

REPUBLIC OF THE PHILIPPINES, AND/OR NATIONAL MARKETING CORPORATION, PETITIONERS, VS. HON. GAUDENCIO CLORIBEL, AS JUDGE OF THE COURT OF FIRST INSTANCE OF MANILA, BRANCH VI, JOSE ...*G.R. No. L-27905. December 28, 1970*

Ponente: VILLAMOR, J.

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Original action of certiorari, with prayer for a writ of preliminary injunction, to annul the order of July 5, 1967, issued by respondent Judge in Civil Case No. 38224 of the Court of First Instance of Manila, as well as all processes in connection with the said order. On August 15, 1967, this Court issued a restraining order temporarily enjoining respondents and their agents or representatives from enforcing the above-mentioned order of July 5th and the writ of execution or other processes issued in pursuance thereof, more particularly from implementing the NAMARCO-Aguilar Trade Assistance Agreement.

On October 24, 1958, a petition for prohibition and injunction, amended on January 5, 1959, to include damages, was filed by the Republic of the Philippines and/or the Central Bank of the Philippines against Pedro Hernaez, as Secretary of Commerce and Industry, several other government officials, and Bienvenido Y. Aguilar, in Civil Case No. 38224 of the Court of First Instance of Manila, seeking to enjoin the respondents and all persons actively under their direction from releasing the consumers and producers goods and commodities imported by respondent Aguilar under a license issued to him by the No-Dollar Import Office of petitioner Central Bank of the Philippines. The petitioners' claims against Aguilar were 'as follows:

“(a) Declaring that the shipments of Philippines commercial coconut oil in the quantity of approximately 4,801 long tons and with a negotiated value of approximately \$823,405.76 and the importation of collateral imports consisting of consumers and producers goods as listed and described in Annex 'P' hereof, were done, executed and made by respondent Bienvenido Aguilar thru fraudulent, illegal, malicious and/or criminal means and misrepresentations;

“(b) That by reason of said fraudulent, malicious, illegal and/or criminal acts, transactions and misrepresentations of respondent Bienvenido Aguilar, the petitioners have suffered irreparable prejudice and damages and losses in the total sum of Six Million Pesos (P6,000,000.00) which said respondent Bienvenido Aguilar should be liable for and must pay to the petitioners;

“(c) That since the abovementioned collateral imports, consisting of consumers and producers goods as listed in Annex 'P' hereof, are constitutive of or equivalent to the dollar proceeds which have been unlawfully, maliciously, fraudulently and/or criminally withdrawn from the disposition of the petitioners, said goods should be declared belonging and accruing to and shall be taken, seized, and confiscated by petitioners;

“(d) Declaring that the Memo-directive of respondent Secretary of Commerce Pedro C. Hernaez dated October 21, 1958 (Annex 'U') and the letter dated October 22, 1958 of respondent Carlos Quirino (Annex 'V') have

been issued in clear violation of the law and/or without jurisdiction or with grave abuse of discretion and therefore illegal and void; and

"(e) To perpetually restrain any and/or all of respondents from releasing or committing any act or acts tending or leading to the release to respondent Bienvenido Y. Aguilar or to his agents, employees; re-presentatives and/or other persons under respondents' direction, the above-mentioned imported collateral producers and consumers goods which must be delivered to the petitioners."

Subsequently, however, the petitioners agreed to the release of the goods on the undertaking of surety bonds in the total amount of P135,000.00, the approximate value of the goods so imported.

After trial, the court rendered judgment on July 1, 1965, the dispositive portion of which reads:

"WHEREFORE, premises considered, the petition and/or amended petition is hereby DISMISSED, and on the counterclaim, the petitioner Central Bank of the Philippines is adjudged to pay to the respondent Bienvenido Y. Aguilar the sum of P815,418.79, representing storage charges due to delay in the delivery of the goods in view of their continued detention; the sum of P18,183.980 representing demurrage expenses; the sum of P744,000.00, representing damages due to pilferage during detention of goods; the sum of P1,512,000.00, representing unrealized profits; the sum of P67,021.34, representing premiums on the surety bonds filed by respondent Aguilar to discharge the writ of preliminary injunction; the sum of P300,000.00 as attorney's fees; plus the sum of P100,000.00 as exemplary damages, and to pay the costs.

"The counterclaim insofar as the Republic of the Philippines is concerned is dismissed for lack of merit.

"The bonds given by respondent Bienvenido Y. Aguilar are ordered cancelled, and the sureties thereon discharged from further liability.

"SO ORDERED."

In due time, a notice of appeal to the Supreme Court was filed with the lower court by petitioners Republic and Central Bank. Prior, however, to the transmittal of the record of the case to this Court, the parties arrived at an amicable settlement, and submitted to the court below the following Compromise Agreement:

"COME NOW the parties in the above-entitled case, thru their respective attorneys and to this Honorable Court, respectfully show:

"1. That on July 8, 1966, the Central Bank of the Philippines and Bienvenido Y. Aguilar entered into an amicable settlement, as evidenced by a resolution of the Monetary Board dated July 8, 1966, the contents of which read as follows:

"The Board approved the following terms of a proposed amicable settlement of Civil Case No. 38224, CFI, Manila, entitled "Central Bank of the Philippines vs. Bienvenido Y. Aguilar, et al.":

1) The parties, on joint motion, shall ask for the dismissal of the said case. In consideration thereof, Mr. Bienvenido Y. Aguilar shall release the Central Bank from any and all claims as adjudicated to him by the Court of First Instance of Manila (Branch VI) in the total amount of P3,556,624.11 in its decision dated July 1, 1965; and

2) Mr. Bienvenido Y. Aguilar shall reimburse the Central Bank for all expenses incurred by the Bank in the investigation and prosecution of the above-entitled case and the other cases (seizure proceeding and criminal case) involving coconut paring oil.

"With regard to the proposal of Mr. Bienvenido Y. Aguilar to import P15 million worth of consumer and producer commodities through the National Marketing Corporation (NAMARCO) trading assistance program, pursuant to

Administrative Order No. 16 dated August 31, 1966, the Board decided to inform Mr. Aguilar that the Central Bank does not have jurisdiction thereon and, therefore, the same may not be the object of an agreement between him and the Bank.' Annex 'A' hereof)

"2. That in connection with the proposal of defendant Bienvenido Y. Aguilar to import, on November 17, 1966, a trade assistance agreement was entered into between him and the National Marketing Corporation, copy of which is hereto attached as Annex 'B' and made as an integral part hereof;

"3. That as per letter of the Deputy Governor dated July 14, 1966 to Mr. Bienvenido Y. Aguilar, the Central Bank of the Philippines incurred expenses in the total sum of P4,925.33 (Annex 'C' hereof), and that on November 21, 1966, Mr. Aguilar paid the said amount, as evidenced by Central Bank Official Receipt No. 035235, dated November 21, 1966, copy of which is hereto attached as Annex 'D' hereof;

"4. It is expressly agreed by and between the parties that Seizure Cases Nos. 5677 and 5678 of the Bureau of Customs initiated by the plaintiffs-appellants are likewise terminated, and the parties hereto mutually waive, quit-claim and abandon unto and in favor of each other, any and all claims and counter-claims asserted by and/or adjudicated to them in all the cases involving the subject matter of defendant-appellee's exportations and importations questioned therein and in this case.

"WHEREFORE, it is respectfully prayed that judgment be rendered approving the amicable settlement; dismissing the Amended Petition dated January 5, 1959 and the Amended Supplemental Counterclaim dated January 16, 1959; and ordering the cancellation of the surety bonds and undertaking filed in connection with the case, without pronouncement as to costs.

"Manila, Philippines, November 24, 1966.

"(Sgd.) BIENVENIDO Y. AGUILAR (Sgd. ANTONIO P. BARREDO

Defendant-Appellee Solicitor General

Counsel for the Republic

of the Philippines

"J.B. LAUREL, JR. and (Sgd.) FILOTEO E. EVANGELISTA

GREGORIO R. PURUGANAN Legal Counsel

Counsel for Defendant- Counsel for Central Bank

Appellee of the Philippines

Corner Gen. Solana & Real

Sts., Intramuros, Manila

(Sgd.) ANDRES V. CASTILLO

By: Governor

(Sgd.) GREGORIO R. PURUGANAN Central Bank of the

"With our conformity: Philippines

Plaintiffs-Appellants

NATIONAL MARKETING CORPORATION

By:

(Sgd.) JOVENAL D. ALMENDRAS

General Manager"

On December 2, 1966, the court rendered judgment approving the Compromise Agreement in the following tenor:

"WHEREFORE, finding the above-quoted Compromise Agreement to be in order and not contrary to law, morals and public policy, this Court hereby renders judgment approving the same; dismissing the Amended Petition dated January 5, 1959 and the Amended and Supplemental Counter-claim dated January 16, 1959; and ordering the cancellation of the surety bonds and undertaking filed in connection with the case, without pronouncement as to costs."

The Trade Assistance Agreement mentioned in the above-quoted Compromise Agreement was executed on November 7, 1966, although notarized on November 17th, by and between the NAMARCO, thru Jovenal D. Almendras, General Manager thereof, and Bienvenido Y. Aguilar. On its face, it appears that one of the considerations for the said Trade Assistance Agreement was the projected filing of a joint motion to dismiss Civil Case No. 38224 by Aguilar and the Central Bank, as well as the waiver by Aguilar of his rights (which in terms of money amounted to P3,556,624.11) under the July 1, 1965 decision. It was stipulated therein that the implementation of the Agreement would be suspended pending the dismissal of Civil Case No. 38224, and that in the event the said case was not dismissed, the Agreement would be deemed rescinded and of no further force and effect. Under the terms thereof, the NAMARCO agreed to allow and authorize Aguilar to finance the importation of certain commodities not exceeding \$15,000,000.00 U.S. currency.

Alleging that the Trade Assistance Agreement was being assailed in certain quarters as immoral, illegal and ultra vires on the part of the NAMARCO, thereby placing him in a bad light, on February 22, 1967, Aguilar filed with the court below a petition praying that the December 2, 1966 decision approving the Compromise Agreement be set aside; that the Trade Assistance Agreement be declared as without effect; that the original decision dated July 1, 1965, be reinstated; and that the Central Bank be ordered to reimburse to him the sum of P4,925.33 paid by him to the Bank for the expenses it had incurred in the investigation and prosecution of that case and other related cases. On February 25, 1967, the Republic and the Central Bank filed an opposition to Aguilar's petition, stating that the Trade Assistance Agreement was not a cause or consideration in the amicable settlement; that the NAMARCO is not a party to the case; and that the parties agreed to the dismissal of their respective Amended Petition and Counterclaim separately from the Trade Assistance Agreement.

In an order dated February 28, 1967, the court denied Aguilar's petition on the ground that the decision of December 2, 1966, approving the Compromise Agreement had already become final and executory upon its promulgation; hence, the court no longer had jurisdiction to set aside the said decision, its authority being limited to its enforcement upon motion.

In view of the denial of his petition to set aside the December 2, 1966 decision, Aguilar filed with the lower court a motion for execution praying that court, among others, to command the petitioners in the case and the NAMARCO to take the necessary steps to comply with the terms of the Compromise Agreement by implementing the Trade Assistance Agreement. On May 29, 1967, the petitioners filed an opposition, arguing that the Trade Assistance Agreement was a separate matter, and was not the cause or consideration of the amicable settlement, even if respondent Aguilar might have been motivated by it; hence, execution thereof could not be compelled by mere motion. After the parties had filed their respective rejoinder and sur-rejoinder, respondent Judge issued an order on July 5, 1967, for the issuance of a writ of execution as prayed for by herein respondent

Aguilar, i.e., including the implementation of the Trade Assistance Agreement. Hence, the present petition.

The issue in this case is whether respondent Judge acted in excess of jurisdiction or with grave abuse of discretion amounting to excess of jurisdiction in issuing the order of July 5, 1967, for the issuance of a writ of execution insofar as it concerns the implementation of the NAMARCO-Aguilar Trade Assistance Agreement.

Petitioners Republic and NAMARCO, in adopting the affirmative view, argue in this wise: The quitclaim of the respective claims and counterclaim of the parties, and not the Trade Assistance Agreement, was the cause or consideration of the amicable settlement. The Central Bank, with the Republic as nominal party, was the petitioner in the case. As can be seen from Item I of the Compromise Agreement, "on July 8, 1966, the Central Bank of the Philippines and Bienvenido Y. Aguilar entered into an amicable settlement, as evidenced by a resolution of the Monetary Board dated July 8, 1966;" and at this time and on this date, the Trade Assistance Agreement (which was executed on November 17, 1966) was only a mere proposal, not yet executed, and, therefore, would not have entered into the picture as consideration in the amicable settlement. When, on November 24, 1966, the Compromise Agreement was submitted to the court below, the Central Bank had already dissociated itself from the NAMARCO-Aguilar Trade Assistance Agreement.

Petitioners further argue that with the amicable settlement of the case, the Central Bank secured the dismissal of Aguilar's counterclaim and the reimbursement of expenses incurred by the Bank in the investigation and prosecution of the case; while Aguilar regained his former credit standing in the business community which had been seriously impaired by the suit (Amended and Supplemental Answer with Counterclaim) and freed himself of the possibility that he could have been found liable for damages asked by the petitioners.

Petitioners also add that it cannot be contended that the signing of the Compromise Agreement by the General Manager of the NAMARCO had the effect of submitting the NAMARCO to the jurisdiction of the court in the suit between the Republic and/or the Central Bank and respondent Aguilar, because the Board of Directors of that corporation had never authorized him to do so. All that the General Manager did was give his conformity. At any rate, assuming that the Trade Assistance Agreement was the cause or consideration of respondent Aguilar's entering into the Compromise Agreement with the Central Bank, the same not having been approved by the President pursuant to Executive Order No. 298, Series of 1940, and Memorandum Circular No. 150, Series of 1955, was not a fully perfected and binding contract.

In reply, respondent Aguilar argues that the Trade Assistance Agreement was the cause or consideration of the amicable settlement, because the entire transaction, which is a triangular arrangement between the Republic (acting through the NAMARCO, the chosen agency), the Central Bank, and respondent Aguilar - and not merely parts of the transaction - must be considered. That the Central Bank and the Republic are not parties to the Trade Assistance Agreement, is of no moment, for both are parties to the Compromise Agreement, a document signed by the Solicitor General himself. The Trade Assistance Agreement was not a matter separate and distinct from the Compromise Agreement, for the former is a part of the latter, hence, both must be considered together. The Republic was a real party in interest in Civil Case No. 38224, because the said case was a customs seizure case, and in cases of this nature it is the Republic which is the real party in interest. The NAMARCO's not being an original party litigant is of no significance. In signing the Compromise Agreement, the NAMARCO General Manager was acting in behalf of the government instrumentality chosen by the Republic as a conduit for the grant of consideration running from the Republic to Aguilar. Thus, at the time of the filing with, and the approval of the Compromise Agreement by, the court below, the NAMARCO was a party to the compromise, not merely because it submitted itself to the jurisdiction of the court, but primarily because it was part and parcel of the Republic of the Philippines, itself a party litigant, whose acts are binding upon it. At any rate, with or without the NAMARCO as a signatory to the Compromise Agreement, it would have been bound just the same by the act of

the President in authorizing the compromise. The Trade Assistance Agreement is a perfected and binding contract, although its performance and implementation entail compliance with certain conditions stated in the contract itself, because the entire transaction, i.e., the Compromise Agreement and its annexes (including the Trade Assistance Agreement) and the decision of the court approving it (which is now final and executory) must be taken into consideration. Petitioners' view would isolate the NAMARCO-Aguilar contract from the entire compromise of which it is a part, treat it independently and take it away from the effects of the decision approving the Compromise Agreement, things which cannot be done unilaterally. Besides, the President is not required by the Constitution or by any statute to approve contracts like the Trade Assistance Agreement between the NAMARCO and respondent Aguilar.

After examining carefully the record of the case and weighing the arguments of the parties, we have come to the conclusion that respondent Judge exceeded his jurisdiction in including the implementation of the Trade Assistance Agreement among the matters which should be executed. The following are the considerations that have led us to this conclusion:

1. The Trade Assistance Agreement entered into by and between the NAMARCO and respondent Bienvenido Y. Aguilar on November 17, 1966, is not a binding and perfected contract. While it is true that the NAMARCO Board of Directors approved the extension of trade assistance to Aguilar Enterprises and authorized the General Manager to enter into the said agreement, approval thereof by the President of the Philippines was still necessary to make it binding on the government, pursuant to Executive Order No. 298, Series of 1940, and Memorandum Circular No. 150, Series of 1955. Indeed, in the petition filed by him with the lower court praying that the decision of December 2, 1966, approving the Compromise Agreement, be set aside, respondent Aguilar in effect admitted that the Trade Assistance Agreement should still be submitted to the President for approval. The said agreement not having been approved by the President, it stands to reason that the same is not a perfected and operative contract.
2. The General Manager of the NAMARCO did not have the authority to submit the NAMARCO to the jurisdiction of the court in Civil Case No. 38224, or to sign the Compromise Agreement which was later approved by the court in its December 2, 1966 decision. As we have already stated above, the only authority given by the NAMARCO Board of Directors to the General Manager was to enter into a trade assistance agreement with Aguilar Enterprises. The General Manager was not authorized to sign any compromise agreement in Civil Case No. 38224. Although the text of the Trade Assistance Agreement shows that one of the considerations for its execution was the filing by the Central Bank and respondent Aguilar of a joint motion to dismiss, the NAMARCO was not in a position to legally bind the Central Bank, which, in spite of the terms of the Trade Assistance Agreement, was still free to decide for itself whether or not to enter into an amicable settlement of the case, as well as the terms of such settlement. Consequently, the signing of the Compromise Agreement by the NAMARCO General Manager was an exercise in futility. Viewed from all angles, his conformity to the Compromise Agreement did not make the NAMARCO a party to the case. Note that the Compromise Agreement opens with the statement "Come now the parties in the above entitled case x x x." NAMARCO is not a party to the case; hence, it could not be a party to the Agreement. The conformity of the General Manager merely attests to the existence of the Trade Assistance Agreement, and expressed no objection to its objectives and purposes; but in no way did it bind the NAMARCO to the subject matter of the Compromise Agreement. Above all, such conformity could not have made the NAMARCO a party to the suit, for it did not have the opportunity to exercise the rights granted to a party - to set up defenses and present evidence in support thereof. It cannot be said that the NAMARCO did not have any defense, for, as the facts, circumstances and issues of this case show, the NAMARCO could very well have set up the invalidity or unenforceability of the Trade Assistance Agreement as a valid defense.

3. In any event, the Trade Assistance Agreement was not the cause or consideration of the Compromise Agreement submitted to, and approved by the court in its decision of December 2, 1966. The cause of a contract is "the essential or more proximate purpose which the contracting parties have in view at the time of entering into the contract." (8 Manresa, 697.) In the Compromise Agreement entered into by and between the Central Bank and the Republic on one hand, and respondent Aguilar on the other, the cause is the mutual waiver and abandonment of the claims and counterclaims of the parties in Seizure Cases Nos. 5677-78 initiated by the Government against respondent Aguilar, as well as the waiver and abandonment by respondent Aguilar of his rights under the July 1, 1966 decision and the reimbursement to the Central Bank by respondent Aguilar of the amount of P4,925.33. Considering the enormity of the amount (P3,556,624.11) adjudicated in respondent Aguilar's favor by the court in its, original decision, it may be asked why the said respondent would be willing to forego the said sum in exchange for the dismissal of the seizure cases against him. In the first place, we do, not know the exact nature of the said cases and the relative positions of the parties thereto. And in the second place, the Central Bank and the Republic had already perfected their appeal from the July 1, 1965 decision, so that the possibility that respondent Aguilar might lose in the appeal was still there.

The question leads us to a consideration of the distinction between cause and motive. Cause is the essential reason for the contract, while motive is the particular reason of a contracting party which does not affect the other party and which does not preclude the existence of a different consideration. (Cf. Gonzales, et al. vs. Trinidad, et al., 67 Phil., 682.) Article 1351 of the Civil Code provides that "[t]he particular motives of the parties in entering into a contract are different from the cause thereof." It is quite apparent that in entering into the Compromise Agreement, respondent Aguilar was in large measure motivated by the Trade Assistance Agreement. Unfortunately for him, however, the Compromise Agreement is devoid of any provision which will clearly show the intention of the parties to include the implementation of the Trade Assistance Agreement as one of the subject matters of the compromise. In deducing the intention of the parties, courts should necessarily be guided by the terms of their written agreement. An examination of the terms of the Compromise Agreement, insofar as they relate to the Trade Assistance Agreement, shows that the Central Bank had dissociated itself from the said Trade Assistance Agreement for lack of jurisdiction on the subject matter thereof; that the existence of the said Agreement was mentioned in, and in fact a copy thereof was annexed to, the Compromise Agreement; and that the NAMARCO General Manager, who in the Trade Assistance Agreement had committed the Central Bank to file a motion to dismiss Civil Case No. 38224 as a consideration for the agreement, had signified his conformity to the Compromise Agreement. A reading of the entire document will show, however, that the only matters on which a compromise was entered are those mentioned in paragraph 3 (reimbursement by Aguilar of the expenses incurred by the Central Bank in the investigation and prosecution of the case) and in paragraph 4 (mutual waiver and abandonment of claims and counterclaims in Seizure Cases Nos. 5677-78 and in Civil Case No. 38224). That the Trade Assistance Agreement was mentioned in the Compromise Agreement, would only confirm the belief that one of the parties - apparently respondent Aguilar - was motivated by it. Considering, however, that no meeting of the minds between the parties is reflected in the Compromise Agreement insofar as the Trade Assistance Agreement is concerned, the end result is that no compromise was entered into on that matter. If the Trade Assistance Agreement is mentioned at all in the Compromise Agreement, it is only to state the fact that a trade assistance agreement was entered into between respondent Aguilar and the NAMARCO. It can be said with certainty that it is this fact to which the NAMARCO General Manager had given his conformity.

PREMISES CONSIDERED, the order of respondent Judge dated July 5, 1967, is hereby annulled and set aside, without pronouncement as to costs.

Concepcion, C.J., in the result.

Reyes, J.B.L., Zaldivar, Teehankee, and Makasiar, JJ., concur.

Dizon, Castro, Fernando, and Barredo, did not take part.
Makalintal, J., reserves the vote.

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