

ADRIANO GOLEZ, PLAINTIFF AND APPELLANT, VS. CARMELO S. CAMARA, DEFENDANT AND APPELLEE.*G.R. No. L-4460. October 31, 1953*

Ponente: PARAS, C.J.

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This is an appeal by the plaintiff, Adriano Golez, from a judgment of the Court of First Instance of Negros Occidental, the dispositive part of which reads as follows: "Wherefore, the court renders judgment: 1. Declaring that plaintiff Adriano Golez owes defendant Camara P76,725.90 up to September 30, 1950; 2. Entitling him to conveyance of the undivided portions of Haciendas Buenavista and Aurelia which Camara acquired by way of deed of purchase from the PNB, by virtue of the contract Exhibit B of promise to sell upon his payment to Carmelo S. Camara of the sum of P76,725.90 with interest of 12 per cent from October 1, 1950 until the date of payment, within ninety (90) days from the promulgation of this decision; 3. Requiring and ordering defendant Carmelo S. Camara to issue a valid and registrable deed of conveyance of the undivided portions of Haciendas Buenavista and Aurelia obtained by him from the PNB, as per Exhibit B, upon the payment by plaintiff Adriano Golez of the said sum of P76,725.90 in the manner stated hereinabove; and 4. Declaring the contract of lease of the undivided portions of Haciendas Buenavista and Aurelia belonging to Adriano Golez, Jose J. Locsin and Augusto J. Locsin, as terminated within 90 days from the promulgation of this decision. The parties are to pay the fees of the Commissioners pro rata, without any special pronouncement as to costs."

Prior to the year 1930 the appellant owned several parcels of land situated in the municipality of Isabela, Province of Negros Occidental, jointly with Jose J. Locsin, Augusto J. Locsin, Vicente Jimenez Yanson, Isidoro Jimenez, Filomena Jimenez and Aurelia Jimenez. Two of the parcels are known as Hacienda Aurelia and Hacienda Buenavista. In civil case No. 4512 of the Court of First Instance of Negros Occidental, the Philippine National Bank obtained a money judgment against Vicente Jimenez Yanson, Isidoro Jimenez and Aurelia Jimenez, and pursuant thereto the provincial sheriff, on December 29, 1930, sold at public auction the rights and interest of the three judgment debtors in Hacienda Aurelia and Hacienda Buenavista, at which the Philippine National Bank became the purchaser. Subsequently the judgment debtors waived their right of redemption in favor of the appellant. In December, 1931, the Philippine National Bank executed in favor of the defendant-appellee, Carmelo S. Camara, a contract promising to sell its rights over Hacienda Aurelia and Hacienda Buenavista for P55,160, P5,516 to be paid in cash on or before March 31, 1932, and the balance of P49,644 by means of annual delivery of 1,000 piculs of centrifugal sugar beginning with the 1932-1933 harvest, the proceeds to be applied first to the interest of eight per cent per annum and then to the capital. In this contract the three judgment debtors ceded to the appellee their right of redemption. On December 31, 1931, a contract of lease was executed by the appellant, jointly with Jose J. Locsin and Augusto J. Locsin, whereby they leased to the appellee their undivided shares in Hacienda Aurelia and Hacienda Buenavista, the condition being that 1,000 piculs of sugar produced therein should be delivered annually to the Philippine National Bank in payment of the purchase price of P55,160 stipulated in the contract between the bank and the appellee. These sugar deliveries represented, on the one hand, the rentals due from the appellee under the lease and, on the other, the instalments to the bank "para la compra

de las fincas segun aqui se conviene, estipula y otorga en esta escritura por y para el Sr. Adriano Golez." The contract of lease further provided that the appellee shall convey to the appellant the portions acquired by the bank under the auction sale and which the latter promised to sell to the appellee, after the latter shall have obtained title from the bank upon the termination of the lease, and after the appellant shall have reimbursed the appellee for what he may have paid upon account of the purchase price.

The appellee admittedly made the down payment of P5,516 and delivered annually, beginning with the crop year 1932-1933, various quantities of centrifugal sugar to the Philippine National Bank, except in the crop year 1940-1941 due to the outbreak of the last war. The stipulated purchase price of P55,160 was not fully paid as late as January, 1945, when the outstanding balance was still P35,541.18. This was, however, paid by the appellee to the bank in Japanese military notes on January 24, 1945. Subsequently the bank executed the corresponding deed of sale in favor of the appellee.

The appellant seeks to recover from the appellee the rights over Hacienda Aurelia and Hacienda Buenavista thus acquired by him from the Philippine National Bank, under the theory that the stipulated purchase price of P55,160 should have been fully covered by the 1,000 piculs of sugar which the appellee covenanted under the contract of lease to deliver to the bank out of the produce derived from the two farms annually beginning with the crop year 1932-1933 and for eight consecutive years thereafter, extendible for another two years; and the appellant capitalizes the fact that the appellee had defaulted in his agreement, because in the crop year 1934-1935, he delivered to the bank only 485.27 and 270.95 piculs; in the crop year 1935-1936 only 961.03 piculs; in the year 1936-1937 only 880.52 piculs; in the year 1937-1938 only 925.22 piculs; in the year 1939-1940 only 944.55 piculs, and in the year 1940-1941 none. There is no question that out of the P5,616 paid in cash by the appellee to the Philippine National Bank, the appellant had returned only the sum of P3,560.

It is argued by the appellant that, under his contract of lease with the appellee, he is required to pay interest of twelve per cent, compounded annually, only on the down payment of P5,516 and any other amount actually paid in cash by the appellee to the bank over and above the 1,000 piculs of sugar called for in the lease. On the other hand, the theory of the appellee is that the appellant is bound to pay twelve per cent compound interest not only on P5,516 but also on any unpaid balance of the purchase price of P55,160.

The sum of P76,725.90, with interest of twelve per cent from October 1, 1950, which the appellant is required under the appealed decision to pay to the appellee before being entitled to the conveyance of the undivided portions in question, was arrived at by the trial judge in this wise: "As of December 31, 1941, Golez owed Camara P52,037.34 including interests, simple. The capital on said date was P43,313.27 at 12 per cent interest. The simple interests at 12 per cent from January 1, 1946 to September 30, 1950 is P24,688.56, the corresponding¹ simple interests from January 1, 1942 to December 31, 1945 being condoned on equitable grounds on account of the last World War. This sum of P24,688.56, added to the balance of P52,037.34 as of December 31, 1941, gives a total of P76,725.25."

From all the circumstances and equities of the case, we are led to the conclusion that the relation between the appellant and the appellee was in effect one whereby the appellee accommodated the appellant in the sense that he assumed the obligation of paying the price necessary to redeem the undivided portions of Haciendas Aurelia and Buenavista from the Philippine National Bank, under the terms hereinbefore already noted, namely, that P5,516 was the down payment and the balance was payable by annual installments of 1,000 piculs of sugar to the bank. The appellee, in return, was given by the appellant a lease-hold over the latter's undivided portions of the two farms, in addition to the possession of the portions already acquired by the bank, with the right of course to receive and enjoy the produce thereof, after deducting only 1,000 piculs of sugar to be delivered to the bank yearly beginning with the crop year 1932-1933. No other rental was paid to the owners. Besides, the appellant

admits his obligation to pay compound interest of twelve per cent on the sum of P5,516, representing the down payment made by the appellee to the bank, and on other amounts paid upon account for the purchase price.

In the contract of lease between the appellant and the appellee, the following stipulation is contained: "Que del mismo modo, sera una deuda y obligacion del mismo Sr. Adriano Golez a favor del Sr. Carmelo S. Camara toda otra cantidad remanente y balance no cubierta despues por la aplicacion a los ingreso de los mil picos (1,000 pp) y de los ochenta picos (80 pp) de azucar centrifugado anuales provisto bajo la condicion 9.^a, en relacion con la 10.^a en de este contrato, tambien con intereses que correspondieron bajo el mismo tipo de doce por ciento anual, y todo ello mientras la deuda no fuese enteramente pagada o totalmente saldada por el Sr. Adriano Golez a favor del Sr. Carmelo S. Camara."

It is the contention of the appellee, sustained by the trial court, that the appellant is bound to pay twelve per cent interest on any unpaid balance due to the Philippine National Bank, after deducting the proceeds of the stipulated 1,000 piculs of sugar delivered every year to the bank, in addition to the eight per cent interest (later reduced to 6 per cent) charged by the bank on the balance of P49,644. Upon the other hand it is argued by the appellant that he should not pay interest on said balance because interest thereon was already collected by the bank.

Our opinion is that the appellant should pay interest of twelve per cent per annum compounded annually on the down payment of P5,516 and on any amount actually paid by the appellee to the bank over and above the proceeds of the 1,000 piculs of sugar. We are influenced by the fact that the bank had already charged eight per cent interest (subsequently reduced to 6 per cent) on the unpaid balance of P49,644, and it would be quite unreasonable to collect from the appellant another twelve per cent interest. This would not deprive the appellee of his right to earn interest on his investment, since his only actual cash disbursements to the bank, were, first, the down payment of P5,516 and, secondly, the sum of P35,541.18 paid by him on January 24, 1945, and the latter payment in fact enabled him to receive a conveyance from the bank of the undivided portions of Haciendas Aurelia and Buenavista, involved therein. Indeed, this amount of P35,541.18 must be taken as the unpaid balance due to the bank, including accumulated interest, after crediting the appellee with whatever sugar he was able to deliver under the contract of lease.

There is now no question as to the right of the appellant to redeem the properties in question from the appellee, the latter not having appealed, and the only point that arises refers to the amount which the appellant has to pay. From the foregoing observations we are inclined to hold that the appellant should pay to the appellee the sum of P5,516, less P3,560 already paid on said item, or P1,956, with 12 per cent interest compounded annually from January, 1932, (it being admitted under appellant's evidence—transcript, pp. 37-388—that the sum of P3,560 was paid at the commencement of the lease contract executed on December 31, 1931), plus the sum of P55,541.18. The latter amount, which was paid by the appellee on January 24, 1945, in Japanese military notes must be reduced to actual Philippine currency under the Ballantyne Scale, since said disbursement could have been repaid in the same currency by the appellant during the Japanese occupation. After being so reduced, it shall also bear compound interest of twelve per cent per annum from January 24, 1945.

We cannot agree to appellant's contention that the payment of P35,541.18 paid by the appellee to the bank on January 24, 1945, must be deemed compensated by the appellee's failure to deliver the 1,000 piculs of sugar corresponding to the crop year 1941-1942, since as correctly found by the trial court, said failure was due to the last war. Neither may the appellee be charged with having partially defaulted in his yearly deliveries of 1,000 piculs, because the record shows that although the appellee had placed at the disposal of the bank the annual rental of 1,000 piculs of sugar, the bank was unable to get the proceeds of the full quantity in view of the Sugar Limitation Act.

Appellant's claim for damages in the sum of P1,000 and for attorney's fees in the sum of P5,000, is untenable, since the appellee cannot be said, and has not in fact been proved, to have violated the contract of lease. Neither may we sustain appellant's prayer that said lease be declared terminated after the crop year 1941-1942, especially because there is evidence to the effect that appellant's obligation in connection with Hacienda San Luis in favor of Antero Mijares, Jr. (subsequently acquired by the appellee) was merged in appellant's contract of lease with the appellee over Haciendas Aurelia and Buenavista, and this extended said lease until all of appellant's obligation shall have been settled.

Wherefore, it being understood that the appellant is indebted to the appellee upon account of the repurchase price of the land in question only in the sums of P1,956, with twelve per cent compound interest from January, 1932, and P296.18 with compound interest of twelve per cent from January 24, 1945, which indebtedness should first be settled by the appellant before he is entitled to a conveyance of the land in question, the appealed judgment is in all other respects affirmed, except further that the 90-day period fixed therein shall be computed from the date this decision becomes final. So ordered without costs.

Pablo, Bengzon, Padilla, Tuason, Montemayor, Jugo, Reyes, Bautista Angelo and Labrador, JJ., concur.

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