Doctrinal foundations of Prescription in Civil Law

Thesis of the PhD Dissertation

Miskolc
2013
The dissertation was implemented as part of TÁMOP-4.2.2/B-10/1-2010-0008 project, with the support of the European Union, with the cofinancing of the European Social Fund.
I. Summary of the Research Tasks and Objectives of the Research

The aim of completing this thesis was to disclose as deeply as possible the dogmatic framework of institutions connected to prescription as a legal institution concerning all areas civil law. The reason for the choice of topic is the passing of the new Civil Code (2013. V. Act) and the fact that the last publication in Hungary in this field appeared more than 50 years ago.

On the Verge of the New Civil Code - This thesis is looking for answers for the following questions: what is the dogmatic base for existing prescription legislation, to what extent do they correspond to the requirements of practice and finally how can changes affecting this area be supported and to what extent complemented during the recodification process of civil and private law.

Positioning of the Rules of Prescription and Depths of Enforcement – The new Civil Code also concerns the prescription of claims. Therefore the first task of research is to discover what is affected by prescription: the claim, the demand or the petition. In order for this question to be answered theories of subjective rights must be touched on. In the concerning legal literature in Hungarian - apart from the subjective rights field the phrases such as claim, petition are not used in a consequent manner, therefore this had to be taken into consideration while carrying out research. Which are those concepts that can be clarified in order to be cornerstones of prescription? At this point phenomena not included in prescription, or not being able to be comprehended under prescription were touched on. What does the non expiry of ownership claims and privacy claims mean and where are their boundaries? What is implicated by the fact that a void contract has no expiry period? How does it fit with the prescription of contract demands resulting from void contracts? Can potentate or excuses expiry?

The Concept of Prescription, its Various Conceptual Approaches and the Examination of Conceptual Elements - There is no unified conceptual definition for prescription in legal studies. The objective of carrying out research into this question was to establish whether by using phraseology as a basis and analysing conceptual elements - especially ones of not claimed claims, also by listing the reasons of prescription, is it possible to create a concept that is inclusive of all aspects of prescription and true as well? Two major conceptual aspects became clear: the theory of prescription of petitions and the prescription of claims. Therefore it became a research objective to examine with which of the theoretical models can the existing and the new civil code be aligned with. Otherwise what kind of suggestions for modification can be made to improve each regulation regarding prescription?

Periods of Prescription and Factors Regarding its Continuity- The next aim was to examine regulations in place regarding the commencement of prescription, its duration and the questions connected to its continuity. When does prescription commence? What does it mean for a claim to be due, when does it expire? Can the date of expiry and actionability be separated? Particular case circuits where prescription has a special date for commencement such as awareness and damage were also examined. Questions asked regarding the period of prescription were as follows: what period can make sure the balance is right between the entitled and the bound? Can we regard the
period of prescription as regulated in a dispositive manner? Is the intention of the new Civil Code to cancel the ban on the extension of prescription period correct? Does not the significant cutting back of prescription period hurt the interest of any of the parties involved? Are there any legal solutions in the case of mandatory regulations which can extend the prescription period open? How does a period defined in particular regulations affect the general prescription period? What considerations are taken into account by legislators when defining specific, tipically shorter prescription periods? How does the prescription period of compensation of damages caused by crimes is connected to the termination of criminality (criminal prescription), and the claiming of civil rights in prosecution?

The primary aim in researching the abiding of prescription was to examine existing legislation from a critical point of view. When getting an overview of the different models the DCFR (Draft Common Frame of References, 2009.) was of assistance, which builds on the different models, - similarly to the (Hungarian Civil Law Code bill, 1928). Following the legal history background and listing the abiding reasons in judicial practice the question to be answered was whether it is possible to solve by a mixed system the problems of legal practice resulting from insufficient regulations of the existing Civil Code (And the new one as well) (postponement of fulfilment, prescription for fallback guarantee, abiding of warranty period).

The preampting question for researching the factors supspending presciription period was whether the existing regulation is based on the theoretic foundation of the prescription of petitions or the prescription of claims. Can such a dogmatic reasoning influence the listing of suspending factors, or does it exclusively depend on the intenion of the legislator, what circumstances result in the suspension of the period. Nonetheless is the modification in the new Civil Code which ceases the suspending effect of a written call of fulfilment justified? Which are those declarations of debt, behaviours that might result in the suspension of the prescription period?

When Examining the Effect of Prescription my aim was to analyse all segments of the effect prescription has on obligation, to examine the contents of the thesis according to which prescription degrades obligation to natural obligation. The new Civil Code smooths differences between claims resulting from natural obligations and prescripted claims. For this reason it was regarded as a fundamental task to call attention with my research to the fact that prescipted claims have special characteristics, which do not only end at the point that it differs from natural obligations and that courts cannot take prescription into account.

The Prescription of Special Private Law Cases I wanted to examine as well. My aim was to throw light on the special aspects of prescription of specific claims, highliting the versatility of the question of prescription. This research also led to the last question where I wanted to establish the relationship between the prescription period and the forfeiture period and what are the relative concepts that can be connected to prescription on behalf of time passing as a matter of fact.

The Examination of the Matter of Facts Related to Prescription. The aim of research done in this field was primarily to isolate those phenomena which might resemble more or less time passing. Here it was necessary to examine arbitrary possession as qualifying prescription, even if here it does not result in the cessation of claim or the cessation of right, but in fact-with the existing dogmatic mindset-results in ownership.
Furthermore the question was also asked: what is the “vanishing right”, that is taking shape in judicial practice. What are the particular characteristics of deadline of appeal? In what respects does it differ from deadline for lawsuit? Why do we not regard the deadline for the cancellation trial of a bona fide person acquiring rights indirectly neither as a lawsuit deadline, neither as a forfeiture deadline, nor a prescription period expiry?

II. Methods and Sources of Research

Legal-historical Method. In the course of my research beginning with old Hungarian legal Codes I examined the changes of prescipition in private law in its development, and most importantly giving thought to cases requiring specific regulation. The sources covered mostly reflect on the past hundred years. The aim of this research was not to describe the legislative background prior to and following the coming to effect of the new Civil Code, but to point out certain legislative considerations in the case of dogmatic fundamentals which might find a place in the new code, having been and still are of questionable nature.

Analysis-The examination of the regulations of the existing Civil Code in place was supported by the analysis of several individual arbitrations, and of theoretical resolutions. In the codification of the new Civil Code, exceptional attention was paid to the older versions of the text in order to look for conceptual changes in the background.

Comparative Legal Examination -The results of international legal unifications have touched on the question of prescription, and it has been included in the thesis as a criticism of both existing regulation and the new Civil Code. (PECL, DCFR, Bill Nr.1989., the CISG agreement connected to New York Limitation Agreement). The examination of the solutions of separate national regulations was excluded because of the limitations of the extents of the thesis.

III. Summary of Scientific Results

3.1. Subjective right –Claim – Substantial right of action

When getting a clear picture of the theories and definitions of the topic, it might be stated here that, in a substantial part of the subjective right theory the enforceability of a right, the obligations regarding subjective rights and their fulfillment appear as a conceptual element.

In my view there must be a distinction made on a conceptual level between factual subjective rights and other legal situations, such as shaping rights(potentate, excuses), because prescription of these rights is not interpretable, or the necessary result of the existence of shaping rights or their lack of being exercised.

According to the general scientific opinion claim is not a phenomenon that is independent of subjective rights, but it is an enforceable state of subjective rights. The possibility of the assertion of claims is typically attached to all subjective rights. According to my approach subjective rights might exist in situations with no claims.

The difference in scientific opinion according to which potentate and shaping rights might be considered as claims, is also resulted by the examination of the
relationship between subjective rights and claims. In my view from the prescription standpoint it is more convenient to make a distinction between subjective rights and other legal circumstances (potentate, excuses), nonetheless it has to be admitted that an offended potentate or the practice of certain excuses or their practisability might be connected directly to the claim attached to them, therefore an excuse may prescribe as well.

It is not possible to have a unified conceptual approach of petition law in legal studies. One of the reasons for this might be found in the fact that a lawyer in civil substantive rights will have a completely differing view of the same petition than a civil petition lawyer. Between the asserted substantial right claim and the petition right there is a bridge formed by the development of the concept of petitionability, which helps to establish the relationship between the petition law with a law of actions perspective and the substantial right. If the petition wishes to assert the right of an already existing subjective rights claim than we must talk about assertion to the petition right of the subjective civil law in a very unique facet. The case circuit of the concept of petition law cannot be restricted to one case, where the petition is based on subjective right, namely to assert a prescribed claim.

3.2. Thoughts on Claims not Falling under Prescription
With the examination of claims not falling under prescription firstly it must be taken into consideration that prescription – although based on natural rights - is the creation of the positive law. As a result of this, it is a question of legal policy, rather than dogma to decide which are the claims that might be defined as exceptions of prescription. Still the claims listed show such common traits behind which lie dogmatic rules in most cases.

1. Claims derived from rights with absolute structur do not prescribe such as claims of unique obligations; but with defined exceptions might fall under prescription. Those claims originating from the abuse of absolute rights, where the aim is the cessation of a state created by right violation (claims for cessation, future ban, claim to restore previous state) typically do not prescribe. On the other hand other claims prescribe such as claims of damages in case of the destruction of material. A claim for damages becomes assertable when the possession is destructed, or when the original state cannot be restored, but circumstances suspending prescription might arise.

2. Exceptions of prescriptions might be also those claims where the legal basis is continuously renewed; therefore in their case prescription period is uncomprehensible. This aspect of categorisation in essence collides with cases listed in the previous points, provided the state violating absolute right is continuously present. Furthermore case circuits such as the claims for continuous services from long established legal relationships might be allocated here. An example for this was lease contract, where for the full duration of the contract the lender has to comply with warranty.

3. The prescription of claims regarding void contracts, mainly for the restoration of the original state are treated as a separate phenomenon. Provided the court declares the contract void (or the parties reach an agreement) the first legal consequence happens (the contract cannot result in any binding claims going back in time). The assertion of claims regarding secondary effects is a question of the claim of
the concerned party. The claim to restore original state as a secondary effect derives from this; prescription is mainly defined by whether it concerns a claim of property or other contractual service. Judicial practice considers claims to be asserted against each other as assertable regardless of the expiry of prescription period, justifying it by their reciprocal characteristics. (Opinion of the Supreme Court 1/2010. PK). This statement though is not applicable in all cases. Therefore the following de lege ferenda alternative suggestions listed below are made, which are considered to be included in the new Civil Code.

A) „The prescription of claims regarding the restoration of original state becomes valid when the service was provided on the basis of a void contract. The party providing a tangible service does not eliminate its right to property but might cease via adverse possession.” alternatively

B) “In the scope of restoring the original state the claim of reckoning from both parties is due from the date of services provided, backwards.”

It is also considerable whether with such fulfillment dates the specific regulation of suspension of prescription might be created. „The prescription of claims for the restoration of original state, the adverse possession of property, is suspended until the contract is legally declared void. Based on this suspension prescription or adverse possession cannot happen in the five years following the declaration of voidness.”

3.3. The Concept of Prescription, its Conceptual Elements and Functions (Reasons of Legal Policy)

The conceptual approaches to prescription might be separated into two groups. We can regard it as petition prescription, where prescription means that it merely cessates the enforceability via judicial route. It can be put into contrast with claim prescription, where the assertibility of a claim ceases, not only its enforceability via judicial route. It was examined in the scientific attempt to create a definition for prescription, whether it is possible to establish a concept based on phraseology, by analysing each conceptual element – especially in the case of nonclaims, and listing the reasons of legal policy, which is general, concerns all segments of prescription and true.

The phraseologic examination did not result in such a concept, it was merely suitable to prove that the prescription perspective of claims in the present Civil Code in place and in the new Code are based on the best doctrines, whether we start from the aspect of petition prescription or claim prescription.

The definitions of prescription in the literature show a rather diverse picture. Although most elements of the matter of fact appear in all of them, they have different stakes in the various interpretations.

The regulations of prescription in the Civil Code will not help either in finding our way to define it. Its legal effects, the exceptions from this effect create such a complicated legislation, that from the regulations themselves it is impossible to create one unified concept. Conceptual generalisation can only reach a certain depth in this case, which comes to the wrong conclusion in case of detailed problems and exceptions.
Therefore here only such an attempt can be made which can be used in all cases:

*Prescription is such an effect of a claim resulting from the negligence of the claimant after timelapse, by which the assertability of the claim towards the obliged usually ceases, depending on the claimant's prescription excuse as a condition.*

### 3.4. Commencement of Prescription

In the case of claims resulting from contracts the maturity is typically attached to completion date or expiry date. That is the reason why it was considered to examine the case circuit which might mean the definition of completion. Research has highlighted here that circumstances other than completion that might become significant, might influence the maturity of contract, for example breach of contract prior to maturity or expiry depending on termination. Legislation might contain in special circumstances special regulations for maturity.

The maturity for a claim for damages is connected to the actual causing of damages. According to the High Court of Pécs 2/2009. (X.9.) opinion, I consider the point of view that following a damaging event, in a considerable amount of time (years later) the resulting deterioration of state should stand as an individual claim of damages.

### 3.5. The Period of Prescription

Even back at the codification of old Hungarian Civil codes it emerged as a question to be solved to set the general periods to fit economic circumstances and the interest of the parties. Therefore when determining the period of prescription we do not only take into account the interests of the bound, but if set to a very short period it might mean a disproportionate burden for the creditor.

The factual contents of the period of prescription results from the concerning regulations, therefore it might become important, that in a given case the claim of the entitled is based on which regulation. In relation to this are examined the following questions: in which cases does the claim preserve its original base, and where does a new base emerge? In the case of claims regarding compensation and renumeration I have come to the conclusion that change of subject, or succession of rights does not affect the base of prescription.

Beyond the definition of prescription period a tightly connected question is the mandatory or dispositive nature of the deadline. It is a welcome change in the new Civil Code that it trusts the shortening or lengthening of the prescription period to the parties, with the preemptive ban of prior giving up of prescription excuse. It is still a requirement though that the sensitivity of the judicial practice must be strengthened in the aspect of stepping up against contract conditions overly limiting or lengthening claims deadlines, and (has not become the part of the contract, because it is not a customary condition, opposes good morale and is void due to dishonesty). Furthermore it is important to clarify that the mandatory nature of the prescription period expiry can affect other questions of prescription, so can the parties differ from the list of suspending circumstances?
It is justified to examine the period of prescription for claims of damages sustained as a result of crime acts. In this aspect I came to the conclusion that a claim resulting from crime does not get suspended by the commencement of a criminal trial directly, but exclusively by the assertion of a civil claim in this trial, taking into account that the court has to make a decision in the civil claim as well.

Regarding research into the prescription period of warranty claims, the results were that the solutions of the new Civil Code are to be supported, according to which there is only a prescription period reserved for these cases. The clear prescription period deadline pinpoints the long standing debate concerning lengthening of prescription period following the expiry of limitation period.

3.6. Suspension of Prescription
In my opinion the regulation of the suspension of prescription in the existing and new Civil code is in general suitable and represents a well rooted judicial practice, it is not necessary to differ from it. On the other hand I recommend the complementation of the regulation regarding suspension. It is a welcome fact, that the new code restricts the assertion of claims deadline regarding reasons suspending prescription, and excludes the suspension of this period. But it is clearly needed to be stated that this special regulation can apply for strictly the deadline open or still existing, following the expiry of the original prescription period.

The disclosed deficiencies and inflexibility of the regulation model implicates that it is not a disregardable idea to use advantageous regulations of other legislation, or their segments. Both for the postponment for fulfilment and the prescription of fallback guarantee as special questions, I suggest as de leger ferenda, special regulations named as intermission.

„6: 24.§ (4) Oppososed to such a third party who has an obligation, when the claim cannot be derived from the obliged(charge) until the irrecoverability has been stated, is also suspended if the party has given a postponement of fulfilment after expiry of the prescicpition.
(6) In cases defined in point (4) and (5) where following suspension the original period continues, lengthened with the period of suspension, but cannot happen in the year following the continuation of the prescription period."

3.7. Circumstances Interrupting Prescription (Renewal of the Period)
The dogmatics of prescription shows a dichotomus approach. The theory of prescription of petitions and precription of claims do not only answer the how, but also the conceptual eelelement in a completely opposite manner. This difference in approach generates significant debates in the field of reasons for suspension and interruption. Whichever point of view we take, we need to take into consideration that the regulations regarding prescription are trusted to the legislature, therefore in the list of reasons for interruption do not contain anything against dogma, neither in the old, nor in the new civil code. A question independent of this aspect is that both from dogmatic and practical point of view, there exists a more correct mode of regulation in my opinion which will be detailed below.

I have already noted at the lisiting of suspending and interrupting reasons that this list is of an exhausting nature. A following question is whether it can be
considered as a mandatory regulation? In my opinion if the parties may differ from this with mutual consent, which can logically only result in the further complementation of the list of suspending reasons. On the other hand the exclusion of some reasons of suspension defined in regulations from contract fundamentally hurts the legal political reasons of prescription. In my opinion in this case, the parties provide a loss of right characteristic to the prescription period, which must be treated separately from prescription, has to be distinctly stated as a loss of right period.

Regarding the start of a trial as a suspending circumstance the innovation of the new Civil code is a welcome fact, that it explicitly cites desicison making as a requirement. Its text though unfortunately has the negative affect, that there is no prescription period suspending effect attached to such trials where no definite decision has been made. This is contrary to older Hungarian Civil Code views, to existing judicial practice and to opinions expressed in literature. Therefore my suggestion for modification for the text of the new Civil Code is as follows: ,,6:25.§ (1) pr. c) the assertion a claim against an obligant in a trial, provided the aim of the judicial is to make a definite decision regarding the claim in question.

While examining the alternatives of private judicial acts, I came to the conclusion that if the legislator attaches the suspension of prescription as a consequence to a claim asserted in bankruptcy proceedings, then claim asserted by the creditor of the deceased in a probate- especially taking into account the new regulations- can suspend the prescription period. In connection with the above mentioned I suggest de lege ferenda that the claims of creditors asserted in probate should be listed among the reasons for suspension of prescription.

In the new Civil code the written notice for compliance with obligations is not included anymore- although there are a lot of reasons supporting it. In my opinion it is not a correct decision on behalf of legislators, the notice for compliance with obligations has a right to be placed among the circumstances resulting in the suspension of prescription in the Civil Code.

3.8. The Effects of Prescription

During the examination of the effects of prescription I came to the conclusion that opposed to the direction taken by the new Civil code, (prescription ceases the enforcement of a claim via judicial act, the prescription has no effect on the obligation of the obliged to perform a service) therefore in my opinion as compared to the theory of the prescription of petition, the theory of prescription of claims seems more suitable(with the onset of prescription the obliged might refuse to comply), which will be supported by arguments listed below.

Prescription cannot be taken into account by judiciary. This important rule though does not point at the fact, that it was merely the petition that was ceased, and this result is only in existence because of the excuse of prescription. This regulation is merely capable of giving the obliged the possibility to make his own decision whether he wants to enforce prescription outside a judicial act, (can refuse to), or in a judicial act (can assert a prescription excuse).

In legal literature there are diverse opinions regarding the question whether the result of prescription is merely the ceasing of the right of petition or in general it ceases claimability, but there are remaining aspects of reflective influence. This is how the distinction is made between the settling of claims by collateral loan whether
the prescription is stated or becomes an exception. Furthermore the recognition of a deposit obtained for prescribed claim, or a prescribed debt becomes meaningful in this manner.

In my view it is a deficiency of the regulation that neither the existing nor the new Civil code conveys the effects of prescription on obligations in a unified way. Although the new Civil code states that the obliged continues to have an obligation, still it ceases the possibility of settling the claim by collateral. It confuses the legal effects separated so far in the aspect of claims not assertable in judicial acts, (for example in the area of collateral), which will face the courts using the new regulations with a significant task of interpretation.

3.9. Prescription of Specific Claims
This chapter discusses three of the specific claims that might appear in private law. The aim of the research was to state; whether to what extent do the specific characteristics of these claims define or change the general rules of prescription.

3.10. The Role of Time-lapse in Matter of Fact: Matter of Fact Related to Prescription
The previously existing confusion regarding prescription and the loss of rights has been mostly clarified by now. Based on this the point of view represented by the judicial practice and the theory as well, that prescription and loss of right can realistically be separated, therefore a deadline can obtain either prescriptive or loss of right characteristics.

In connection with this it must be stated, that it is necessary to define the loss of right characteristic of a deadline, in the lack of this it can only be regarded as a prescriptive one.

Furthermore such deadlines – mostly for petition – are to be handled with some reservations, behind which there is no primary subjective right or claim. Such a deadline for example is the deadline for contesting fatherhood, or deadlines open for invalidation of marriage or deadlines for contesting legal decision taken by judiciary.

The rules for the period of adverse dispossession and prescription period cannot be treated with the same view given the present dogmatic and regulatory situation. Although primarily the circumstances mainly influencing time-lapse are similar, this similarity does not provide for drawing common theoretical conclusions, or explaining prescription. Even though the definition of circumstances suspending adverse dispossession implies that any form of the assertion of claims by the owner is suitable for the suspension of adverse dispossession, because he has asserted his right, this cannot be stated in the case of prescription. In connection with the above, the solution of the new Civil code cannot be supported, according to which written notice to hand over a possession is lifted from the circumstances suspending adverse dispossession. This decision by the legislature cannot be justified by the parallel nature of the circumstances suspending prescription.

In the codification of the new Civil code the tendency to attach periods of prescription to rights which at present do have specific prescription periods can be observed. For example according to the new Civil code the person with the right of pre-emption can assert his claims regarding his rights derived from void contracts in a
period of six months counting from becoming aware of the situation, or in a period of three years counting from the contract signature.

I still consider the happening of vanishing of a right regardless of prescription period as a sustainable concept even with the regulations of the new Civil code. It must not be forgotten though that the vanishing of a right is not merely the result of time lapse. Passivity regarding giving up rights or non exercise of rights has just as important of a role in the matter of facts.

The present judiciary practice–and it is suspected that when interpreting the new Civil code the judiciary will be inclined to do the same–constrains prescription and its results to the conditions of starting a judicial act, therefore difference between the date of submission of a petition and prescription period is blurred. Similarly the line between submission date and loss of rights period is blurred in the case of cadastre adverse possession. The phrase “cadastre adverse possession” in itself highlights the problem, that legal studies as now are inclined to draw conclusions by paralleling one effect of timelapse(adverse possession)to another effect (cadastre adverse possession) with otherwise differing matters of fact.
IV. List of Publications Written in the Theme of the Dissertation


