

FEDERICO SUNTAY, PLAINTIFF AND APPELLANT, VS. FORTUNATO F. HALILI ET. AL., DEFENDANTS AND APPELLEES. FEDERICO SUNTAY, PLAINTIFF AND APPELLEE VS. FORTUNATO F. HALILI ET AL., DEFE...*G.R. No. L-12810. September 29, 1961*

Ponente: PADILLA, J.

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In a complaint filed by Federico Suntay (later referred to as the plaintiff) against Fortunato F. Halili (later referred to as the defendant) and Virgilio I. Ramos, Maximo Santiago and Graciano Queyquep (later referred to as the other defendants) in the Court of First Instance of Quezon City, the plaintiff prays for a declaration of nullity for lack or illegality of cause or consideration under the provisions of articles 1352 and 1409 of the Civil Code, in relation to those of the Revised Election Code, of the contract of lease entered into by and between the plaintiff as lessor and the other defendants as lessees on 27 September 1951, involving three parcels of fishpond land with a total area of 530.67 sq. m. more or less, situated in Hagonoy, Bulacan, delimited and described in TCT No. 19832 and OCT No. 16900, issued by the Registrar of Deeds in and for the province of Bulacan in the name of the plaintiff (Annex A, pp. 28-32, rec. on app.); of the promissory notes signed by the plaintiff on 4 September 1951 for P5,000, on 29 September 1951 for P30,000, on 7 November 1951 for P10,000, and on 10 November 1951 for P10,000, in favour of the other defendants, mentioned and copied in paragraph XII of the plaintiff's complaint, and of the assignment of their leasehold right by the other defendants in favor of the defendant on 1 October 1951 (Annex B, pp. 18-22, rec. on app.); a judgment ordering the defendant to pay to the plaintiff the sum of P64,000 for the use and occupation of the plaintiff's fishpond from 1 October 1951 to 1 October 1955; and the costs and other just and equitable relief (civil No. Q-1564). The plaintiff predicates his prayer upon the following allegations: that in the elections held in 1951 he was the candidate of the Liberal Party for the office of Provincial Governor of the province of Bulacan; that before the day of the elections the defendant, a member of the Liberal Party and then Provincial Governor of Bulacan, offered to help the plaintiff in his election campaign; that sometime in September 1951 the defendant told the plaintiff that it was necessary for him to incur expenses to enable him to continue helping the plaintiff in his election campaign; that the plaintiff told the defendant that he had no money to give him for that purpose; that the defendant told the plaintiff that he (the defendant) could secure cash advances for him (the plaintiff) provided he promised to pay them later on; that the plaintiff accepted the defendant's proposition; that on or about 27 September 1951 the defendant told the plaintiff that he had already spent P32,000 in the plaintiff's election campaign which amount he had secured as advances from the other defendants; that he would need the same amount to continue campaigning for the plaintiff and could secure the needed amount as an advance from the same defendants but that he would like to have a concrete assurance that the said advances would be repaid by the plaintiff; that to meet the defendant's demand on 27 September 1951 the plaintiff executed a contract of lease in favor of the other defendants of his three parcels of fishpond land which yielded an annual rental of P16,000, mentioned earlier, for a period of four years from 1 October 1951 to 1 October 1955, for and in consideration of the rental of P32,000; that the rental of the fishpond actually agreed upon for the period of four year's was P64,000, it being understood that the sum of P32,000, not mentioned in the

contract of lease, would be to pay for the advances allegedly secured by the defendant from the other defendants, and the sum of P32,000, mentioned in the contract of lease, would be to pay for advances the defendant would later secure from the other defendants; that to assure the other defendants that the plaintiff would pay subsequent cash advances to be granted by them to him, to be spent in his election campaign, the plaintiff signed four promissory notes in favor of the other defendants, to wit: on 4 September 1951 for P5,000, in favor of the defendant Virgilio Ramos or order, payable within 120 days from date, with interest at the lawful rate; on 29 September 1951 for P30,000 in favor of the other defendants or order, payable within three years from date; on 7 November 1951 for P10,000 in favor of the defendant Maximo G. Santiago or order, payable within 120 days from date, with interest at the lawful rate; and on 10 November 1951 for P10,000 in favor of the same defendant Santiago or order, payable within 120 days from date; that the plaintiff had not received any of the sums mentioned in the contract of lease (Annex A) and the promissory notes or anything of value or service in lieu thereof; that the defendants had not demanded from the plaintiff payment of the principal or interest due on the promissory notes; that further referring to the contract of lease, Annex A, on 1 October 1951 the other defendants assigned their leasehold rights to the defendant without the plaintiff's consent; that since that date, 1 October 1951 up to 1 October 1955, the defendant had been in possession of the plaintiff's parcels of fishpond land; that as regards the total expenses in his election campaign, directly and personally disbursed by him, the same did not amount to P12,000, which is the total emolument for one year attached to the office of Provincial Governor of Bulacan; that the representations made by the plaintiff to the defendant that the latter had received the total amount of P119,000 as advances and spent in behalf of the plaintiff in his election campaign in 1951, were false and fraudulent; that the plaintiff realizes that he had been remiss in authorizing the defendant to spend in his behalf the amount of P119,000, ostensibly for his election campaign, but did not realize that he had been so when he signed the contract of lease, Annex A, and the promissory notes because they were signed during the hectic days of his campaign, when he was relatively inexperienced as a politician and when he had implicit trust in the defendant; that the contract of lease, Annex A, and the promissory notes executed by him are void for lack or illegality of cause or consideration under the provisions of articles 1352 and 1409 of the Civil Code in relation to those of the Revised Election Code; that by the contract of lease, Annex A, and its assignment by the other defendants to the defendant, the latter had enriched himself at the expense of the plaintiff to the extent of P64,000, the reasonable rental value of the fishpond lands for four years, which amount defendant is, by reason of equity, duty bound to pay to the plaintiff; and that the plaintiff had not made any previous demand on the defendants with respect to his cause of action against them for the reason that such demand would surely be rejected by them.

On 5 November 1955 the defendants filed an answer with counterclaim, admitting paragraphs 1, 2, 3, 5, 9 and 10 of the plaintiff's complaint but denying the rest of the material averments and alleging that the reasonable rental value of the plaintiff's fishpond is only P8,000 a year; that the annual salary attached to the office of provincial Governor of Bulacan is P5,000 only; that it was the plaintiff who urged the defendant to help him (the plaintiff) in his election campaign and not the latter who offered his help to the former; that it was the plaintiff who begged and solicited from the defendant cash advances to spend in his election campaign; that out of friendship the defendant agreed to give the plaintiff cash advances provided the latter would repay the former and would execute the corresponding promissory notes that it was the plaintiff who offered to lease to the defendant his fishponds for and in consideration of the rental of P32,000 for a period of four years; that although the plaintiff's price was too high, the defendant, in his desire to help the plaintiff, readily accepted his offer; that to conceal the fact that the defendant was giving financial accommodation to the plaintiff, it was agreed that the contract of lease be executed in the name of the other defendants as lessees although the true lessee was the defendant; that to protect the rights of the defendant, the supposed leasehold rights of the other defendants were assigned to the former with the knowledge and consent of the plaintiff; that the real payee of the four promissory notes executed by the plaintiff was the defendant; that for that reason they were indorsed to him in blank by the payees with the knowledge and

consent of the plaintiff; that the amounts appearing in the said promissory notes were actually received by the plaintiff from the defendant and when they matured the latter demanded payment thereof but the former had refused to honor the said demands. The defendants prayed in their counterclaim that the plaintiff be ordered to pay to the defendant the sums of P5,000, P10,000 and P10,000 in the promissory notes executed by him in favor of the other defendants, which were indorsed in blank by the respective payees to the defendant with the knowledge and consent of the plaintiff; to recognize the defendant's right to hold the fishponds subject of the contract of lease, Annex A, for another four years resulting from the plaintiff's failure to pay the amount of P30,000 in the promissory note executed by the plaintiff in favor of the other defendants which was also indorsed in blank by the payees to the defendant with the knowledge and consent of the plaintiff; to pay to the defendant P10,000 as attorney's fees to be incurred by him and P25,000 as actual, mental and moral damages resulting from the institution of an action for detainer by Venefrida A. Rivera and Pantaleon Owerá in the Justice of the Peace Court of Hagonoy, Bulacan, at the instigation of the plaintiff; to pay to the defendants P10,000 as attorney's fees to be incurred by them in defending their rights in this case and P50,000 as mental, moral and actual or exemplary damages resulting from the institution of this suit which is clearly unfounded. The defendants also prayed for a writ of attachment of the plaintiff's properties to the extent of the amount of their counterclaim.

On 5 November 1955 the plaintiff filed a motion praying that the defendants' application for a writ of attachment be set for hearing to afford him an opportunity to object thereto.

On 9 November 1955 the defendants filed in the office of the Registrar of Deeds in and for the province of Bulacan a request for the annotation of a notice of lis pendens of the properties covered by OCT No. 16900 and TCT No. 19832.

On 15 November 1955 the plaintiff filed a reply answering the defendants' counterclaim and praying for the dismissal of the same.

The other motions and ruling of the Court incident to the identity of Pantaleon Owerá and his relation to the plaintiff to prove the fact that it was the latter who instigated the former to file a case for detainer against the defendant in the Justice of the Peace Court of Hagonoy, Bulacan, need not be mentioned at this stage of the case.

On 23 May 1957 the Court rendered judgment holding that the execution of the contract of lease, Annex A, and the promissory notes by the parties concerned was influenced by the election of 1951 when the plaintiff was a candidate for the office of Provincial Governor of Bulacan; that the defendant extended financial accommodations to the plaintiff due to heavy expenses incurred by the latter in his election campaign; that the financial accommodations were made in violation of the provisions of the Revised Election Code; that for that reason the said contract and promissory notes were illegal; that the defendant, being a public utility operator, is prohibited by the Revised Election Code from contributing or making any expenditure in connection with the election campaign of the plaintiff; that the execution of the contract and promissory notes in the name of the other defendants as lessees and payees to conceal the fact that the defendant was violating the provisions of the Election Code constitutes simulation for the purpose of violating the law, hence contrary thereto and to morals, public order and public policy; and that the plaintiff and the defendants being in *pari delicto* should be left where they are and neither can recover out of their illegal transactions, and declaring the contract of lease, Annex A, and the promissory notes null and void and dismissing the plaintiff's and the defendants' claims in their respective pleadings.

Both the plaintiff and the defendants have appealed and they have filed a joint record on appeal.

The plaintiff has assigned the following errors allegedly committed by the trial court:

- The lower court erred in not finding that there were no considerations paid to plaintiff by defendants under the lease contract (Exh. D) and the promissory notes (Exhs. B, C, F, and G), and that the same were therefore null and void.

- The lower court erred in not sentencing defendant Halili to pay to plaintiff the sum of P64,000.00 as reasonable compensation for four (4) years for the use and occupation by the former of plaintiff's fishpond. (Brief for the plaintiff-appellant, pp. A-B.)

The defendants have made the following assignment of errors:

- The lower court erred in holding that the money representing the consideration of the contract of lease Exhibit "12" (Exhibit "D" for the plaintiff), as well as the sums of money mentioned in the four (4) promissory notes Exhibits "14", "15", "16" and "17" (also Exhibits "B", "C", "E" and "G", respectively, for the plaintiff), were financial accommodations by the defendant Halili to plaintiff "in the pursuit of a common aim, that is, of winning the election (of plaintiff) for Governor in the province of Bulacan for the Liberal Party."

- The lower court erred in gratuitously holding that defendant Halili made the financial accommodations to the plaintiff "to enable the latter to Violate section 48 of the Revised Election Law enforced at the time" for which reason and because defendant Halili was then a public utility operator "the loan must be held to be illegal bargain and in open violation of the referred article 1409 of the new Civil Code and section 48 of the Revised Election Code", and consequently null and void ab initio.

- The lower court erred in holding that the parties to the contract of lease and to the four (4) promissory notes marked Exhibits "12", "14", "15", "16" and "17" are fictitious and that the alleged purpose of the defendant Halili in placing the said transactions in the names of fictitious parties was "to avoid openly committing an act prohibited by the above provisions (section 47) of the Revised Election Code."

- The lower court erred in holding that simply because "the transactions represented both in the promissory notes as well as in the contract of lease are financial accommodations extended by Governor Halili to Dr. Suntay, in connection with the gubernatorial election in the province of Bulacan," the said transactions are "simulated contracts" which are made in violation of the provisions of articles 1345 and 1346 of the new Civil Code, for a purpose contrary to law, morals, public order and public policy, being expressly prohibited by law.

- The lower court erred in holding that since the contract of lease and the four (4) promissory notes marked Exhibits "12", "14", "15", "16" and "17" are "illegal bargains" under the provisions of section 48 of the Revised Election Code, in relation to section 184 of the same Code, "Governor Halili is in pari delicto as well as plaintiff Dr. Suntay", and that therefore under articles 1411 and 1912 (1412) of the new Civil Code, defendant Halili could not recover on his counterclaims arising out of the aforesaid transactions.

- Even assuming, arguendo, that the parties are in pari delicto, still the lower court erred in not dismissing the plaintiff's complaint instead of rendering judgment in favor of "plaintiff Federico Suntay, declaring the promissory notes as well as the contract of lease null and void, as they were executed in violation of article 1409 of the new Civil Code and section 48 of the Revised Election Code" thereby in effect, giving its aid to the plaintiff, a party considered by the lower court to be in pari delicto.

- The lower court erred in giving credence to the testimony of the plaintiff.

- The lower court erred in not giving credence to, and holding in effect to be incompetent, the testimony of the witnesses for the defendants, particularly the testimony of the defendants Virgilio Ramos, Maximo Santiago and Graciano Queyquep.

- The lower court erred, and gravely abused its judicial discretion, in insisting on making an ocular and physical examination of the defendant Halili allegedly to determine whether or not the said defendant Halili was really physically and mentally incapable to be placed on the witness stand, as well as in refusing to hear and to accept the expert testimony of Dr. Jose Fernandez, director of Philippine Mental Hospital and the physician attending to the defendant Halili, that anything which may alarm the said defendant Halili, such as the ocular and physical examination of his person insisted upon by the lower court or any similar examination by physicians other than the one who used to attend to and treat him, might cause a fatal relapse.

- The lower court erred in not holding that plaintiff received from defendant Fortunato Halili the respective sums mentioned in the promissory notes, Exhibits "14", "15", "16" and "17".

- The lower court erred in not dismissing the plaintiffs complaint and in not rendering a decision granting the defendants' counterclaims. (Brief for the defendants-appellants, pp. a-f.)

Both appellants assailing the findings of fact made by the trial court; the amount sought to be collected by the plaintiff from the defendant as prayed in his complaint being P64,000 only; the total amount sought to be recovered by the defendants from the plaintiff in their counterclaim being P120,000 only; and the total sum sought to be recovered by both being less than P200,000, this Court has no appellate jurisdiction to decide this case.

Therefore, pursuant to section 31, in connection with sections 17 and 29, Republic Act No. 296, as amended, the case is remanded to the Court of Appeals for determination and judgment.

Bengzon, C. J., Labrador, Concepcion, Reyes, J. B. L., Paredes, and De Leon, JJ., concur.

Barrera and Dizon, JJ., took no part.

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