

CIRIACO TIGLAO, ET AL., PLAINTIFFS AND APPELLEES, VS. THE MANILARAILROAD COMPANY, DEFENDANT AND APPELLANT.*G.R. No. L-7900. January 12, 1956*Read online (full-text search, related cases, audio case brief): <https://batas.org/library/92e5c3efd5d7/>**REYES, A., J:**

This action was commenced in the Municipal Court of Manila, in October, 1955 by 35 retired employees of the defendant Manila Railroad Co. to recover sum of P7,275, the aggregate balance of salary differentials still due the under a memorandum of agreement signed by the defendant and the unions representing its employees and laborers. After an unfavorable judgment in that court, the defendant appealed to the Court of First Instance of Manila, having again lost in that court it brought the case here on appeal, raising questions of law. The memorandum of agreement above mentioned, which was signed in October, 1948, and constitutes the basis of plaintiffs' claim, contains the following stipulations:

"1. That the Manila Railroad Company hereby reiterates its approval of the standardized salaries provided for by the Standardization Committee effective as of July 1, 1948, to be carried in all subsequent budget of the Company, payment to be made in accordance with Item 2; and immediate payment of said salaries will commence with the available funds of P400,000, already appropriated for this purpose;

"2. That we hereby further agree that upon the exhaustion of the amount of P400,000, the employees and laborers affected by the standardized plan will receive their present salaries provided that any wage differential from of exhaustion will be paid when funds for the purpose are available."

It is agreed that plaintiffs, who retired with gratuity in January, 1951, were entitled to collect the salary differentials, or increase in pay, resulting from the standardization of their salaries; that for salary differentials corresponding to the period from July 1, 1948, to January 31, 1949, they have already received a total of P9,906.05, but that there is still due them the total sum of P7,275, which has remained unpaid because of the exhaustion of the P400,000 appropriated for the purpose. In refusing to pay the balance still due the plaintiffs, defendant does not repudiate the above agreement, but contends in substance that pursuant to its terms payment of salary differentials after the exhaustion of the P400,000 already appropriated is, subject to the condition that "funds for the purpose are available" and that no such funds are available because defendant is losing in its business. The defendant has, indeed, presented in evidence two summary statements of its accounting department, showing that it has sustained losses in its operations during the fiscal year ending June 30, 1953, and during the month of July next following. These statements, however, do not necessarily prove that, in a multimillion-peso business such as that of the defendant funds for the payment of a debt of P7,275 due the plaintiffs could not have been raised or made available because of the losses suffered in one year and one month. The memorandum of agreement does not stipulate that the salary differentials shall be paid only from surplus profits. In fact, the agreement provides that the standardized salaries—with the resulting salary differentials naturally—are "to be carried in all subsequent budgets of the company." And we think it may be admitted that in a going concern the availability of funds for a particular purpose is a matter that does not necessarily depend upon the cash position of the company but rather upon the judgment of its board of directors in the choice of projects, measures or expenditures that should be given preference or priority, or in the choice between alternatives. So if

defendant was able to raise or appropriate funds to meet other obligations notwithstanding the fact that it was losing, we think it could have done like wise with respect to its debt to the plaintiffs, an obligation which is deserving of preferential attention because it is owed to the poor. Viewed in this light, that is, that the time to redeem defendant's promise to pay salary differentials, after the exhaustion of what had already been appropriated for that purpose, really depended upon the judgment of its board of directors—it not appearing that defendant was bankrupt—the obligation to pay the said salary differentials may be considered as one with a term whose duration has been left to the will of the debtor, so that pursuant to article 1128 of the old Civil Code (Art. 1197 of the new), the duration of the term may be fixed by the courts. There is something to defendant's contention that in previous cases this Court has held that the duration of the term should be fixed in a separate action for that express purpose. But we think the lower court has given good reasons for not adhering to technicalities in its desire to do substantial justice. It says;

"(1) The facts in the instant case are not disputed, the parties having submitted the case for decision to be based on an agreed stipulation of facts;"(2) The fixing of a period for the payment of the obligation has been amply discussed by the parties in their pleadings so that this Court may render judgment on that subject matter under the alternative prayer of the plaintiffs 'for such further relief as this Honorable Court may deem just and equitable';"(3) To dismiss the present case and require the plaintiffs to file another action for fixing the period of defendant's obligation, would entail multiplicity of suits;"(4) In this case there are thirty-five plaintiffs who were low salaried employees of the defendant Manila Railroad Company and the said plaintiffs have not been paid their salary differentials for the period of, from February 1 to June 30, 1948; and"(5) To dismiss the present case and order the plaintiffs to file another suit would open the door for dilatory tactics leading to a protracted litigation and in effect deny the benefits of social justice."

We may add that defendant does not claim that if a separate action were instituted to fix the duration of the term of its obligation, it could present better proofs than those already adduced in the present case. Such separate action would, therefore, be a mere formality and would serve no purpose other than to delay. We, however, agree that the lower court should not have made the interest adjudged run from October 21, 1948, the day the action was commenced in the municipal court, but only from default of payment of the principal within the period of one year fixed by the court. Wherefore, with the only modification as to the date the adjudged interest is to commence to run, the judgment below is affirmed, with costs against the defendant and appellant.

Parás, C. J., Padilla, Montemayor, Bautista Angelo, Labrador, Concepcion, Reyes, J. B. L., JJ., concur.

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