

**THE PHILIPPINE AMERICAN GENERAL INSURANCE COMPANY, INC.,
PLAINTIFF AND APPELLEE, VS. MANUEL MUTUC, DOROTEO Q.
MOJICA, AND FAUSTO S. ALBERTO, DEFENDANTS, FAUSTO S.
ALBERTO, DEFEN...**

G.R. No. L-19632. November 13, 1974

Ponente: FERNANDO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/35d8e32aeebe/>

FERNANDO, J.:

There is an obstacle, rather formidable in character, that stands in the way of the plea of appellant Fausto S. Alberto,[1] to have this Court reverse a lower court decision of February 14, 1962, holding him liable on an indemnity agreement. As pointed out therein, the language of his undertaking is clear and unmistakable and, therefore, leaves no alternative for a court except to enforce its terms. The attempt to impugn such a judgment based on the ground that the stipulation relied upon is contrary to morals and to public order and policy, while vigorously pressed, is none too successful. Accordingly, we affirm.

The facts as stipulated by the parties may be gleaned from the appealed decision. Thus: "On July 16, 1957, defendant Manuel C. Mutuc, as principal, and plaintiff, as surety, executed a surety bond in the amount of P1,000 in behalf of defendant Mutuc and in favor of the Maersk Line, in which the surety 'company guaranteed the faithful performance by said Manuel C. Mutuc of his duties in connection with his employment as crewmember of the vessel of the Maersk Line, and more particularly, that he would not desert said vessel while he was engaged as such crewmember while outside of the Philippines. To protect the plaintiff company, on July 17, 1957, in consideration of plaintiff's becoming surety of the defendant Manuel C. Mutuc, under the bond, *** the defendant Manuel C. Mutuc, Doreteo Q. Mojica, and Fausto S. Alberto, executed an indemnity agreement in favor of the plaintiff, *** The duration of the surety bond, *** was for the period beginning July 16, 1957 to July 17, 1958, but at the instance of the defendant, Manuel C. Mutuc, it was renewed for three successive one year periods, the last period of which was from July 17, 1960 to July 17, 1961. The prior consent of the defendant Fausto S. Alberto to the aforesaid renewal extension was not obtained by the defendant Manuel C. Mutuc or by the plaintiff. According to the letter of the Immigration and Naturalization Service, United States Department of Justice, *** Manuel C. Mutuc was not aboard the vessel M/S Merit Maersk when it departed from New York at 3:00 o'clock P.M. for Charleston, South Carolina, and was presumed to be a deserter. The Compania General de Tabacos de Filipinas which represented the Maersk Lines forwarded this letter to the plaintiff and asked for the remittance of the forfeited bond of P1,000. On October 6, 1960, the plaintiff wrote a letter to the defendants Doroteo Q. Mojica and Fausto S. Alberto demanding the payment of the amount of P1,000 in accordance with the indemnity agreement. On October 25, 1960, plaintiff paid the Tabacalera the sum of P5,000 in full settlement of the latter's claim against the bond. *** This action is for the recovery of the amount of P1,000 against the defendants Mojica and Alberto based on the indemnity agreement *** From the judgment against them by the Municipal Court, defendant Alberto appealed alleging that the renewal was made without his consent."[2]

The indemnity agreement was insofar as pertinent set forth therein in this wise: "[Indemnity]: – The undersigned

agree at all times to jointly and severally indemnify the [Company] and keep it indemnified and hold and save it harmless from and against any and all damages, losses, costs, stamps, taxes, penalties, charges and expenses of whatsoever kind and nature which the [Company] shall or may, at any time sustain or incur in consequence of having become surety upon this bond herein above referred to or any extension, renewal, substitution or alteration thereof, made at the instance of the undersigned or any of them, or any other bond executed on behalf of the undersigned or any of them; and to pay, reimburse and make good to the [Company], its successors and assigns, all sums and amount of money which it or its representatives shall pay or cause to be paid, or become liable to pay, on account of the undersigned or any of them, of whatsoever kind and nature, including 15% of the amount involved in the litigation or other matters growing out of or connected therewith, for and as attorney's fees, but in no case less than P25.00. It is hereby further agreed that in case of any extension or renewal of the bond we equally bind ourselves to the [Company] under the same terms and conditions as herein provided without the necessity of executing another indemnity agreement for the purpose and that we hereby equally waive our right to be notified of any renewal or extension of the bond which may be granted under this indemnity agreement. [Renewals, alterations and substitutions]: – The undersigned hereby empower and authorize the Company to grant or consent to the granting of any extension, continuation, increase, modification, change, alteration, and/or renewal of the original bond herein referred to, and to execute or consent to the execution of any substitution for said Bond with the same or different conditions and parties, and the undersigned hereby hold themselves jointly and severally liable to the Company for the Original Bond herein abovementioned or for any extension, continuation, increase, modification, change, alteration, renewal or substitution thereof, until the full amount including principal, interests, premiums, costs and other expenses due to the Company thereunder is fully paid up."[3]

The lower court after referring to the above stipulation as to "Renewals" which refers not to a single extension but to "any extension" agreed to in advance by defendant, now appellant, found for plaintiff, now appellee. As set forth in the decision: "the defendant having expressly empowered or authorized his principal to the granting of any extension, his liability under the indemnity agreement necessarily follows." [4] It is from that decision in favor of plaintiff that this appeal is taken. As set forth at the outset, there is no legal ground for a reversal.

1. Appellant was not compelled to enter into an indemnity agreement. He did so of his own free will. He agreed to hold himself liable for the amount therein specified. What is more, he did consent likewise to be so bound not only for the one year period specified but to any extension thereafter made, an extension moreover that could be had without his having to be notified. That was what the contract provided. He gave his plighted word. The terms were definite and certain. There was no ambiguity. All that was necessary was to see to its enforcement. The Civil Code explicitly provides: "If the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its interpretation shall control." [5] That was how it was worded under the Civil Code of Spain of 1899 formerly in force in this jurisdiction. [6]

A provision like the above exemplifies according to the leading case of *Perez vs. Pomar* [7] the principle that "the will of the contracting parties is law, . . ." [8] It is understandable then why in *Alburo vs. Villanueva*, [9] this Court affirmed that where the terms of a contract are "clear and explicit," they "do not justify an attempt to read into it any alleged intention of the parties other than that which appears upon its face." [10] As was so categorically put forth in *Hernandez vs. Antonio*: [11] "The literal sense of its stipulations must be observed." [12] It was so succinctly observed by Chief Justice Arellano in *Velasco vs. Lao Tam*, [13] that such is the "first rule on the matter ***" [14] There is this excerpt from *Chinchilla vs. Rafel*: [15] "That the terms employed in the contract Exhibit 1 are clear and leave no doubt as to the true genuine intention of the contracting parties, it is sufficient, in the opinion of this court, to demonstrate it by a simple reading of the document Exhibit 1 from the wording of which it is not possible to find any meaning contrary or opposed to the evident intention of the contracting parties,

Rafel and Verdaguer. *** From the literal wording of the document in question, it is not possible under any circumstance whatsoever to infer a contract distinct from that which really and truly appears to have been specified in the said document." [16] Thus, contracts, according to *Feliciano vs. Limjoco*, [17] which are the private laws of the contracting parties, should be fulfilled according to the literal sense of their stipulations, if their terms are clear and leave no room for doubt as to the intention of the contracting parties, for contracts are obligatory, no matter what their form may be, whenever the essential requisites for their validity are present. [18] A terse summary of the matter is that of the then Justice, later Chief Justice, Moran: "A writing must be interpreted according to the legal meaning of its language." [19]

2. There was no other valid conclusion that could be reached by the lower court. Even appellant must have seen that so it ought to be. That would account for the contention in his brief that the stipulation as to "any extension" without the need for his being notified was "null and void being contrary to law, morals, good customs, public order or public policy." [20] That is a pretty tall order. There is more than just a hint of hyperbole in such a sweeping allegation. Appellant though ought to have realized that assertion is not the equivalent of proof. A little more objectivity on his part should bring the realization that no offense to law or morals could be imputed to such a contractual provision. As to good customs, that category requires something to substantiate it. A mere denunciatory characterization certainly cannot suffice. That leaves public order or public policy. It is difficult to follow appellant's train of reasoning. He would premise it on the indemnity agreement being a contract of adhesion. He was not at all compelled to agree to it. He was free to act either way. He had a choice. It may be more offensive to public policy, let alone morals or good customs, if thereafter he would be allowed to go back on his word. Besides the policy underlying such a stipulation in this litigation is clear. What was guaranteed was the faithful performance of defendant Mutuc of his employment as a member of the crew of a vessel plying overseas. What was more logical considering the difficulty of contacting him then for the party concerned, here appellant, to agree in advance to any extension without the need for notification. So the parties agreed. There could be thus nothing that did offend public policy or public order when such an arrangement was explicitly provided for. Appellant, clearly, has not made out a case for reversal. [21]

WHEREFORE, the lower court decision of February 14, 1962 is affirmed. Costs against appellant.

Antonio, Fernandez, and Aquino, JJ., concur.

Barredo, J., concurs because appellant expressly authorized appellee to grant extensions.

[1] He was one of the defendants in this action along with Manuel Mutuc and Doroteo Mojica.

[2] Decision, Record on Appeal, 18-20.

[3] Ibid, 20-22.

[4] Ibid, 23.

[5] Article 1370, first paragraph of the Civil Code.

[6] Cf. Article 1281, first paragraph of the Civil Code of Spain.

[7] 2 Phil. 682 (1903).

[8] Ibid, 687.

[9] 7 Phil. 277 (1907).

[10] Ibid, 279. Cf. *Azarraga vs. Rodriguez*, 9 Phil. 637 (1908); *Aniversario vs. Ternate*, 10 Phil. 53 (1908);

Palacios vs. Municipality of Cavite, 12 Phil. 140 (1908); Jimeno vs. Gacilago, 14 Phil. 16 (1909); Reyes vs. Limjap, 15 Phil. 420 (1910).

[11] 16 Phil. 506 (1910).

[12] Ibid, 510.

[13] 23 Phil. 495 (1912).

[14] Ibid, 497. Cf. De Lizardi vs. Yaptico, 30 Phil. 211 (1915); Legarda vs. Zarate, 36 Phil. 68 (1917); Legarda Koh vs. Ongsiaco, 36 Phil. 185 (1917).

[15] 39 Phil. 888 (1918).

[16] Ibid, 903.

[17] 41 Phil. 147 (1920).

[18] Ibid, 158-159. Cf. Abolafia vs. Liverpool and London and Globe Insurance Co., 46 Phil. 424 (1924); Tolentino and Manio vs. Gonzalez Sy Chiam, 50 Phil. 558 (1927); Bilang vs. Erlanger and Galinger, 66 Phil. 627 (1938); Jollye vs. Barcelon, 68 Phil. 164 (1939).

[19] Jardenil vs. Salas, 73 Phil. 626 (1942). Cf. Lacson vs. Court of Appeals, 109 Phil. 462 (1960); Development Bank of the Philippines vs. National Merchandising Corp., L-22957, August 31, 1971, 40 SCRA 624.

[20] Appellant's Brief, 14.

[21] Cf. Peoples Bank and Trust Company vs. Tambunting, L-29666, October 29, 1971, 42 SCRA 119.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.