



14 MAR 11 P4 57

SENATE  
S. B. No. 2171

RECEIVED BY: *Ji*

Introduced by Senator Maria Lourdes Nancy S. Binay

AN ACT AMENDING ARTICLE 1898 OF REPUBLIC ACT 386, OTHERWISE  
KNOWN AS THE NEW CIVIL CODE OF THE PHILIPPINES

EXPLANATORY NOTE

Article 1898 of the Republic Act No. 386, otherwise known as the New Civil Code of the Philippines provides that the contract executed by an agent beyond the scope of his authority shall be void, if not ratified by the principal and if the third party is aware of the limits of the powers granted by the principal, thus:

Art. 1898. If the agent contracts in the name of the principal, exceeding the scope of his authority, and the principal does not ratify the contract, it shall be void if the party with whom the agent contracted is aware of the limits of the powers granted by the principal. In this case, however, the agent is liable if he undertook to secure the principal's ratification.

However, Art. 1317 and Article 1403 (1) of the New Civil Code provides that a contract executed by a person on behalf of another without such authority or in excess of his authority shall be unenforceable, thus:

Art. 1317. No one may contract in the name of another without being authorized by the latter, or unless he has by law a right to represent him.

A contract entered into in the name of another by one who has no authority or legal representation, or who has acted beyond his powers, shall be unenforceable, unless it is ratified, expressly or impliedly, by the person on whose behalf it has been executed, before it is revoked by the other contracting party.

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

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

In order to clarify the apparent conflict of the New Civil Code relating to the status of a contract executed by a person on behalf of another without such authority or in excess of his authority, this bill proposes to amend Article 1898 of the New Civil

Code by stating that a contract executed by an agent beyond the scope of his authority shall be unenforceable, if not ratified by the principal and if the third party is aware of the limits of the powers granted by the principal consistent with the other applicable provisions of the New Civil Code.

The passage of this bill is therefore earnestly requested.



**MARIA LOURDES NANCY S. BINAY**  
Senator

SIXTEENTH CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )



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3

4 *Be it enacted by the Senate and House of Representatives of the Philippines in*  
5 *Congress assembled:*  
6

7 **SECTION 1.** Article 1898 of Republic Act No. 386, otherwise known as the New  
8 Civil Code of the Philippines is hereby amended to read as follows:  
9

10 Art. 1898. If the agent contracts in the name of the principal, exceeding the  
11 scope of his authority, and the principal does not ratify the contract, it shall be  
12 [void] UNENFORCEABLE if the party with whom the agent contracted is  
13 aware of the limits of the powers granted by the principal. In this case,  
14 however, the agent is liable if he undertook to secure the principal's  
15 ratification.  
16

17 **SECTION 2. Repealing Clause.** All laws, decrees, orders, rules and regulations, other  
18 issuances, or parts thereof inconsistent with the provisions of this Act are hereby  
19 repealed or modified accordingly.  
20

21 **SECTION 3. Effectivity.** This Act shall take effect fifteen (15) days after its  
22 publication in at least two (2) newspapers of general circulation.  
23

24 Approved,