

JESUS PINEDA, PETITIONER, VS. JOSE V. DELA RAMA AND COURT OF APPEALS, RESPONDENTS.

G.R. No. L-31831. April 28, 1983

Ponente: GUTIERREZ, JR., J.

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GUTIERREZ, JR., J.:

This is a petition to review on certiorari a decision of the Court of Appeals which declared petitioner Jesus Pineda liable on his promissory note for P9,300.00 and directed him to pay attorney's fees of P400.00 to private respondent, Jose V. dela Rama.

Dela Rama is a practising lawyer whose services were retained by Pineda for the purpose of making representations with the chairman and general manager of the National Rice and Corn Administration (NARIC) to stop or delay the institution of criminal charges against Pineda who allegedly misappropriated 11,000 cavans of palay deposited at his ricemill in Concepcion, Tarlac. The NARIC general manager was allegedly an intimate friend of Dela Rama.

According to Dela Rama, petitioner Pineda had used up all his funds to buy a big hacienda in Mindoro and, therefore, borrowed the P9,300.00 subject of his complaint for collection. In addition to filing the suit to collect the loan evidenced by the matured promissory note, Dela Rama also sued to collect P5,000.00 attorney's fees for legal services rendered as Pineda's counsel in the case being investigated by NARIC.

The Court of First Instance of Manila decided Civil Case No. 45762 in favor of petitioner Pineda. The court believed the evidence of Pineda that he signed the promissory note for P9,300.00 only because Dela Rama had told him that this amount had already been advanced to grease the palms of the Chairman and General Manager of NARIC in order to save Pineda from criminal prosecution.

The court stated:

.....

"... The Court, after hearing the testimonies of the witnesses and examining the exhibits in question, finds that Exhibit A proves that the defendant himself did not receive the amount stated therein, because according to said exhibit that amount was advanced by the plaintiff in connection with the defendant's case, entirely contradicting the testimony of the plaintiff himself, who stated in open Court that he gave the amount in cash in two installments to the defendant. The Court is more inclined to believe the contents of Exhibit A, than the testimony of the plaintiff. On this particular matter, the defendant has established that the plaintiff made him believe that he was giving money to the authorities of the NARIC to grease their palms to suspend the prosecution of the defendant, but the defendant, upon inquiry, found out that none of the authorities has received that amount, and there was no case that was ever contemplated to be filed against him. It clearly follows, therefore, that the amount involved in this Exhibit A was imaginary. It was given to the defendant, not to somebody else. The purpose for which the amount was intended was illegal.

"However, the Court believes that the plaintiff was able to get from the defendant the amount of P3,000.00 on

October 7, as shown by the check issued by the defendant, Exhibit 2, and the letter, Exhibit 7, was antedated October 6, as per plaintiff's wishes to show that defendant was indebted for P3,000.00 when, as a matter of fact, such amount was produced in order to grease the palms of the NARIC officials for withholding an imaginary criminal case. Such amount was never given to such officials nor was there any contemplated case against the defendant. The purpose for which such amount was intended was indeed illegal."

The trial court rendered judgment as follows:

"WHEREFORE, the Court finds by a preponderance of evidence that the amount of P9,300.00 evidenced by Exhibit A was not received by the defendant, nor given to any party for the defendant's benefit. Consequently, the plaintiff has no right to recover said amount. The amount of P3,000.00 was given by the defendant to grease the palms of the NARIC officials. The purpose was illegal, null and void. Besides, it was not given at all, nor was it true that there was a contemplated case against the defendant. Such amount should be returned to the defendant. The services rendered by the plaintiff to the defendant is worth only P400.00, taking into consideration that the plaintiff received an air-conditioner and six sacks of rice. The court orders that the plaintiff should return to the defendant the amount of P3,000.00, minus P400.00 plus costs."

The Court of Appeals reversed the decision of the trial court on a finding that Pineda, being a person of more than average intelligence, astute in business, and wise in the ways of men would not "sign any document or paper with his name unless he was fully aware of the contents and import thereof, knowing as he must have known that the language and practices of business and of trade and commerce call to account every careless or thoughtless word or deed."

The appellate court stated:

"No rule is more fundamental and by men of honor and goodwill more dearly cherished, than that which declares that obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith. Corollary to and in furtherance of this principle, Section 24 of the Negotiable Instruments Law (Act No. 2031) explicitly provides that every negotiable instrument is deemed prima facie to have been issued for a valuable consideration, and every person whose signature appears thereon to have become a party thereto for value."

We find this petition meritorious.

The Court of Appeals relied on the efficacy of the promissory note for its decision, citing Section 24 of the Negotiable Instruments Law which reads:

"SECTION 24. Presumption of consideration.— Every negotiable instrument is deemed prima facie to have been issued for a valuable consideration; and every person whose signature appears thereon to have become a party thereto for value."

The Court of Appeals' reliance on the above provision is misplaced. The presumption that a negotiable instrument is issued for a valuable consideration is only prima facie. It can be rebutted by proof to the contrary. (*Bank of the Philippine Islands v. Laguna Coconut Oil Co. et al.*, 48 Phil. 5).

According to Dela Rama, he loaned the P9,300.00 to Pineda in two installments on two occasions five days apart—first loan for P5,000.00 and second loan for P4,300.00, both given in cash. He also alleged that previously he loaned P3,000.00 but Pineda paid this other loan two days afterward.

These allegations of Dela Rama are belied by the promissory note itself. The second sentence of the note reads—"This represents the cash advances made by him in connection with my case for which he is my attorney-in-law."

The terms of the note sustain the version of Pineda that he signed the P9,300.00 promissory note because he

believed Dela Rama's story that these amounts had already been advanced by Dela Rama and given as gifts for NARIC officials.

Dela Rama himself admits that Pineda engaged his services to delay by one month the filing of the NARIC case against Pineda while the latter was trying to work out an amicable settlement. There is no question that Dela Rama was indeed a close friend of then NARIC Administrator Jose Rodriguez having worked with him in the Philippine consulate at Hongkong and that Dela Rama made what he calls "proper representations" with Rodriguez and with other NARIC officials in connection with the investigation of the criminal charges against Pineda.

We agree with the trial court which believed Pineda. It is indeed unusual for a lawyer to lend money to his client whom he had known for only three months, with no security for the loan and no interest. Dela Rama testified that he did not even know what Pineda was going to do with the money he borrowed from him. The petitioner had just purchased a hacienda in Mindoro for P210,000.00, owned sugar and rice lands in Tarlac of around 800 hectares, and had P60,000.00 deposits in three banks when he executed the note. It is more logical to believe that Pineda would not borrow P5,000.00 and P4,300.00 five days apart from a man whom he calls a "fixer" and whom he had known for only three months.

There is no dispute that an air-conditioning unit valued at P1,250.00 was purchased by Pineda's son and given to Dela Rama although the latter claims he paid P1,250.00 for the unit when he received it. Pineda, however, alleged that he gave the air-conditioning unit because Dela Rama told him that Dr. Rodriguez was asking for one air-conditioning machine of 1.5 horsepower for the latter's NARIC office. Pineda further testified that six cavans of first class rice also intended for the NARIC Chairman and General Manager, together with the air-conditioning unit, never reached Dr. Rodriguez but were kept by the lawyer.

Considering the foregoing, we agree with the trial court that the promissory note was executed for an illegal consideration. Articles 1409 and 1412 of the Civil Code in part, provide:

Art. 1409. The following contracts are inexistent and void from the beginning:

(1) Those whose cause, object or purpose is contrary to law, morals, good customs, public order and public policy;

.....

Art. 1412. If the act in which the unlawful or forbidden cause consists does not constitute a criminal offense, the following rules shall be observed:

(1) When the fault is on the part of both contracting parties, neither may recover what he has given by virtue of the contract, or demand the performance of the other's undertaking.

.....

Whether or not the supposed cash advances reached their destination is of no moment. The consideration for the promissory note—to influence public officers in the performance of their duties—is contrary to law and public policy. The promissory note is void ab initio and no cause of action for the collection cases can arise from it.

WHEREFORE, the decision of the Court of Appeals is SET ASIDE. The complaint and the counterclaim in Civil Case No. 45762 are both DISMISSED.

SO ORDERED.

Teehankee (Chairman), Melencio-Herrera, Plana, Vasquez and Relova, JJ., concur.

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