

CRISTOBAL ROÑO, PETITIONER, VS. JOSE L. GOMEZ ET AL., RESPONDENTS.

G.R. No. L-1927. May 31, 1949

Ponente: BENGZON, J.

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BENGZON, J.:

This petition to review a decision of the Court of Appeals was admitted mainly because it involves one phase of the vital contemporary question: the repayment of loans given in Japanese fiat currency during the last war of the Pacific.

On October 5, 1944, Cristobal Roño received as a loan four thousand pesos in Japanese fiat money from Jose L. Gomez. He informed the latter that he would use the money to purchase a jitney; and he agreed to pay that debt one year after date in the currency then prevailing. He signed a promissory note of the following tenor:

"For value received, I promise to pay one year after date the sum of four thousand pesos (P4,000) to Jose L. Gomez. It is agreed that this will not earn any interest and the payment will be made in currency that will be prevailing by the end of the stipulated period of one year."

"In consideration of this generous loan, I renounce any right that may come to me by reason of any postwar arrangement, of privilege that may come to me by legislation wherein this sum may be devalued. I renounce flatly and absolutely any condition, term, right or privilege which in any way will prejudice the right engendered by this agreement wherein Atty. Jose L. Gomez will receive by-right his money in the amount of P4,000. I affirm that the legal tender, currency or any medium of exchange, or money in this sum of P4,000 will be paid by me to Jose L. Gomez one year after this date, October 5, 1944."

On October 15, 1945, i. e, after the liberation, Roño was sued for payment in the Laguna Court of First Instance. His main defense was that his liability should not exceed the equivalent of 4,000 pesos "mickey mouse" money—and could not be 4,000 pesos Philippine currency, because the contract would be void as contrary to law, public order and good morals.

After the corresponding hearing, the Honorable Felix Bautista Angelo, Judge, ordered the defendant Roño to pay four thousand pesos in Philippine currency with legal interest from the presentation of the complaint plus costs.

On appeal the Court of Appeals in a decision written by Mr. Justice Jugo, affirmed the judgment with costs. It declared that Roño being a mechanic who knew English was not deceived into signing the promissory note, and that the contents of the same had not been misrepresented to him. It pronounced the contract valid and enforceable according to its terms and conditions.

One basic principle of the law on contracts of the Civil Code is that "the contracting parties may establish any pacts, clauses and conditions they may deem advisable, provided they are not contrary to law, morals or public order." (Article 1255.) Another principle is that "obligations arising from contract shall have the force of law between the contracting parties and must be performed in accordance with their stipulations" (Article 1091).

Invoking the above proviso, Roño asserts this contract is contrary to the Usury Law, because on the basis of calculations by Government experts he only received the equivalent of one hundred Philippine pesos and now he is required to disgorge four thousand pesos or interest greatly in excess of the lawful rates.

But he is not paying interest. Precisely the contract says that the money received "will not earn any interest." Furthermore, he received four thousand pesos; and he is required to pay four thousand pesos exactly. The increased intrinsic value and purchasing power of the current money is consequence of an event (change of currency) which at the time of the contract neither party knew would certainly happen within the period of one year. They both elected to subject their rights and obligations to that contingency. If within one year another kind of currency became legal tender, Gomez would probably get more for his money. If the same Japanese currency continued, he would get less, the value of Japanese money being then on the downgrade.

Our legislation has a word for these contracts: aleatory. The Civil Code recognizes their validity (see art. 1790 and Manresa's comment thereon) on a par with insurance policies and life annuities.

The eventual gain of Gomez in this transaction is not interest within the meaning of Usury Laws. Interest is some additional money to be paid in any event, which is not the case here, because Gomez might have gotten less if the Japanese occupation had extended to the end of 1945 or if the liberation forces had chosen to permit the circulation of the Japanese notes.

Moreover, Roño argues, the deal was immoral because taking advantage of his superior knowledge of war developments Gomez imposed on him this onerous obligation. In the first place, the Court of Appeals found that he voluntarily agreed to sign and signed the document without having been misled as to its contents and "in so far as knowledge of war events was concerned" both parties were on "equal footing." In the second place although on October 5, 1944 it was possible to surmise the impending American invasion, the date of victory or liberation was anybody's guess. In the third place there was the possibility that upon re-occupation the Philippine Government would not invalidate the Japanese currency, which after all had been forced upon the people in exchange for valuable goods and property. The odds were about even when Roño and Gomez played their bargaining game. There was no overreaching, nor unfair advantage.

Again Roño alleges it is immoral and against public order for a man to obtain four thousand pesos in return for an investment of forty pesos (his estimate of the value of the Japanese money he borrowed). According to his line of reasoning it would be immoral for the homeowner to recover ten thousand pesos (P10,000), when his house is burned, because he invested only about one hundred pesos for the insurance policy. And when the holder of a sweepstakes ticket who paid only four pesos luckily obtains the first prize of one hundred thousand pesos or over, the whole business is immoral or against public order.

In this connection we should explain that this decision does not cover situations where borrowers of Japanese fiat currency promised to repay "the same amount" or promised to return the same number of pesos "in Philippines currency" or "in the currency prevailing after the war." There may be room for argument when those litigations come up for adjudication. All we say here and now is that the contract in question is legal and obligatory.

A minor point concerns the personality of the plaintiff, the wife of Jose L. Gomez. We opine with the Court of Appeals that the matter may involve a defect in procedure which does not amount to prejudicial error.

Wherefore the appealed judgment will be affirmed with costs. So ordered.

Moran, C. J., Ozaeta, Tuason, Montemayor, and Reyes, JJ., concur.

CONCURRING

FERIA, J.:

I concur in the decision of the majority, with the additional reason that in the case of Hilado vs. De la Costa, G. R. No. L-150,[1] decided on April 30, 1949, we have already held the following in support of the decision in this case:

"Even if we consider arguendo the deposits under consideration as a loan from the plaintiff to the defendant bank, the deposit liability of the latter to the former after liberation for the credit balance of P15,023.01 as of December 26, 1944, would be less than P200 in Philippine currency, and therefore could not make up the difference between the lowest minimum balance of P578.37 and the sum of P3,678.27 in which, according to the lower court, the defendant bank is indebted to the plaintiff. Contracts stipulating for payments presumably in Japanese war notes may be enforced in our courts after the liberation to the extent of the just obligation of the contracting parties, and, as said notes have become worthless, in order that justice may be done and the party entitled to be paid can recover their actual value in Philippine currency, what the debtor or defendant bank should return or pay is the value of the Japanese Military notes in relation to the peso in Philippine currency obtaining on the date when and at the place where the obligation was incurred, unless the parties had agreed otherwise. In the absence of evidence of the value of the Japanese war notes in terms of Philippine currency, and for the purpose of this decision, we may adopt the Bailantine scale of values for the Commonwealth (now Republic) peso in terms of the peso in Japanese war notes during the occupation, * * *."

The writer of the dissenting opinion quotes the above-quoted decision in support of his conclusion—that payment of obligations contracted in Japanese war notes during the Japanese occupation must be paid after the liberation at its value in Philippine currency, "and in the absence of evidence of the value of the Japanese war notes in terms of Philippine currency we may adopt the Bailantine scale of values." The dissenter overlooked that in said Hilado case we have ruled, as can be seen from the above-quoted excerpt of our decision, that "what the debtor should pay is the value of the Japanese war notes in relation to the peso of Philippine currency obtaining on the date when and at the place where the obligation was incurred, unless the parties had agreed otherwise." In the present case there is an agreement to the contrary between the parties to the effect that "the payment will be made in currency that will be prevailing at the end of the stipulated period of one year;" and the currency prevailing at the end of the stipulated period was Philippine currency.

Besides, in the same communication which was submitted to the President of the Commonwealth, Mr. Bailantine says the following:

"In determining the present liability of the debts in Commonwealth peso with respect to debts incurred during the occupation and still outstanding in whole or part, the unpaid portion of the debt might be revalued on a basis of the ratio that the Japanese war note here to the Commonwealth peso on the date the debt was originally incurred. It is not believed, however, that debts incurred during the occupation which specifically provide for payment in a consideration other than currency, should be affected by the provisions of any legislative enactment."

CONCURRING

PERFECTO, J.:

We are of opinion that there is nothing immoral or against the law or public order in the promissory note in question. In view of the uncertainty of life during those days, the lender took the chance of not being able to collect any part of the loan, either because he or all the members of his family might have been liquidated or the

debtor might have been killed.

In writing this brief concurring opinion, our main purpose is to take exception to the pronouncement in the majority decision defending the morality of sweepstakes. We have already publicly condemned in more than one occasion the sweepstakes undertaken by the government as highly immoral as Jai-alai, horse racing, cock-fighting, prize fighting, and the other forms of gambling that are expressly prohibited and punished by law. There is no reason why we are to change now this point of view. Sweepstakes are not only immoral but highly demoralizing to the people, and the government policy of trying to raise revenue through such form of gambling is absolutely defenseless.

DISSENTING

PARAS, J.:

On October 5, 1944, Cristobal Roño obtained a loan of P4,000 (in Japanese war notes) from Jose L. Gomez, as evidence of which Roño executed the following promissory note:

"For value received, I promise to pay one year after date the sum of four thousand pesos (P4,000) to Jose L. Gomez. It is agreed that this will not earn any interest and the payment will be made in currency that will be prevailing by the end of the stipulated period of one year.

"In consideration of this generous loan, I renounce any right that may come to me by reason of any postwar arrangement, or privilege that may come to me by legislation wherein this sum may be devalued. I renounce flatly and absolutely any condition, term, right or privilege which in any way will prejudice the right engendered by this agreement wherein Atty. Jose L. Gomez will receive by right his money in the amount of P4,000. I affirm that the legal tender, currency or any medium of exchange, or money in this sum of P4,000 will be paid by me to Jose L. Gomez one year after this date, October 5, 1944."

The loan was payable one year after October 5, 1944. Upon default of Cristobal Roño, an action was filed against him by Jose L. Gomez and his wife, Sinforosa A. de Gomez, on October 15, 1945, in the Court of First Instance of Laguna to enforce the collection of the sum of P4,000 in Philippine currency. Judgment was rendered against Cristobal Roño who, however, appealed to the Court of Appeals. The latter court affirmed the judgment of the Court of First Instance of Laguna.

The principal defense set up by Roño is that the note is contrary to law, morals or public order. This defense was flatly overruled in the court of origin, seconded by the Court of Appeals. The judgment of the latter court is now before us upon appeal by certiorari of Cristobal Roño.

The situation is one in which a borrower of P4,000 in Japanese war notes is made to pay the same amount in currency of the present Philippine Republic. In other words, the borrower of P4,000 during the latter part of the Japanese military occupation which, in ordinary practical terms, could hardly purchase a cavan of rice, is now compelled to pay P4,000 in actual Philippine currency which, in the same ordinary practical terms, may be held equivalent to at least 100 cavan of rice. Said borrower is compelled to do so, merely because in his promissory note he agreed to pay after one year in pesos of the Philippine currency, and expressly waived any postwar arrangement devaluating the amount borrowed in October, 1944.

The Court of Appeals held that the commitment of Cristobal Roño to settle his indebtedness in the legal tender at the time of payment is not against the law, morals or public order. We readily acquiesce in the proposition that the contract is not contrary to law or public order, for we are aware of no statute or public policy which prohibits a person from bringing about or causing his own financial reverses. But we are of the opinion that, if enforced to the

letter, it is against morals. If the contract was entered into in times of peace, its obligations should have the force of law between the parties and must be performed in accordance with their stipulations (art. 1091, Civil Code). But when as in the case at bar, the borrower had to obtain a loan during war time, when living conditions were abnormal and oppressive, everything was uncertain, and everybody was fighting for his survival, our conscience and common sense demand that his acts be judged by compatible standards.

The Court of Appeals found that everybody was aware of the developments of the war outside of official propaganda and that, in so far as knowledge of war events is concerned, Roño was more or less on an equal footing with Gomez. This means that all knew the bombings by the American air forces of various parts of the Islands in September, 1944, and of the decisive defeats of the Axis powers in Europe, and that the mighty forces of the Allies would soon, as in fact they did, concentrate on and crush Japan, with the result that the Japanese war notes would accordingly become worthless. It may of course be supposed that Roño knowingly bound himself to his pact. But this is true merely in theory. Although, as found also by the Court of Appeals, Roño was not entirely an ignorant man because he is a mechanic and knows English, the fact nevertheless remains that the lender, Jose L. Gomez, was a lawyer, and the exaggerated way the promissory note is worded plainly shows that the latter must have thoroughly studied the transaction with Roño and imposed the conditions evidenced therein to his one-sided advantage. It is needless to say that borrowers are always at the mercy of unscrupulous money lenders. "Necessitous men are not, truly speaking, free men; but, to answer a present emergency, will submit to any terms that the crafty may impose upon them." (Marquez vs. Valencia, 77 Phil., 782, quoting Villa vs. Santiago, 38 Phil., 157, 164.) We cannot believe, as intimated in the testimony of Sinforosa A. de Gomez (wife of Jose L. Gomez), that Roño informed them that he would use the money to purchase a jitney, for the simple reason that, in view of the inflated value of the Japanese war notes in October, 1944, the amount of P4,000 could not possibly purchase a jitney. At any rate, even accepting the conjecture that said amount was invested by Roño in his business, the circumstance still makes him a necessitous man that had to submit to the terms of his lender. That a contract like the one in question is shocking to the conscience and therefore immoral becomes patent when we resort to the example of a borrower of P2,000 just before the liberation, when a kilo of sugar already cost P2,000, being compelled to pay the same in Philippine currency now when a kilo of sugar hardly costs P0.50. Where is the conscience of anyone who will collect P2,000 for a loan of virtually fifty centavos?

The Court of Appeals argued that the parties took equal risks, since it was impossible to predict the exact time at which the Philippines would be liberated and that, supposing that the liberation had been delayed for more than one year, Gomez might have been the loser and Roño the winner, for the Japanese currency might have further diminished in value. To this we would answer that Gomez would then be paid in the same currency that was borrowed and during the same war time when the loan was extended. This would not be unusual, as the parties are still under the very environments that surrounded the execution of the contract.

In another case now submitted to us for decision (G. R. No. L-1826), Jose L. Gomez is also featured as having granted loans to one Miguela Tabia during the Japanese occupation, which goes to demonstrate that Gomez was more or less a professional money lender who would take advantage of other's pressing needs, it appearing that in said case the contract had to be in the nature of a sale with right of repurchase, providing that the redemption was to be made at the same price (*sa ganito ding halaga*) of the purchase. Luckily, however, for the borrower Miguela Tabia, the Court of Appeals (through another division) only sentenced—and we think correctly—Tabia to pay an amount in Philippine currency equivalent to the obligation in accordance with the Ballantine table.

We are sure that at the present time Gomez, or anybody for that matter, will not dare lend P4,000 to one belonging to the class of Roño without interest and security. The record does not reveal any special relationship between Gomez and Roño that can justify the apparent "generosity" of the former. The point that we want to underscore is

that the transaction in question was made possible, undoubtedly because P4,000 in October, 1944, represented so little an actual value that Roño (or any of his kind) did not hesitate to borrow some such amount, which Gomez (or any of his kind) did not in turn lose time to give in the desire of converting what would soon be valueless into good Philippine money.

Roño should not altogether be released from his obligation under the promissory note, for that would also be unconscionable; but he should be freed from the burden of returning the full P4,000 in actual Philippine currency. In other words, Roño's contract should be considered merely as one for a payment presumably in Japanese war notes which may be enforced in our courts after the liberation to the extent of his just obligation, at its actual value in Philippine currency and, in the absence of evidence of the value of the Japanese war notes in terms of Philippine currency, we may adopt the Balianine scale of values (*Hilado vs. De la Costa*, 83 Phil., 471), under which P4,000 in October, 1944, are equivalent to P100, Philippine currency.

The appealed decision should, therefore, be reversed and Cristobal Roño sentenced to pay to Jose L. Gomez and his wife only the sum of P100, with legal interest from the date of the filing of the complaint, plus the costs.

PABLO, M.:

Concurro con esta opinion.

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