

Title:

Social Security System vs. Department of Justice, et al.

Facts:

- The Social Security System (SSS), a government owned and controlled corporation responsible for providing financial benefits to private sector employees, filed a complaint against Jose V. Martel, Olga S. Martel (directors of Systems and Encoding Corporation - SENCOR), and five others for not remitting contributions as required by RA 1161 as amended by RA 8282.
- In 1998, amidst the proceedings, the Martels offered to assign a piece of land in Tagaytay City to settle their debt, leading to the withdrawal of the complaint by the SSS but with a reservation to revive the case if no settlement was reached. This initial complaint was dismissed by the Pasay City Prosecutor's Office.
- Subsequently, despite the initial offer, further complications arose, including a new offer from Jose V. Martel in December 2001 proposing computer-related services instead of the land. The SSS did not clearly accept this new offer.
- The SSS lodged another complaint with the Pasay City Prosecutor's Office in December 2001 for non-remittance of contributions from February 1991 to October 2000 amounting to P21,148,258.30.
- The Martels argued that their offer to settle, accepted by the SSS, had converted their relationship into that of a debtor-creditor, thus negating criminal liability. They claimed that the agreement represented a novation that extinguished their original obligation.

Issues:

1. Does the concept of novation apply, thus negating the prosecution of the Martels for violation of Section 22(a) and (b) in relation to Section 28(e) of RA 1161, as amended?

Court's Decision:

The Supreme Court ruled negatively on the application of novation, granting the petition of the SSS. It set aside the decisions of both the Court of Appeals and the Department of Justice (DOJ), reinstating the resolution of the Pasay City Prosecutor's Office. The Court emphasized that:

1. There was no original contract that could be modified by novation as the obligations of SENCOR arose directly from law. Consequently, unless amended by Congress, no agreements could change the legal requirements and consequences set by RA 1161.
2. The agreement for the property in Tagaytay never materialized; thus, no actual novation occurred. The Martels' failure to fulfill their promise and subsequent offer of computer-

related services instead did not meet the suspensive condition agreed upon.

Doctrine:

- The concept of novation applies to obligations arising from contracts and, in criminal cases, only to modify or extinguish criminal liability before the filing of information in court. Novation cannot apply where obligations arise directly from statutes, not from agreements between parties.
- Novation requires a prior contractual relation that can be modified or extinguished by a subsequent agreement. This condition is not met when obligations arise directly from law.

Class Notes:

- ****Novation****: Requires an existing contract, substitution of parties/obligation, and the clear intention to extinguish the original obligation. Key to criminal law application: must occur before official filing of information by prosecution.
- ****RA 1161 as amended by RA 8282****, Sections 22(a), (b), and 28(e): Mandates employer contributions to the SSS and establishes penalties for non-compliance.
- ****Prosecution's Power to Determine Probable Cause****: Courts can review prosecutors' decisions, ensuring both prosecution of probable criminals and protection of the innocent from unwarranted prosecution.

Historical Background:

The Social Security System (SSS) is mandated to provide financial benefits to private sector employees in the Philippines. Employers are required by law (RA 1161 as amended by RA 8282) to make monthly contributions to the SSS. The failure to remit these contributions can lead to criminal prosecution, emphasizing the state's commitment to protect employees' welfare. This case illustrates the rigorous enforcement of this mandate and the legal principles protecting such statutory obligations from being circumvented through private agreements or claimed novations.