

Title: The United States vs. Vicente Diaz Conde and Apolinaria R. de Conde, 42 Phil. 766

Facts:

- On December 30, 1915, Bartolome Oliveros and Engracia Lianco borrowed ₱300 from Vicente Diaz Conde and Apolinaria R. de Conde.
- As part of the borrowing agreement, Oliveros and Lianco agreed to pay 5% interest per month on the borrowed sum.
- The first payment was due on January 10, 1916.
- At this time, there was no usury law in force in the Philippine Islands.
- On May 1, 1916, the Usury Law (Act No. 2655) came into effect.
- On May 6, 1921, a complaint was filed in the Court of First Instance of Manila, charging Vicente Diaz Conde and Apolinaria R. de Conde with violating Act No. 2655 by collecting usurious interest post-enactment.
- Defendants were arrested, arraigned, and pleaded not guilty.
- The trial began on September 1, 1921, and concluded with the judge finding the defendants guilty, each being fined ₱120 with a subsidiary imprisonment in case of insolvency.
- Each defendant appealed the ruling to the Philippine Supreme Court.

Issues:

1. Whether the Usury Law (Act No. 2655) could be retroactively applied to contracts executed prior to its enactment.
2. Whether applying Act No. 2655 to the defendants' contract would impair the obligation of their contract.
3. Whether the collection of interest post-enactment of the Usury Law, if the contract was executed before the law, constituted a criminal act under ex post facto law principles.

Court's Decision:

- The Supreme Court of the Philippines ruled that the Usury Law could not be retroactively applied to the contract executed before its enactment.
- The court emphasized that laws should always be interpreted prospectively unless explicitly stated otherwise.
- Applying Act No. 2655 retroactively would impair the obligation of the contract established on December 30, 1915, thus violating constitutional prohibition against impairing contracts.
- Furthermore, treating the defendants' actions as criminal would contravene the principle against ex post facto laws, which the court noted is absolutely prohibited unless favorable to

the defendant.

- As a result, the Court overturned the lower court's decision, dismissed the complaint, and ordered the release and discharge of Vicente Diaz Conde and Apolinaria R. de Conde from legal custody.

Doctrine:

1. Laws Changing Contractual Obligations: Laws cannot retroactively alter or impair the obligations of contracts (Jones Law).
2. Ex Post Facto Laws: Such laws (criminalizing acts retroactively) are prohibited unless they are favorable to the accused.

Class Notes:

Key elements/concepts:

- **Contract Law**: Contracts must be governed by the laws existing at the time of execution.
- **Usury Law**: Act No. 2655 prohibits exorbitant interest rates but cannot be applied retroactively to pre-existing contracts.
- **Ex Post Facto Prohibition**: Prohibits the retrospective application of laws that affect criminal liability unless it benefits the accused.
- **Impairment of Contracts**: The legal framework prohibits laws that impair contractual obligations post-execution (8 Cyc., 996; 12 Corpus Juris, 1058-1059).
- **Penal Retroactivity**: Penal laws in the Philippine jurisdiction are not retroactive unless they are favorable to the accused (Articles 21 and 22, Penal Code).

Historical Background:

This case is set against the backdrop of American colonial rule in the Philippines, where jurisprudence was adapting and integrating U.S. constitutional principles. The early 20th century saw the establishment of significant legal precedents addressing the balancing of newly enacted laws against pre-existing legal and contractual frameworks. The Usury Law (Act No. 2655) was part of broader reform efforts aimed at regulating financial transactions and protecting borrowers, but this case highlighted the need for caution in applying these laws retrospectively.