

EMILIA V. VDA. DE HALILI, AS ADMINISTRATRIX OF THE ESTATE OF FORTUNATO F. HALILI, PETITIONER-APPELLANT, VS. COURT OF APPEALS AND FEDERICO SUNTAY, RESPONDENT-APPELLEES.

G.R. No. L-30482. June 16, 1978

Ponente: AQUINO, J.

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AQUINO, J.:

The administratrix of the estate of the late Fortunato F. Halili appealed from the decision of the Court of Appeals, holding that four promissory notes and the lease contract executed by Federico Suntay were void because their object or purpose was illegal for being in contravention of sections 47 and 48 of the Revised Election Code which, respectively, deal with prohibited contributions and limit the expenses of candidates in an election campaign.

In that same decision, Halili was ordered to pay Suntay the sum of P8,000 as annual rental for the latter's fishpond from October 1, 1955 until the possession thereof is restored to Suntay (Suntay vs. Halili, CA-G.R. No. 30136-R, February 27, 1969 [per Concepcion Jr., J., Villamor and Mojica, JJ., concurring]). The facts and relevant legal provisions supporting that decision are as follows:

Federico Suntay was the official gubernatorial candidate of the Liberal Party in Bulacan in the 1951 elections. Fortunato F. Halili, the incumbent governor and the head of the Liberal Party in Bulacan, was Suntay's campaign manager. At the same time, Halili was a public utility operator.

Suntay needed funds to finance his campaign, funds that Halili, as campaign manager, would disburse. Suntay found that Halili, apparently an affluent politician-businessman, could solve his financial problem. Out of friendship, Halili agreed to make cash advances to Suntay.

However, Suntay and Halili encountered certain obstacles brought about by the following provisions of the Revised Election Code, Republic Act No. 180:

"SEC. 47. Prohibited contributions.- It shall be unlawful for any corporation or entity operating a public utility or which is in possession of or is exploiting any natural resources of the nation to contribute or make any expenditure in connection with any election campaign. (C.A. 357-41)

"SEC. 48. Limitation upon expenses of candidates.- No candidate shall spend for his election campaign more than the total amount of the emoluments for one year attached to the office for which he is a candidate. (C.A. 357-42)

"SEC. 183. Election offenses and their classification.- Violation of any of the provisions of sections x x x forty-seven, forty-eight x x x shall be serious election offenses. x x x.

"SEC. 184. Persons criminally responsible.- The principals, accomplices, and accessories shall be criminally responsible for election offenses and for attempt to commit the same. x x x.

"SEC. 185. Penalties.- Any one found guilty of a serious election offense shall be punished with imprisonment of not less than one year and one day but not more than five years; x x x."

As a public utility operator, Halili admitted that he could not make any monetary contribution to Suntay's campaign. On the other hand, Suntay could not spend for his campaign more than the governor's annual salary of P5,000. Obviously, that amount was inadequate to bring his campaign to a successful conclusion.

To go around the law, a scheme was hatched for the concealment or, in current language, for the laundering of the loans and advances of Halili for Suntay's campaign. To implement that scheme, the advances or loans were made in the names of Halili's trusted employees as dummies. (See pp.34-35, Record on Appeal.)

As an initial step, Suntay on September 4, 1951 executed in favor of Virgilio Ramos, a trusted employee of Halili, a promissory note for P5,000, payable within 120 days "from the date herein stated".

Then, about three weeks later, or on September 27, 1951, Suntay leased his fishpond (consisting of three parcels of land with an aggregate area of 53 hectares located in Hagonoy, Bulacan) to Ramos and two other trusted employees of Halili named Maximo Santiago and Graciano Queyquep for a four-year period beginning October 1, 1951 (the period is as long as the gubernatorial four-year term). The stipulated rental was P8,000 a year or P32,000 for four years.

Two days after the execution of the lease contract, or on September 29, 1951, Suntay signed a promissory note for P30,000 in favor of the same lessees or employees of Halili, namely, Ramos, Queyquep and Santiago. The loan was allegedly payable within three years with interest at ten percent a year. It was stipulated that in case Suntay would not be able to pay the loan within that period, then the loan would be considered as additional consideration for the lease.

On October 1, 1951, or two days after the execution of the said promissory note and four days after the execution of the lease, the said lease was assigned by Ramos, Santiago and Queyquep to Halili also for the sum of P32,000.

On November 7 and 10, 1951, Suntay executed in favor of Santiago two more promissory notes each for the sum of P10,000, payable within 120 days "from the date herein stated" and "from receipt", respectively. The four notes, evidencing loans totalling P55,000, were all indorsed to Halili on the dates when they were executed in the same way that the lease was assigned to Halili. According to Suntay, he never received the rentals nor the proceeds of the notes. That was denied by Halili (pp. 9 and 34, Record on Appeal).

On October 5, 1955, or after the expiration of the four-year term of the lease, Suntay filed a complaint against Halili, Ramos, Santiago and Queyquep in the Court of First Instance of Quezon City (Civil Case No. Q-1564). He prayed that the lease and the four promissory notes be declared void under article 1409 of the Civil Code for lack of consideration and for being contrary to the said sections 47 and 48.

Halili's theory was that the lease should be considered as extended automatically up to August, 1960, in view of Suntay's failure to pay the promissory note for P30,000, and that Suntay should be ordered to pay the sum of P25,000 as the face value of the other three promissory notes, plus interests. (Due to Halili's death during the pendency of the case, the administratrix of his estate was substituted for him.)

After trial, the lower court declared the promissory notes and the lease as void under article 1409 of the Civil Code and section 48 of the Revised Election Code. It dismissed the respective claims for damages of the parties

because they were allegedly in *pari delicto*. All the parties appealed.

As already noted, the Court of Appeals affirmed the lower court's decision but with the additional disposition that Halili should pay Suntay P8,000 as rental from October 1, 1955 until the fishpond is restored to Suntay. The possession of the fishpond was restored to Suntay on October 2, 1959 (p. 13, appellant's brief).

The Court of Appeals found that the lease and the promissory notes were executed for a valuable consideration but they were void under article 1409(1) of the Civil Code because they evidenced loans and cash advances which were made to Suntay "to sustain" his campaign funds, "in violation of section 47", since Halili was a public service operator or an "entity" within the meaning of section 47.

Moreover, "the consideration involved in the said promissory notes and the lease contract was evidently designed to promote an unlawful object, to wit, to be spent in Suntay's political campaign exceeding" the governor's salary for one year which, according to section 2086(b) of the Revised Administrative Code, was then five thousand pesos. (Suntay's version is that Halili advanced P87,000 for his campaign: P32,000 as four-year rental and P55,000 as the proceeds of the four promissory notes.)

The Court of Appeals agreed with the trial court that, as the parties were in *pari delicto*, neither one can secure relief against the other. It also held that, because the lease was void, it was not automatically extended but, as Halili was in possession of the fishpond, he was ordered to pay its rental value of P8,000 a year from October 1, 1955 up to the time the fishpond is returned to Suntay (whose contention that the rental value was P16,000 a year was not sustained).

Appellant administratrix of Halili's estate contends that the Court of Appeals erred (1) in not holding that section 48 does not apply to a non-candidate like Halili; (2) in not holding that the lease and loans were lawful business transactions which were not rendered illegal by the fact that the consideration thereof might have enabled Suntay to violate section 48; (3) in holding that section 47 applies to natural persons; (4) in not holding that section 47 does not prohibit a public utility operator from lending money to a candidate or leasing property from him; (5) in holding that Halili violated sections 47 and 48; (6) in holding that Halili was in *pari delicto* with Suntay and in not holding that "Halili is, at all events, more excusable than Suntay", and (7) in granting affirmative relief to Suntay.

The appellant reduced her assignment of errors to the issues of whether or not section 48 applies to a non-candidate; whether or not section 47 applies to a natural person; assuming *arguendo* that Halili violated sections 47 and 48, whether he was in *pari delicto* with Suntay or he was less guilty than him, and whether or not affirmative relief was properly granted to Suntay although he and Halili were allegedly in *pari delicto*.

Appellant argues that section 48 is not applicable to Halili because Suntay did not prove that Halili knew that the loans and the rental for the lease would be used by Suntay "as would exceed" the governor's salary for one year in the sum of P5,000.

That factual contention is devoid of merit because Halili admitted the allegations in Suntay's complaint that Halili was aware that Suntay would incur campaign expenses exceeding the governor's annual salary and that Suntay's disbursements exceeded that amount (pp. 4 and 34, Record on Appeal). Moreover, the Court of Appeals found that "Halili was fully aware of the purpose and objective in consummating the lease contract and the promissory notes, that is, to sustain the campaign funds of plaintiff Suntay" and that "Halili cannot feign lack of knowledge" of that purpose.

Halili, as governor and as Suntay's campaign manager, could not have been ignorant of the fact that under section 48 Suntay's campaign expenses should not exceed P5,000. The Court of Appeals found as a fact that the rental of P32,000 and the loans amounting to P55,000 were "evidently designed to promote an unlawful object, to wit, to

be spent in Suntay's political campaign" and that it was in excess of the governor's salary for one year.

Those factual findings are conclusive and cannot be reviewed in this appeal. So, the rule that an agreement is illegal if it involves the commission of a crime applies to this case (17 C.J.S. 986).

Appellant's contention that section 48 does not apply to a non-candidate like Halili is not tenable under section 184 of the Revised Election Code which speaks of principals and accomplices. Halili was no ordinary lender and lessee. He knew that the rental and the loans would be spent for Suntay's candidacy. He was not only Suntay's financial backer but, as campaign manager, he had a hand in the expenditure of the funds supplied by him to Suntay. He was Suntay's co-principal.

There is a ruling that money knowingly loaned to be corruptly used in an election cannot be recovered (Brock vs. Wilson, 161 S. W. 2nd 637, 290 Ky. 425). The knowledge of the lender and the borrower to a promissory note that the money borrowed from the payee was to be used, and was actually used, to bring the electors to vote for the maker was held to be a good defense to an action on the note (Rose vs. Finley's Executor, 63 S. W. 2nd 948, 250 Ky. 769).

As may be gleaned from section 47, already quoted, "any corporation or entity operating a public utility" cannot "contribute or make any expenditure in connection with an election campaign". Appellant administratrix, interpreting that provision literally as referring exclusively to juridical persons, contends that it does not apply to Halili, the operator of ice plants, Halili Transit and Halili Taxicab (Exh. B and 6). That contention is not well-taken. The word "entity" in section 47 may refer to an individual (Kansas Private Club Association vs. Londerholm, 408 Pac. 2nd 891, 196 Kan. 1).

A public utility operator is prohibited from making a contribution or expenditure in an election campaign because such a disbursement would diminish his or its income and would be a controversial disbursement since it would embroil a public utility operator in partisan politics. The diminution of the income would constrain the public utility operator to ask for an increase in the rates which may be charged. Any increase in rates would be detrimental to the public. Public utility operators should not spend their income to support the election of politicians who, if elected, would pressure the public utility commission to allow public utilities to increase their rates or who would use their influence to cover up the violations of law committed by public utility operators.

If a corporation operating a public utility is prohibited from making a political contribution or expenditure, there is no valid reason for not applying the prohibition to a natural person operating a public service business. The justification for the prohibition exists with respect to natural persons who are public utility operators. There should be no discriminatory treatment. In any event, to divert the funds of a public utility business to finance an electoral campaign is a glaring misuse thereof.

We hold that the advances or loans made by Halili to Suntay during the 1951 elections are prohibited contributions within the meaning of sections 39(b) and 47 of the Revised Election Code. That fact rendered void or illegal the lease and promissory notes which were used as devices for making the advances or contributions.

The Court of Appeals did not err in regarding as void or inexistent the said lease and loans because their object or purpose is contrary to law, as contemplated in article 1409(1) of the Civil Code.

From the finding of the Court of Appeals that the lease and the promissory notes were illegal, the logical corollary is that Halili and Suntay were in *pari delicto* or *particeps criminis* or were equally guilty in violating sections 47 and 48. Suntay, as the candidate and beneficiary of the contributions, and Halili, as the contributor or financial backer and campaign manager disbursing the campaign funds, were co-principals. (The electoral offenses in question had already prescribed.)

Appellant's contention that Halili was less guilty or that his acts were more excusable than those of Suntay is not meritorious because without Halili's money the offenses in question could not have been perpetrated. In fact, the use of Halili's trusted employees as dummies was his own idea. The Court of Appeals found that they were equally guilty. That finding is binding on this Court.

The rule is that, if both parties are in *pari delicto*, they shall have no action against each other (Art. 1411, Civil Code). Or as stated in the legal maxim: *In pari delicto, melior est conditio defendentis*.

Lastly, the appellant questions the affirmative relief granted to Suntay to recover from Halili the sum of P8,000 a year as rental for the period from October 1, 1955 up to the time the fishpond is returned to Suntay (which was on October 2, 1959).

Although not articulated by the Court of Appeals, the ground for such affirmative relief is to prevent Halili from enriching himself unjustly at Suntay's expense.

Under the theory of in *pari delicto*, the lease expired on September 30, 1955. The renewal of the lease for another four years, as contemplated in the promissory note of September 29, 1951, cannot be given effect. To give effect to that renewal would violate the in *pari delicto* principle. Consequently, the Court of Appeals treated Halili as having unlawfully detained the fishpond from October 1, 1955 and, hence, he should be liable to pay the reasonable compensation for the use and occupation thereof, which compensation was found by that Court to be P8,000 per annum and not P16,000.

We find no error in the affirmative relief granted by the Court of Appeals to Suntay.

WHEREFORE, the decision of the Court of Appeals is affirmed with costs against the petitioner-appellant.

SO ORDERED.

Barredo, (Acting Chairman), Antonio, Santos, and Guerrero, JJ., concur.

Fernando and Concepcion, Jr., JJ., no part.

Guerrero, J., was designated to sit in the Second Division.

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