creditor is obliged to notify both persons of the date and place of sale in a timely manner.

3) If the pledged objects have market or stock price, the creditor can sell them at that price, after expiry of 8 days from the moment of warning the debtor and the pledger that he/she will do so.

**Selling the pledged objects earlier either due to malfunction or lost in value and its substitution**

**Article 982**

1) When the pledged object malfunctions or loses value so there is a danger of its becoming insufficient for securing the creditor’s claim, the court can, upon the pledgee’s or pledger’s request decide that the object is to be sold at public sale, or in accordance with exchange or market price if there is one, and that price or a sufficient part of price is deposited at the court in order to secure the claims.

(2) Court will reject the pledgee’s request, if the pledger offers to give another object instead of the pledged object, which has the same value, and the keeping of which requests no greater effort and care than keeping of firstly pledged object.

(3) The court will, under the same conditions, permit exchange of the pledged object at the request of the pledger, and in case when the pledgee does not request its sale.

**Premature Sale of Pledged Object at the Pledger’s Request**

**Article 983**

(1) At the pledger’s request, the court can permit sale of pledged object to a certain person at a certain price, if it finds the price favorable, and if this is in accord with legitimate interests of the pledgee.

(2) Obtained price, or sufficient part of the price, which will be specified by the court, when permitting the sale, substitutes the pledged object, and is deposited at the court in order to secure payment of creditor’s claim.

**Right of Preferential settlement**

**Article 984**

The pledgee has the right to collect payment, before other pledger’s creditors, from the price obtained through sale of pledged object, of his/her claim, due interest, costs made for keeping the pledged object, as well as expenses related to collecting of claims.

**Schedule of Possessory Liens**

**Article 985**

If one object is pledged at several creditors, the sequence of settlement of their claims out of the value of the pledged object is in accordance with the date when their liens came into effect.

**Section 4**

**CESSATION OF LIEN**

**Cessation of Lien due to Loss of Possession**

**Article 986**

(1) Creditor’s right to preferential collection of payment from the value of pledged object ceases with the cessation of his/her possession.

(2) The right is effective again, when creditor recovers the possession of the object.
Cessation of Lien due to Cessation of Claim

Article 987

When a claim, the realization of which was secured by pledge, ceases to be valid, the creditor is obliged to return pledged object to pledger.

Prescription of Mutual Claims

Article 988

Pledger’s claims toward the pledgee concerning compensation for damage due to deterioration of the object, as well as claims of the pledgee toward the pledger concerning compensation for costs made in order to improve the object, expires within one year from the day on which the object was returned.

PART 3
PLEDGING CLAIMS AND OTHER RIGHTS

Section 1
PLEDGING CLAIMS

Informing Debtor and Handing in the Document

Article 989

(1) In order to acquire possessory lien over a claim, debtor is to be notified in written form of concluded pledge agreement.

(2) Pledger is to hand over the document on pledged claim to the pledgee.

Pledging Claims from Securities

Article 990

1) Creditor acquires possessory lien on the claim from the bearer security upon its delivery.

2) Pledging claims from promissory securities is performed through endorsement containing the mark that it was pledged.

Duty of Claims Maintenance

Article 991

Pledgee is to take measures needed for keeping the pledged claim.

Collection and calculation of Interests

Article 992

(1) If pledged claim entitles to interest or any other periodical claims, the pledgee is obliged to collect them.

(2) Amounts acquired in such manner are set off against costs, to which reimbursement the pledgee is entitled, against interest owned to him/her, and, finally, against the capital sum.

Collecting Pledged Claims

Article 993
1) The pledgee is to pay the due pledged claim.
   (2) Through realization of pledged claim, pledged right is transferred onto object, through which that
       claim is realized.
   (3) When money is the only subject of pledged claim is, the pledgee is obliged to deposit collected
       amount at the court, in accordance with the pledger's request, but if subject of his claim is money among other
       objects, and if it was due, the pledgee can keep for himself/herself as much as it is owned to him/her, but is
       obliged to hand over the rest to the pledger.

   Objections of Debtor of Pledged Claim

   Article 994

   Debtor of the pledged claim can state to the pledger those pleas which debtor of ceded claim can state
   out to the recipient, in case of claim transfer.

   Section 2

   PLEDGING OTHER RIGHTS

   Method of Pledging

   Article 995

   1) Other rights, besides claims, can be pledged.
   2) Pledging other rights is performed in manner envisioned for their transfer onto another unless
       prescribed otherwise for certain cases.

   Section 3

   APPLICATION OF PROVISIONS ON PLEDGING OBJECTS

   Article 996

   Provisions on pledging objects is applied onto pledging claims and other rights, unless stipulated
   otherwise.

   Chapter XXIX

   WARRANTY

   PART 1

   GENERAL PROVISIONS

   Notion

   Article 997

   Contract of warranty obliges warrantor, as far as creditor is concerned, that he/she will fulfill valid and
   due liability of debtor, if he/she does not do that.

   Form

   Article 998

   The contract of warranty is binding on the warrantor only if he/she has made a written statement on
   warranty.
Capacity for warranty

Article 999

Contract of warranty can bind someone by an obligation, only if he/she has a complete legal capacity.

Warranty for Disabled Person

Article 1000

Whoever takes over the obligation to be the warrantor for liability of a disabled person, is liable toward creditor in the same manner as warrantor of legally capable person.

Subject of Warranty

Article 1001

(1) Warranty can be issued for any valid liability, regardless of its contents.
(2) One can be warrantor in case of conditional liability, as well as in case of certain future obligation.
(3) Warranty for future liability can be revoked prior to liability coming into effect, if the deadline for its assumed coming into effect is not specified.
(4) Warranty can be given as well for liability on another warrantor (warrantor’s warrantor).

Scope of Warrantor’s Responsibility

Article 1002

(1) Warrantor’s obligation cannot be greater than obligation of main debtor, and if contracted to be greater, it is reduced to the debtor’s obligation.
(2) Warrantor is liable for realization of entire liability for which he/she warranted, unless his/her responsibility is limited to one of its parts or in another way subject to more facile conditions.
(3) He/she is obliged to compensate for necessary costs which creditor performed in order to collect payment of debt from the main debtor.
(4) Warrantor is responsible for increase of liability that resulted from debtor’s delay or due to debtor’s fault, unless contracted otherwise.
(5) He/she is responsible for the contracted interest that was due after conclusion of contract on warranty.

Transfer of Creditor’s Rights on Warrantor (Subrogation)

Article 1003

The claim with all secondary rights and guarantees of its realization is transferred onto warrantor who refunded creditor’s claim.

Section 2

CREDITOR WARRANTOR RELATION

Forms of Warranty

Article 1004

(1) Fulfillment of an obligation can be requested from warrantor only if main debtor did not fulfill it within the deadline specified in the written invitation (subsidiary warranty).
(2) Creditor can request the fulfillment from the debtor even if he/she did not ask from main debtor to fulfill his/her obligation, if it is obvious that the main debtor’s situation cannot guarantee its fulfillment, or if the main debtor bankrupted.
(3) If the warrantor is obliged as a warrantor payer, he/she is liable toward the creditor for entire obligation, as a main debtor, and the creditor can request its realization from main debtor, or from warrantor, or from both of them at the same time (joint and several warranty).

(4) Warrantor of the liability from the contract in commerce is liable as a warrantor payer, unless contracted otherwise.

**Solidarity of Warrantors**

**Article 1005**

Various warrantors of a debt are under joint and several obligation, regardless of the fact that they warranted together, or each one of them is liable separately, unless another type of liability was contracted.

**Loss of Right to Deadline**

**Article 1006**

Regardless of the debtor losing his/her right to deadline specified for fulfillment of his/her liability, the creditor cannot request its realization from warrantor prior to expiry of the deadline, unless contracted otherwise.

**Bankruptcy of Main Debtor**

**Article 1007**

(1) In case of main debtor’s bankruptcy, the creditor is obliged to declare his claim in bankruptcy, and inform the warrantor about it, otherwise he/she is liable to the warrantor for damage he/she would have due to that.

(2) Reducing of liability of main debtor in the procedure of bankruptcy or in the procedure of forced settlement does not have as consequence corresponding reducing of warrantor’s obligation, so the warrantor is liable to the creditor for the whole amount of his/her obligation.

**Case of Reduced Responsibility of Debtor’s Successor**

**Article 1008**

Warrantor is liable for the whole amount of obligation for which he/she warranted, and this also applies to the case when the payment of only one part of it could be requested from the debtor’s successor, i.e. the part that corresponds to the value of inherited property.

**Warrantor’s Objections**

**Article 1009**

(1) Warrantor can present any of the main debtor’s objections against the creditor’s request, including the objection pertaining to offsetting, except for utterly personal debtor’s objections.

(2) Debtor’s renouncing the objections, as well as his/her acceptance of creditor’s claims, has no effect toward the warrantor.

(3) Warrantor can state his/her own objections against the creditor, for example, nullity of contract on warranty, obsoleteness of creditor’s claim toward him/her, objection for clearance of mutual claims.

**Duty of Informing Warrantor on Debtor’s Omission**

**Article 1010**

If the debtor does not fulfill his/her obligation on time, creditor is obliged to inform warrantor about that, otherwise he/she will be liable to him/her for damage that would be inflicted upon the warrantor due to that.

**Releasing Warrantor of Creditor’s stalling**
Article 1011

(1) Warrantor is freed from responsibility if the creditor, after having invited him/her upon the claim becomes due, does not request fulfillment by the main debtor within one month from the day of the invitation.
(2) When the deadline for fulfillment is not specified, the warrantor is freed from responsibility if creditor, at his invitation after one year from the day of conclusion of contract on warranty, does not perform a necessary statement for specification of fulfillment date.

Releasing Warrantor due to Abandonment of Guarantees

Article 1012

(1) If the creditor renounces pledge, or any other right that was a security for the realization of his/her claim, or to loses it due to his/her own carelessness and thus enables the transfer of the right onto the warrantor, the latter is released from his/her obligation concerning creditor, for as much as he/she could have obtained through realization of the right.
(2) Provision of the previous paragraph is also applied to the case when the right came into effect prior to conclusion of contract on warranty, as well as in case when it came into effect afterwards.

Section 3

WARRANTOR – DEBTOR RELATION

Right to Request Compensation from Debtor

Article 1013

(1) Warrantor who paid to the creditor his/her claim, can request from the debtor to compensate for everything that he/she paid onto his/her account, as well as the interest rate from the day of payment.
(2) He/she is entitled to compensation of the court costs incurred in the dispute with the creditor from the moment he/she informed the debtor about that dispute, as well as to the compensation for damage if there was any.

Right of a Solidary Debtor’s Warrantor

Article 1014

Warrantor of one of several solidary debtors can request from any of them to compensate for whatever he/she paid to the creditor, as well as for costs.

Right of Warrantor to Previous Security

Article 1015

Prior to his/her refunding the creditor, warrantor who is obliged, and the debtor knew or approved that, has the right to request from debtor to provide him/her necessary security for his/her possible requests in the following cases: if the debtor did not fulfill his/her liability upon its maturity, if the creditor requested payment from warrantor through legal proceedings, and if debtor's state of property considerably worsened after the conclusion on contract on warranty.

Loss of Right to Compensation

Article 1016

(1) Against a warrantor who performed payment of creditor's claim without his/her knowing that, the debtor can use all legal means, which would have enabled him/her to refuse creditor's request at the moment of the payment.
(2) The warrantor who paid the creditor's claim, and did not inform debtor about this, so the latter paid one more time for the payment of the same claim, not knowing it, cannot request compensation from the debtor, but has the right to request from the creditor to repay him/her what he/she was paid.

**Right to Repayment of the Paid sum**

**Article 1017**

Warrantor who settled the creditor's claim, without debtor's knowing that, which was later annulled at debtor's request, or eliminated through a set off, can only request from creditor the return of that which was paid.

**Section 4**

**RE COURSE OF PAYER TOWARD OTHER WARRANTORS**

**Article 1018**

When there is more than one warrantor, and one of them settles the due claim, he/she has right to request from other warrantors that each one of them compensate for the share that pertain to him/her.

**Section 5**

**LIMITATION**

**Article 1019**

(1) Warrantor’s liability expires simultaneously with the expiry of main debtor’s liability.

(2) When the period of prescription for main debtor’s liability is longer than two years, warrantor's liability expires after two years from due date of the main debtor’s liability, unless the warrantor and the debtor are under a several and joint obligation.

(3) Interruption of prescription of the claim toward the main debtor is effective toward the warrantor, only if the interruption took place due to an act of the creditor, before the court, against main debtor.

(4) Suspension of prescription of main debtor’s liability has no effect toward the warrantor.

**Chapter XXX**

**DIRECTING (ASSIGNATION)**

**Section 1**

**NOTION OF CONTRACT**

**Article 1020**

Through directing (assignation) the assignor authorizes another party, the assignee, to, for his/her account, perform an action toward a third party, assignation recipient, and authorizes the assignation recipient to accept the task on his/her behalf.

**Section 2**

**ASSIGNATION RECIPIENT - ASSIGNEE RELATION**

**Acceptance by the Assignee**

**Article 1021**
(1) Assignation recipient acquires the right to request the fulfillment from the assignor only after the assignor declares to him/her that he/she accepts the assignation.

(2) Acceptance of assignation cannot be revoked.

Assignee’s complaints

Article 1022

(1) By accepting assignation, assignation recipient and the assignee enter a debtor relation independent of relation between the assignor and the assignee, as well as relation between the assignor and assignation recipient.

(2) Assignee who accepted an assignation can make only those complaints related to validity of acceptance, based on contents of acceptance or on contents of assignation itself, as well as his/her personal complaints concerning the recipient of assignation.

Transfer of Assignation

Article 1023

(1) Assignation recipient can transfer assignation onto another person even prior to its acceptance the assignee, and the latter can transfer it further, except in case when the assignation itself or special circumstances imply that it is not transferable.

(2) If the assignee stated to the assignation recipient that he/she accepts the assignation, that acceptance is effective in relation to all parties on which the assignation was consecutively transferred.

(3) If the assignee stated to the procurer, on whom assignation recipient transferred assignation, that he/she accepts it, he/she cannot make his/her personal complaints, to party that is applying.

Limitation

Article 1024

(1) Right of the assignation recipient to request the fulfillment from the assignee, expires in one year.

(2) If there is no deadline specified for the fulfillment, the limitation begins when the assignee accepts assignation, and if he/she accepted it before it was given to the assignation recipient, at the time when it is given to the latter.

Section 3

ASSIGNATION RECIPIENT-ASSIGNOR RELATION

If assignation recipient is assignor’s creditor

Article 1025

(1) Creditor is not obliged to agree to the assignation given by the debtor for the purpose of fulfilling his/her obligation, but is obliged to inform the debtor on hi hers refusal, otherwise he/she will be liable for the damage.

(2) Creditor who agreed to the assignation is obliged to invite the assignee to execute it.

Assignation is not considered fulfillment

Article 1026

(1) When the creditor has agreed to the assignation from his debtor for the purpose of fulfillment of obligation, such obligation shall be terminated neither by his acceptance of the assignation nor by assignee’s acceptance, but by assignee’s fulfillment, unless agreed otherwise.

(2) Creditor agreeing to the assignation from his debtor can ask from the assignor to fulfill what he owes him only in the event if he has not received the fulfillment by the assignee at the time indicated in the assignation.
Assignation recipient’s obligation of informing the assignor

Article 1027

If the assignee refuses to accept the assignation, or refuses the fulfillment requested by the assignation recipient, or makes in advance a statement on refusing to fulfill it, the assignation recipient is obliged to inform the assignor straight away, otherwise he will be liable for damage.

Waiving the accepted assignation

Article 1028

Assignation recipient who is not a creditor of the assignor and who does not want to use the assignation can desist from it, even if he has already made a statement on accepting it, but is obliged to inform the assignor on that without delay.

Revocation of authorization made to the assignation recipient

Article 1029

Assignor can revoke the authorization given to the assignation recipient through assignation, unless he/she is sued the assignation in order to collect of some of his debts or, generally, unless he/she has issued the assignation in his own favor.

Section 4

ASSIGNOR – ASSIGNEE RELATION

If the assignee is assignor’s debtor

Article 1030

(1) Assignee is not obliged to accept the assignation, even if he is assignor’s debtor, unless he/she promised him/her that.
(2) But when assignation was issued on the basis of assignee’s debt towards the assignor, the assignee is obliged to execute it up to the amount of the debt, unless this is more difficult for him in a certain sense than fulfilling the obligation toward the assignor.
(3) Execution of the assignation issued on the basis of assignee’s debt toward the assignor frees the assignee from the obligation, in the same proportion.

Revocation of authorization made to the assignee

Article 1031

(1) Assignor can revoke authorization given under the assignation to the assignee, but not after the latter states to the assignation recipient that he/she accepts the assignation, or after he/she executes it.
(2) He/she can revoke it even in the event when it is indicated in the assignation itself that the authorization is irrevocable, as well as when the revocation would inflict some of his obligations toward the assignation recipient.
(3) Instituting bankruptcy procedure over the assignor’s property implies the revocation of assignation by the force of law, except in case when the assignee already accepted the assignation prior to instituting the bankruptcy, as well as when he did not know nor ought to have known of the bankruptcy at the moment of accepting.

Section 5

DEATH AND LOSS OF LEGAL CAPABILITY
Article 1032

Death of the assignor, assignation recipient or assignee, as well as loss of legal capability of some of them shall have no impact on the assignation.

Section 6

ASSIGNATION IN THE FORM OF BEARER’S SECURITY

Article 1033

(1) Written assignation can be made out to the bearer.
(2) In that case, any holder of security is considered an assignation recipient in relation to the assignor.
(3) Relations arising from the assignation between the assignation recipient and assignor in this particular case arise only between each particular security holder and person assigning the security.

Section 7

ASSIGNATION IN THE FORM OF BILL TO ORDER

Article 1034

Written assignation, denominated in money, securities or exchangeable objects can be issued with the provision “to the order of” if the assignee is person performing economic activity and if the obligation to be falls within the scope of that activity.

Chapter XXXI

BANK CASH DEPOSITS

Section 1

CASH DEPOSIT

Notion

Article 1035

(1) Contract of cash deposit is concluded when a bank binds itself to accept, and a depositor to deposit a certain amount of money with the bank.
(2) Under this contract the bank acquires the right to control the deposited money and is obliged to give it back following the conditions stipulated in the contract.

Opening of an account

Article 1036

(1) Based on the contract of cash deposit, the bank opens an account which will be debited and credited by the bank for all accounts receivables and payables arising from the transaction with the depositor or for his/her account in relation with a third party.
(2) The accounts receivables, i.e. payables for which the contracting parties agreed to exclude from the account shall not be debited/credited on the account.

Removal of debit balance

Article 1037
(1) Bank is obliged to conduct payments from the account within the limits of available funds.
(2) If the bank has conducted one or more pay-ins or pay-outs under the contract of deposit, which make the account passive, it has to inform the depositor on that without delay, who is obliged to undertake measures immediately in terms of removing the debit balance.

Types of cash deposits

Article 1038
(1) Cash deposit may have the form of a deposit at sight or time deposit, with the notice period and without it, with a special purpose and without it.
(2) Unless agreed otherwise, it should be implied that it is the account of cash sight deposit, and the depositor of the account is entitled to have a part or whole balance at his/her disposal at any moment.

Account balance

Article 1039
(1) Bank is obliged to inform the depositor on any change in the balance of his/her account.
(2) Bank is obliged to send a statement of the account at the end of each year, and if agreed or customary, more often.

Place of making payments

Article 1040
Unless agreed otherwise between the contracting parties orders for pay-ins and pay-outs from depositor’s account should be forwarded to the office of the bank at which the account was opened.

Existence of a number of accounts

Article 1041
In the event that the same person has a number of accounts with one bank or with a number of bank’s business units, each of these accounts is considered independent.

Payment of interest

Article 1042
(1) Bank pays interest for the funds deposited with it, unless stipulated otherwise by law.
(2) Amount of interest is defined under the contract of funds depositing, and the legal interest shall be charged in case nothing regarding that is stipulated under the contract.

Section 2

SAVINGS DEPOSIT

Savings book

Article 1043
(1) If the cash deposit has been accepted as a savings deposit, the bank, i.e. savings-crediting organization issues a savings book to the depositor.
(2) Savings book can only be made out to the name of a certain person or bearer.

Entries into the book
Article 1044

(1) Each pay-in and withdrawal of money is entered into the savings book.
(2) Entries made to the book confirmed by the bank’s stamp and authorized person’s signature present a proof on the pay-ins, i.e. withdrawals and relations between the bank and depositor.
(3) Opposite agreement is considered null.

Charging interest

Article 1045

Interest shall be charged for savings deposits.

Types of savings deposits

Article 1046

Savings deposits may have the form of a deposit at sight or time deposit, with the notice period and without it.

Chapter XXXII
SECURITIES DEPOSITING

Notion

Article 1047

Bank is obliged, under the contract on securities depositing, to take over, along with a fee, securities for the purpose of keeping and performing rights and obligations required in such case.

Exercising rights

Article 1048

Unless agreed otherwise, the bank may exercise rights from the securities deposited explicitly for the account of depositor.

Obligations of the bank

Article 1049

(1) Bank is obliged to provide keeping of securities with care of a depository and for the compensation and to take all actions for the account of the depositor for the purpose of safekeeping and exercising depositor’s rights from the securities.
(2) Unless agreed otherwise between the contractual parties, the bank is obliged to pay the matured interest, principal sum and generally all sums that the securities entitle to, as soon as they are due.
(3) Bank is obliged to make collected sums available to the depositor, and if he/she has an account containing cash deposit with the bank, to credit the account with that sum.

Returning of securities

Article 1050

(1) Upon the request of depositor, the bank is obliged to return the securities at any time.
(2) As a rule, returning is performed in the place of depositing.
(3) Object of returning are the securities themselves, unless agreed between the contractual parties that the returning could be performed through paying of the corresponding amount.
(4) Returning can only be performed to the depositor or his legal successors or parties indicated by them, even if it is obvious from the securities themselves that they belong to third parties.
Third parties’ requests

Article 1051

Bank is obliged to inform the depositor on each request submitted by a third party.

Chapter XXXIII

BANK’S CURRENT ACCOUNTS

Notion

Article 1052

Under the contract on a bank current account, the bank is obliged to open a separate account to some party and to receive pay-ins and do pay-outs through it, within the limits of his/her assets and approved credit.

Form of the contract

Article 1053

Contract on opening of a current account must be concluded in a written form.

Assets on the current account

Article 1054

(1) Monetary assets on the current account are realized through payments by the depositor and collection of monetary amounts performed for his credit.

(2) Bank is obliged to make payments for the depositor through the current account even when there is no coverage on the account and to the extent stipulated in the contract on opening of the current account or in a separate agreement.

(3) Such obligation of the bank can be excluded with the contract on opening of a current account.

Clearance between balances of a number of accounts

Article 1055

In case the depositor has a number of current accounts with the same bank, the credit and debit balance of those accounts shall be mutually cleared, unless agreed otherwise.

Utilization of balance

Article 1056

User of the current account manage the balance, which appears on the account in the credit balance at any time, unless a period of notice has been agreed upon.

Application of the rules for mandate contract

Article 1057

(1) Bank is liable for execution of depositor’s order according to the provision of the mandate contract.

(2) If the order should be executed in the place where the bank does not have a business unit the bank can do it through another bank.

Duration of the account

Article 1058
If the contract on opening of a current account does not provide for the period of its duration, each party may terminate it with 15 days’ notice.

**Commission fee and cost reimbursement**

**Article 1059**

(1) Bank is entitled to charge commission for rendered services, which are contained in the current account contract, as well as compensation for extra costs incurred in relation to those services.

(2) Bank credits its current account with those receivables, unless agreed otherwise between the contractual parties.

**Delivery of the statement**

**Article 1060**

(1) Bank is obliged to issue the statement indicating the balance in relation to each change in the current account balance and to deliver it to the client in the agreed way.

(2) Statement is considered approved if it is not disputed within the established deadline, and if there is no agreement, within 15 days.

(3) Upon the statement approval, the statement of accounts can be disputed due to the spelling or calculation errors, an omission or duplication, but this dispute must be undertaken within one year from the day of receiving the account of balance liquidation, and upon closing the current account at the latest, otherwise the right shall be terminated.

**Chapter XXXIV**

**CONTRACT ON SAFE**

**Notion**

**Article 1061**

(1) Bank is obliged under the contract on safe to let the user use the safe for a certain period of time, and the user is obliged to pay a certain compensation to the bank for that.

(2) Bank is obliged to take all necessary actions to ensure the safe is in good condition and supervised.

**Access to the safe**

**Article 1062**

(1) Only the user or his/her assistant can have access to the safe.

(2) Bank is not allowed to keep a copy of the key or keys given to the user.

**Objects that are not to be placed in the safe**

**Article 1063**

(1) User is not allowed to place an object or product into his/her safe, which can endanger safety of the bank or other safes.

(2) In the event that the user defaults on this obligation, the bank can make a statement on undertaking the termination of contract.

**Bank’s rights in case of failure to pay**

**Article 1064**
(1) If the user does not pay at least one installment of the compensation before its maturity date, the bank can terminate the contract upon the expiry of a one-month period, after having warned the user on payment through the registered mail.

(2) After having terminated the contract, the bank can invite the user to have the safe emptied and to deliver the key, and if the user does not do so, the bank can demand the safe to be opened at the court, to have its contents identified and have the found belongings placed at the court depository or have them entrusted to the bank for safe-keeping.

(3) Bank has a priority right regarding collection of the compensation owed, which arose from the contract on safe, and that is collected out of the amount of money found in the safe, as well as out of the price reached by the sale of other valuables found in the safe.

Chapter XXXV

CREDIT AGREEMENT

Notion

Article 1065

Under the credit agreement the bank is obliged to place a certain amount of monetary assets at the disposal of the credit user, for a definite or indefinite period of time, for some purpose or without a defined purpose, and the user is obliged to pay the interest agreed and to return the money granted at the time and way indicated in the contract.

Format and contents

Article 1066

(1) Credit agreement is concluded in the written format.
(2) Credit agreement stipulates the amount, as well as the terms of granting, utilizing and returning of the credit.

Cancellation of the credit grantor

Article 1067

(1) Bank can cancel the credit agreement before the expiry of contract period if the credit is used contrary to its purpose.
(2) Bank can cancel the credit agreement before the expiry of contract period in case of user’s insolvency even if it is not established by a court decision, in case of cessation of legal entity or user’s death, provided the credit grantor would be in much unfavorable position in such cases.

Waiving credit agreement and returning credit before deadline expiry

Article 1068

(1) Credit user can waive the agreement before he/she starts using it.
(2) Credit user can also return the credit before the established deadline, but is obliged to inform the bank on that.
(3) In both cases, if the credit grantor has suffered damage, the credit user is obliged to redeem the credit grantor for the damage.
(4) In the event of returning credit before the deadline expiry the bank cannot charge the interest for the time period from the day of credit return to the credit return day stipulated under the contract.

Chapter XXXVI

CREDIT AGREEMENT BASED ON SECURITIES PLEDGE
Notion

Under the credit agreement based on pledge of securities, the bank approves credit in a certain amount and secures it through pledge of securities belonging to the credit user or to a third party agreeing to that.

Format and contents

Article 1070

Credit agreement based on the securities pledge must be concluded in a written format and must include the indication of securities to be pledged, name, i.e. designation and head office, i.e. securities holder’s residency, amount and terms of the approved credit, as well as the amount and value of securities taken into account for the credit approval.

Case when the bank may sell the pledged securities

Article 1071

If the user does not return the credit granted which has matured, the bank can sell the pledged securities.

Chapter XXXVII

LETTER OF CREDIT

Obligations of the bank issuing letters of credit and format of letter of credit

Article 1072

(1) By acceptance of the principal’s request for opening of a letter of credit, the bank issuing letters of credit is obliged to pay a certain amount of money if the terms denoted in the order for opening of the letter of credit become fulfilled within the established deadline.

(2) Letter of credit must be prepared in a written format.

When does obligation towards the user arise

Article 1073

(1) Bank is liable toward the user as of the day when he/she becomes informed on opening the letter of credit.

(2) Principal becomes liable through the issued order as of the moment of order arriving at the bank.

Independence of the letter of credit from another legal transaction

Article 1074

Letter of credit is independent from a contract on sale or other legal transaction, which was the reason for opening the letter of credit.

Documentary letter of credit

Article 1075

Documentary letter of credit exists when the bank is obliged to pay a certain amount of money to the user of letter of credit provided the documents are submitted according to the conditions established in the letter of credit.

Duty of the bank issuer of letter of credit
Article 1076

Bank opening the documentary letter of credit is obliged to execute clauses of payment under the conditions established in the letter of credit.

Types of documentary letter of credit

Article 1077

(1) Documentary letter of credit can be revocable or irrevocable.
(2) Unless explicitly agreed otherwise, a letter of credit is always revocable, even if it is opened for a certain period of time.

Revocable letters of credit

Article 1078

Revocable letter of credit is not binding on the bank toward the user, and the bank can change or revoke it upon the request of principal or on its own initiative at any time, if it is in principal’s interest.

Irrevocable letter of credit

Article 1079

(1) Irrevocable letter of credit contains independent and direct obligation of the bank towards the user.
(2) This obligation can be suspended or changed only upon mutual agreement between all interested parties.
(3) Irrevocable documentary letter of credit can be confirmed by some other bank, which, besides the bank-issuer of letter of credit, assumes the independent and direct obligation towards the user by doing that.
(4) Notification of the letter of credit of the user by some other bank shall not imply confirmation itself of that letter of credit.

Obligation of bank in terms of documents

Article 1080

(1) Bank is obliged to examine whether the documents are entirely in compliance with the principal’s requests.
(2) Upon receipt of the documents, the bank must inform the principal on that in short order and indicate to him/her the defined failures and shortcomings.

Limitations of bank’s responsibility

Article 1081

(1) Bank does not assume any responsibility if the submitted documents ostensibly comply with the principal’s requests.
(2) It does not assume any obligation in terms of the goods, object of the opened letter of credit.

Transferability and divisibility of letter of credit

Article 1082

(1) Documentary letter of credit can be transferred or divided only if the bank which opens the letter of credit in favor of the user, who is indicated by the principal, is authorized, under the instructions of the first user to pay entire or a part of the amount to one or a number of third parties.
(2) Only the bank opening the letter of credit can transfer it, only once, upon explicit instructions, unless agreed otherwise.
Chapter XXXVIII

BANK GUARANTEE

Notion

Article 1083

(1) Under bank guarantee, the bank is obliged to settle the obligation to the acceptor of guarantee (user), provided the terms indicated in the guarantee are fulfilled, in case a third party does not fulfill the obligation on maturity.

(2) Guarantee must be issued in a written format.

Settlement of obligation in cash

Article 1084

Bank settles the obligations from the guarantee in cash even in the event when the guarantee ensures non-monetary obligation.

Guarantee certificate (super guarantee)

Article 1085

If the other bank confirms the obligation form guarantee, the user may submit his/her requests from the guarantee either to the bank issuing guarantee, either the one confirming it.

Assignment of rights from guarantee

Article 1086

User may assign his/her rights from bank guarantee to a third party only by transfer of the claim that is secured with the guarantee and transfer of his obligations related to the secured claim.

Guarantee “no objection”

Article 1087

(1) If the bank guarantee contains the clause “no objection”, “on the first call” or contains the wording with the same meaning, the bank cannot make objections against the user, which the principal as the debtor can make toward the user, based on the secured obligation.

(2) Principal is obliged to pay the bank any amount paid by the bank based on guarantee containing the clause referred to in the previous paragraph.

(3) Guarantee user owes to the principal the amount obtained based on guarantee, to which he would not have the right due to the principal’s justified objections.

Chapter XXXIX

APPLICATION OF RULES FOR BANK OPERATIONS

Article 1088

Provisions of Articles 1035 through 1087 are promptly applied to other legal entities that are authorized, in accordance with the law, to perform certain business operations.

Chapter XL

SETTLEMENT (ARRANGEMENT)
Article 1089

(1) Under the deed of arrangement individuals, who are in dispute or are uncertain about a certain legal relation, suspend the dispute, i.e. remove the uncertainty by mutual conceding, and determine their mutual rights and obligations.

(2) Uncertainty exists also when exercise of a certain right is not sure.

What does constitute mutual conceding

Article 1090

(1) Among other things, conceding may consist of partial or entire acknowledgment of another party’s request, or of waiver of one’s own request; of taking over a new obligation; of decreasing of the interest rate; of extending the term; of accepting partial payments; of giving of the right to waive.

(2) Conceding may be conditional.

(3) When only one party concedes towards the other, for example, admits the other party’s right, it does not imply settlement, and therefore is not subject to the rules for settlement.

Capacity

Article 1091

For conclusion of the deed of arrangement, capacity for disposition of the right that is subject to the arrangement is required.

Subject-matter

Article 1092

(1) Any right that can be disposed with may be a subject of settlement.

(2) Settlement on property consequences of criminal offense is valid.

(3) Disputes concerning status relations may not be subject to settlement.

Application of provisions on bilateral contract

Article 1093

(1) General provisions on bilateral contracts are applied to the deed of arrangement, unless something else is envisioned for that.

(2) When contractors perform some other business under the name of settlement, provisions of the law concerning the settlement are not applied to their relations, but those concerning the actual business performed.

Excessive damage

Article 1094

Annulment of settlement may not be requested because of excessive damage.

Effects of settlement towards guarantors and pledgees

Article 1095

(1) If novation is performed by settling the obligation, the guarantor is freed from responsibility for its fulfillment, and pledge given by a third party is terminated as well.

(2) Otherwise, the guarantor and a third party giving his object as pledge still remain under obligation, and their responsibility may be decreased by settlement, but not increased as well, except if they have agreed on the settlement.

(3) When the debtor acknowledges the claim in dispute by settlement, the guarantor and pledgee keep the right to make objections to the creditor, that were waived by the debtor through the settlement.
Settlement of business that may be annulled

Article 1096

(1) Settlement of legal affair, the annulment of which is requested by one of the parties, is valid if that party knew for such a possibility at the moment of settlement.
(2) But settlement of a void legal affair is null and void also if the contractors knew of the nullity and wanted to remove it by settlement.

Nullity of settlement

Article 1097

(1) Settlement is null and void if it is based on a wrong belief of both contractors that a legal relation exists, which actually does not, and if there would be no dispute or uncertainty without that wrong belief.
(2) The same is applied when the wrong contractors’ belief concerns ordinary facts.
(3) Waiver of this nullity has no legal effect, and whatever has been given for the purpose of settlement of obligation can be requested back from such settlement.

Nullity of one provision on settlement

Article 1098

Provisions on settlement constitute a whole, and if one provision is null and void the entire settlement is null and void, unless it is obvious from the settlement itself that comprises independent units.

PART III

COMPETENT LAW IN CASE OF A CONFLICT OF REPUBLICS’ LAWS

Application of this part of the Law

Article 1099

Provisions of this Law are applied to the obligations established by legislation of the Republics.

Competent Law in terms of real estate

Article 1100

Law of the Republic in the territory of which the real estate is located is applied to the rights and obligations related to the real estate.

Competent law in terms of contractual relations

Article 1101

(1) Law of the republic, i.e. autonomous province chosen by the contracting parties is applied to the contracting rights and obligations.
(2) If the contracting parties have not chosen competent law, the competent law of the Republic in the territory of which the contract has been concluded is applied.

Competent law in case of causing damage

Article 1102

(1) Rights and obligations related to the damage arisen from an extracontractual relation shall be regulated by the Law of the Republic, in the territory of which damage or damaging consequences occurred.
(2) Rights and obligations resulting from an extracontractual damage that occurred through successive actions or had multiple consequences are subject to the Law of the Republic within which territory those actions either fully or partially took place.

(3) If a minor or another person whose legal or life capacity has been significantly damaged by a criminal action appears to be an injured entity than a responsible person can be a subject to the Law of republic where a damaged entity resides or whose citizenship a damaged person holds.

(4) When making compensation related-decisions, an authorized body is required to apply the one in favor of an injured entity.

Law relevant to other obligations

Article 1103

Rights and obligations resulting from a unilateral declaration of intention, unlawful enrichment, business management and other legal facts will be subject to the Law of the Republic within whose territory those actions took place or those facts occurred.

Law relevant to the obsolescence

Article 1104

Obsolescent rights and obligations will be subject to the Law pertaining to the contents of those rights and obligations.

Obligations created outside FRY

Article 1105

Rights and obligations created outside FRY territory will be subject to the Law of the Republic where those rights and obligations are exercised unless parties to the obligations have chosen a relevant Law. If rights and obligations are exercised within the territory of a few republics or are exercised outside FRY they will be subject to the Law of the Republic that has a closest tie to a contract or another bond relation.

PART IV

TRANSITIONAL AND CLOSING PROVISIONS

Enforcement of this Law

Article 1106

Provisions of this Law will not be applied to obligations created before this Law comes into force

Application of contractual usage

Article 1107

1) Provision of general of special usances confirming that parties to a contract agreed to apply usances will not be applied after this Law come into force unless excluded by an agreement.

2) General usances for goods trade (“Official Gazette of FNRY” #15/54) will not be applied to the matters regulated by this Law after its coming into force.

3) Provisions of this Law will be applied if general or special usances or other trade business customs are opposing enacting terms of this Law unless parties have explicitly agreed to apply usances, i.e. other trade business customs.
Cessation of other regulations validity

Article 1108

The Law on Claims Obsolescence ("Official Gazette of FNRY" # 40/53 and 57/54) will cease to be valid as of the day this Law comes into force.

Enforcement of this Law

Article 1109

This Law will come into force on October 1, 1978.