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LIABILITY ISSUES IN PAYMENTS MADE THROUGH STABLECOINS

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Abstract: This article analyzes the legal foundations of civil liability arising in payment relations conducted through stablecoins. The study examines the traditional four elements of liability for breach of obligations—unlawful conduct, damage, causation, and fault—in light of the decentralized nature of blockchain technology and the specific characteristics of smart contracts, oracles, and digital infrastructure. The author substantiates that, in certain cases involving payments through stablecoins, it may be difficult or even impossible to establish the debtor's subjective fault. Therefore, the article proposes that, in determining liability, an approach based on the allocation of technological and property-related risks may be more appropriate than an approach based exclusively on the principle of fault.

The article also examines the content of unlawful conduct in stablecoin payment relations, the inclusion of technical losses within the concept of damages, as well as the legal problems associated with the calculation and compensation of damages in a cross-border blockchain environment. Based on the analysis, scientific proposals are developed for improving the classical model of civil liability in the field of digital assets through a concept based on objective technological risk.

Keywords*:* stablecoin, civil liability, blockchain, smart contract, digital assets, unlawful conduct, damage, causation, fault, objective risk.

Liability for breach of obligations arises when the conditions established by law, namely the relevant legal facts, are present. The combination of these conditions constitutes the elements of a civil offense. As a general rule, four conditions should be present:

1. Unlawful conduct of the debtor — the debtor must have acted in a manner contrary to legal norms or the rights of other persons.

2. Damage suffered by the creditor — as a result of the breach of the obligation, the creditor must have suffered actual losses, incurred additional expenses, or lost the opportunity to obtain expected profits.

3. Causal relationship — there must be a direct causal connection between the debtor's unlawful conduct and the damage suffered by the creditor.

4. Fault of the debtor — the debtor must have failed to perform the obligation intentionally or negligently.

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The application of the traditional conditions of civil liability to payment relations involving stablecoins creates a number of theoretical and practical problems. In particular, the classical four elements of liability for breach of an obligation—unlawful conduct, damage, causation, and fault—manifest themselves in a specific manner due to the decentralized nature of blockchain technology. Therefore, these four elements should be examined as components of civil liability in stablecoin payment relations.

Which of the components of civil liability—unlawful conduct, the existence of damage, causation between them, and fault—actually constitutes the basis of liability? It is well known that civil liability differs from other forms of legal liability primarily due to its proprietary nature and its connection with compensation for losses and damages. Its application does not always require the simultaneous presence of all four elements. This depends on the content of a particular contract and the significance of the obligations undertaken by the parties. Consequently, while unlawful action or omission, damage, causation, and fault may all be present in certain contractual breaches, in other cases the existence of only two or even one of these elements may be sufficient to give rise to civil liability. Moreover, the conditions for applying civil liability may differ depending on whether the obligation arises from a contract or from a non-contractual relationship.

The author's position that civil liability does not always require the full presence of all four classical conditions is particularly relevant to payment relations involving stablecoins. In particular, in payments made through stablecoins, it may sometimes be impossible to establish the debtor's fault. For example, if an obligation remains unperformed due to an error in smart contract code, a malfunction of an oracle system, or a technical disruption of a blockchain network, subjective fault in the classical legal sense may be absent. Nevertheless, denying civil liability solely on this basis, where the creditor's property interests have been violated and damage has occurred, would be inconsistent with the principle of fairness.

From this perspective, when determining liability in stablecoin-related relations, greater importance should be attached not to the subjective fault of the party, but to the question of who assumed the relevant property risk and whose activities were associated with the technological risk that caused the damage. Accordingly, in the field of digital assets, the classical model of civil liability is undergoing a certain transformation and is increasingly approaching a concept of liability based on objective risk.

The first element constituting the structure of a civil offense is an unlawful act or unlawful omission. In this regard, the scholarly positions of domestic civil law scholars appear to be generally consistent. According to N.Kh. Egamberdieva, unlawful omission is not merely a passive state of a person; rather, it represents the failure of a subject to perform an action imposed upon that subject within a legal relationship, the non-performance of which leads to certain legal consequences.

In particular, as N.Kh. Egamberdieva emphasizes, unlawful omission is manifested in the failure to perform an action imposed upon a subject. In the context of stablecoin relations, this may be clearly demonstrated by the failure of a stablecoin issuer to maintain sufficient reserve assets, the failure of a crypto-platform to implement adequate security measures, or the failure of a wallet provider to conduct the necessary user identification procedures. Such passive conduct may result in significant financial losses within a blockchain environment.

According to V.M. Usmonov, unlawful conduct is manifested when the parties perform their obligations in a manner inconsistent with the terms of the contract and the requirements of legislation.

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This, in turn, demonstrates that unlawful conduct may take the form of either an unlawful act or an unlawful omission.

V.M. Usmonov's view that unlawful conduct consists of actions inconsistent with contractual and statutory requirements can also be fully applied to stablecoin relations. For example, failure by a party to make a payment stipulated by a smart contract in accordance with the agreed procedure, transferring a token to a blockchain network other than the one agreed upon by the parties, or violating contractual obligations concerning the maintenance of a stablecoin's "peg" may be regarded as unlawful conduct.

Unlawful conduct, as a condition of contractual liability, is expressed in the violation of legal norms and contractual requirements.

In our view, the concept of unlawful conduct in payment relations involving stablecoins has a broader meaning than in traditional contractual relations. This is because, in the digital environment, a violation may arise not only from actions directly attributable to human will, but also from automated algorithms, errors in smart contract code, and inadequate management of digital infrastructure. Therefore, it is necessary to reconsider the category of unlawful conduct in the field of digital assets in conjunction with technological risks.

The determination of the existence of damage in payment relations involving stablecoins is also of significant importance, particularly in cases where obligations stipulated in smart contracts are not performed or are improperly performed. According to the first part of Article 324 of the Civil Code of the Republic of Uzbekistan, the debtor is obliged to compensate the creditor for losses caused by non-performance or improper performance of an obligation.

In stablecoin relations, this provision primarily applies to situations where payment is not made at all or is performed with technical defects. For example, if the debtor fails to transfer the agreed amount of USDT to the creditor, transfers the funds to an incorrect wallet address, or the funds become blocked due to an error in a smart contract, the issue of compensation for the damage caused to the creditor arises.

Another important issue in stablecoin relations concerns technical losses. For example, a creditor may incur additional expenses to recover funds transferred to an incorrect blockchain network. Alternatively, funds may be temporarily blocked due to a smart contract error, resulting in the creditor losing business profits. In our view, such expenses should also be recognized as part of the damages within the meaning of Article 324 of the Civil Code.

Furthermore, the cross-border nature of the blockchain environment must be taken into account when calculating damages in stablecoin-related relations. For example, the creditor may be located in one country, the debtor in another, and the stablecoin issuer in a third country. This circumstance complicates issues concerning the applicable law, the source used for determining the exchange rate, and the currency in which damages should be calculated.

According to F.Yu. Shodmanov, damages caused by breach of a contract may be divided into two categories: damages resulting from complete non-performance of obligations and damages arising from delay in performance by the debtor. This approach may also be applied to payment relations involving stablecoins and obligations established by smart contracts.

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It should be noted that although the performance of obligations in blockchain technology is frequently automated, this does not eliminate the possibility of damages arising in payment relations. In particular, the failure of a smart contract to execute, inaccurate oracle data, or technical disruptions in a blockchain network may result in non-performance of an obligation. In such circumstances, the creditor may suffer actual losses and lost profits as a result of not receiving the payment.

In this regard, the category identified by F.Yu. Shodmanov as "damage resulting from complete non-performance of an obligation" is fully applicable to stablecoin payment relations. However, damage in stablecoin relations is not limited solely to non-performance of an obligation. For example, blockchain network congestion, delays in transaction confirmation, or a temporary disruption of the stablecoin's "peg" mechanism may result in delayed payment.

Such circumstances may cause significant economic losses to a creditor in the digital economy, where crypto-assets circulate at high speed and payment transactions are expected to be executed almost instantaneously. Accordingly, damages resulting from delayed performance also acquire a broader meaning in the digital asset environment than in traditional contractual relations.

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2. Odinaev, A.S. Regulation of the Application of Penalties in the Field of Obligations Law. Dissertation for the degree of Doctor of Philosophy (PhD) in Law. Tashkent, 2020. p. 119.
3. Note: "Decentralized" refers to a system, governance structure, or process that operates without being subject to a single central authority, with its functions distributed among multiple independent participants. In simple terms, in a centralized system, all decisions and control are concentrated in a single center, whereas in a decentralized system, authority and information are distributed among different participants.
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