

96 Phil. 163

[G.R. No. L-5538. November 27, 1954]

**FAUSTINO DAVID ET AL., PLAINTIFFS-APPELLEES VS. JOSE CABIGAO AND THE STANDARD-VACUUM OIL COMPANY, DEFENDANTS
THE STANDARD-VACUUM OIL COMPANY, DEFENDANT-APPELLANT.**

D E C I S I O N

PADILLA, J.:

For the building of a service station at Cubao, Quezon City, the Standard-Vacuum Oil Company engaged the services of Jose Cabigaoias contractor who hired the plaintiffs as carpenters, masons and laborers to work on the construction. The contractor Had been paid in full for the construction of the station by the Standard-Vacuum Gil Company but has not paid fully the wages of the artisans for work performed by them from 1 November to 2 December 1948. For such failure the artisans brought an action in the Municipal Court of Manila to recover from the contractor and the company the sum of P1,264.50, lawful interests and costs. The company having raised the point of unconstitutionality of Act No. 3959 upon which the artisans rely to recover their due and unpaid wages, the Municipal Court forwarded the case to the Court of First Instance.

Upon a stipulation of facts which reads, as follows.:

Come now plaintiffs and defendant Standard-Vacuum Oil Company, by their respective undersigned attorneys,; and to this Honorable Court respectfully submit the following stipulations:

1. That Jose Cabigao, as contractor, and Standard-Vacuum Oil Company, as builder, entered into a contract for the construction of

the latter's Cubao Service Station at a price of P17,360.00; that, subsequently, the parties agreed that additional work be performed for which Standard-Vacuum Oil Company agreed to pay Jose" Cabigao P2,766.25;

2. That, the full amount aforesaid has been already paid by Standard-Vacuum Oil Company to Jose Cabigao although this is questioned by Jose Cabigao;
3. That Jose Cabigao has failed to pay his laborers, the plaintiffs, the full amount of their wages, the following being the balance still due:

Name	Balance Due
Faustino David	P85.50
Dely Macapagal	55.00
Adriario Sunga	211.50
Estanislao Olisco	122.50
Diosdado Regalado	122.50
Pedro Medina	107.50
Federico "Doe"	127.50
Edilberto Sunga	127.50
Florencio "Doe"	67.50
Irineo Sunga	76.50
Marcos Catbagan	92.00
Juanitio Catbagan	<u>69.00</u>
	Total...1,264.50

4. That Standard-Vacuum Oil Company has refused to pay the 'said balance to plaintiffs for the following reasons:

(a); That as aforesaid, it has already paid the entire price agreed for the construction of the service station in question to Jose" Cabigao;

(b) That it has no privity of contract whatsoever with plaintiffs ; and

(c) That the law under which plaintiffs claim payment from Standard-Vacuum Oil

Company is unconstitutional.

5. That plaintiffs and Standard-Vacuum Oil Company will file their respective memoranda within ten (10) days from the submission of the stipulation to further amplify their respective contentions, and another ten (10) days to reply to each other, and thereafter this case shall be considered submitted for decision of the Court.

Manila, Philippines, February 7, 1950.

CECILIO I. LIM & ANTONIO S.
ATIENZA

By (Sgd.) ANTONIO S. ATIENZA
Attorneys for plaintiffs
Bureau of Labor, Manila

ROSS, SELPH, CARRASCOSO &
JANDA

By (Sgd.) DELFIN L. GONZALEZ
Attorneys for defendant
Standard-Vacuum Oil Company
405 Ayala Building, Manila

the Court rendered judgment ordering the defendants jointly and severally to pay to the plaintiffs the sum of P1,264.50 together with lawful interest from the date of the filing of the complaint until paid and Jose" Cabigao to pay to the Standard-Vacuum Oil Company the same amount it shall have paid to the plaintiffs and lawful interest thereon from the date of the filing of the cross-claim, and dismissing the counterclaim of the company for lack of evidence to support it, with costs against the defendants. Only the Standard-Vacuum Oil Company has appealed.

The appellant assails the constitutionality of Act No. 3959.

Section 1 of the Act provides:

Any person, company, firm, or corporation, or any agent or partner thereof, carrying on any construction or other work through a contractor, shall require such contractor to furnish bond in a sum equivalent to the cost of the labor, and shall take care not to

pay to such contractor the full amount which he is entitled to receive by virtue of the contract, until he shall have shown that he first paid the wages of the laborers employed in said work, by means of an affidavit made and subscribed by said contractor before a notary public or (other officer authorized by law to administer oaths: * * *.

Section 2 provides:

Any person, company, firm, or corporation, or any agent or partner thereof, who shall violate the provisions of the preceding section by paying to the contractor the entire cost of the work before receiving the affidavit mentioned in said section, shall be responsible jointly and severally with the contractor for the payment of the wages of the laborers employed in the work covered by the contract. In case the violation is committed by a company or corporation, the liability for the violation of this Act shall devolve upon the agent, director, or manager, or upon the person having charge of the management, direction or administration of the work.

It does not appear from the stipulation of facts that the appellant, as builder, required the contractor to furnish a bond in a sum equivalent to the cost of labor and to execute an affidavit showing that he had paid the wages of the laborers employed in the work. In the absence thereof, it may be presumed that no such bond was furnished and no such affidavit was executed.

Act No. 3959 requires of any one ordering the construction of a building or work to demand from the contractor that he furnish a bond in a sum equivalent to the cost of the labor. For whose benefit is such bond? For the one ordering the construction or for the laborers to be employed in it? If for the latter, the beneficiaries of the bond would be innominate and the one ordering the construction would no longer have any liability. If the amount of the bond furnished which is the estimated or approximate cost of labor should be or should turn out to be less than the amount actually incurred in or owed by the contractor

to the laborers. Could the one ordering the construction or work be liable for the deficiency? Of course he would not be liable. The contractor alone would be. If the bond is for the one ordering the construction or work, it must be for the purpose of reimbursing him for whatever amount he may be held liable to pay or had been ordered to pay or had actually paid. If the bond be furnished, it would no longer be necessary for the one ordering the construction to require the contractor to execute an affidavit showing that he first paid the wages of the laborers engaged in the construction, before paying him the full amount to which he is entitled to receive under the contract, because the bond, would reimburse him (the builder) for whatever amount he may be held liable to pay or had been ordered to pay or had actually paid. If the builder required the contractor to execute and the latter executed an affidavit stating "that he first paid the wages of the laborers employed in said work," before paying; him the full amount to which he is entitled to receive under the contract, would that affidavit alone be sufficient to relieve him (the builder) from the liability created by the statute even if he had failed or neglected to require the contractor to furnish the bond? If he is relieved, then both this bond and the affidavit need not be required of the contractor. Either one would be sufficient. "The bond, is to reimburse the builder for whatever amount he may be held liable to pay or had been ordered to pay or had actually paid and the affidavit, to relieve the builder from his statutory liability to pay for wages not paid by the contractor. If that is a correct interpretation of the law under consideration, and this, construction finds justification in section 2 off the Act above quoted, then the bond requirement is not mandatory but directory for the benefit and protection of the builder. It should be noted that the joint and several liability of the builder and contractor would only arise upon or from the failure of the builder to require from the contractor to execute an affidavit showing "that he first paid the wages of the laborers employed in said work," before paying him the full amount to which he is entitled to receive under the contract. It does not arise from failure to require from the contractor that he furnish the bond. Hence, even if there be no such bond, the builder may still relieve himself from the liability created by the

statute by requiring the contractor to execute an affidavit described and referred to in the Act. such being the case, the bond requirement, whether for the benefit: of the laborers or of the builder, since it assures the laborers payment of their wages or the builder reimbursement for whatever amount he may be held liable to pay or had been ordered to pay or had actually! paid, is no interference, or curtailment, or restraint, much less a deprivation, of the builder's freedom to contract, because he may enter into a contract without requiring the contractor to furnish the bond and simply require him before paying the full amount to which he is Entitled under the contract to execute the affidavit required by the Act, and still relieve himself from the statutory liability. Such affidavit to be executed by the contractor does not affect the builder's freedom to acquire property, because it is required after the construction or work has been done or accomplished, but even if the provisions of the Act under consideration be deemed to constitute, an interference, or restraint, or curtailment of the freedom of the citizen to contract or to acquire property, still such interference, or curtailment, or restraint provided for in the Act being reasonable is a. valid exercise of the police power of the state for the promotion of the general welfare, because the Act concerns itself with and affects the welfare of a great number of people—the wage earners—who live by the sweat of their brow, and ultimately that of all the people and inhabitants of the country who as a result of the contentment of such great number of people will enjoy!peace and order.

The judgment is affirmed, without pronouncement as to costs in this instance.

Paras, C.J., Pablo, Bengzon, Jugo, Bautista Angelo, Concepcion and Reyes, J.B.L., JJ. concur

Montemayor and Reyes A., JJ., concur in the result.

Mr. Justice Labrador took no part.

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