

### Title: Pineda vs. Dela Rama and Court of Appeals (206 Phil. 586)

### Facts:

Jesus Pineda, the petitioner, was involved in a legal dispute with Jose V. Dela Rama, a practicing lawyer, who was initially hired by Pineda to negotiate with the National Rice and Corn Administration (NARIC) in order to prevent the filing of criminal charges against Pineda for the alleged misappropriation of 11,000 cavans of palay. Dela Rama claimed that Pineda borrowed P9,300.00 from him, a fact evidenced by a matured promissory note. Furthermore, Dela Rama sought to collect attorney's fees amounting to P5,000.00 for the legal services provided. The trial initiated in the Court of First Instance of Manila ruled in favor of Pineda, finding that the promissory note was executed under the false premise that the money was to be used to bribe NARIC officials, a claim that was later debunked. The case was elevated to the Court of Appeals, which reversed the lower court's decision, emphasizing the importance of honoring obligations arising from contracts. Dissatisfied, Pineda brought the case before the Supreme Court through a petition to review on certiorari.

### Issues:

1. Whether the presumption that a negotiable instrument is issued for a valuable consideration can be rebutted.
2. The validity and enforceability of a promissory note executed under a premise involving an illegal act.

### Court's Decision:

1. **\*\*On the Presumption of Valuable Consideration:\*\*** The Supreme Court affirmed that the presumption that a negotiable instrument is issued for a valuable consideration is only prima facie and can indeed be rebutted by evidence to the contrary. This decision is in line with existing jurisprudence.
2. **\*\*On the Validity of the Promissory Note:\*\*** The Court found that the promissory note was executed for an illegal consideration since it involved a bribe to public officials, which is contrary to law and public policy. Consequently, the promissory note was declared void ab initio. Therefore, neither party could claim relief based on the void contract.

### Doctrine:

The Supreme Court reiterated the principles that an obligation arising from a contract has the force of law between parties and must be complied with in good faith, except when the

contract involves an illegal consideration. Furthermore, a negotiable instrument presumed to have been issued for value can have this presumption rebutted by evidence. Importantly, contracts whose cause, object, or purpose is contrary to law, morals, good customs, public order, or public policy are void from the inception.

### Class Notes:

- Valuable consideration in negotiable instruments is a rebuttable presumption.
- Contracts with an illegal cause, object, or purpose are void ab initio.
- Relevant Citations: Civil Code, Articles 1409 (on void and inexistent contracts) and 1412 (on contracts with an unlawful cause).

### Historical Background:

This case illustrates the conflict between the steadfast principle of honoring contracts and the effect of an illegal consideration on such agreements' validity. The Supreme Court's decision underscores the paramount importance of legality and public policy considerations in determining a contract's enforceability, reflecting broader principles of law and morality governing contractual relationships.