

THE PEOPLE OF THE PHILIPPINES, PLAINTIFF AND APPELLEE, VS. ESTEBAN ZETA, DEFENDANT AND APPELLANT.

G.R. No. L-7140. December 22, 1955

Ponente: LABRADOR, J.

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LABRADOR, J.:

This is an appeal from the judgment of the Court of First Instance of Samar, finding Esteban Zeta guilty of a violation of Republic Act No. 145 (which took effect on June 14, 1947), for having solicited, charged demanded and collected a fee or compensation of P300 for assisting one Eugenio Albiza in the preparation, presentation and prosecution of his claim for benefits under the laws of the United States.

Eugenio Albiza, an enlisted man of the Philippine Army and later of the United States Armed Forces in the Far East (USAFFE), suffered disability in the course of rendering services for the army in Aparri, Cagayan in the year 1942. On November 6, 1946, he promised to pay Mr. Esteban Zeta 5 per cent of any amount he may receive as a result of his claim for backpay, insurance or any other privileges granted by law (Exhibit 1). Zeta prepared the necessary papers for disability compensation and as a result Albiza received the sum of P5,919 from the United States Veterans Administration. In pursuance of the contract, Albiza paid Zeta the sums of P200 on June 7, 1951 and P100 on June 11, 1951.

The law in force at the time of the execution of that agreement (Exhibit 1) was Commonwealth Act No. 675, section 11 of which provides as follows:

"No attorney, agent, or other person in charge of the preparation, filing, or pursuing of any claim for arrears in pay and allowances under this Act shall demand or charge for his services fees more than five per centum of the total money value of such arrears in pay and allowances, and said fees shall become due and demandable only after the payment of the said arrears in pay and allowances is received by the widow or orphan entitled thereto.. The retention or deduction of any amount from any such arrears in pay and allowances for the payment of fees for such services is prohibited. A violation of any provision of this section shall be punished by imprisonment of from 6 months to 1 year, or by a fine of from six hundred to one thousand pesos, or by both such imprisonment and fine."

But on June 14, 1947, Republic Act No. 145 was passed. It provides:

"Any person assisting a claimant in the preparation, presentation and prosecution of his claim for benefits under the laws of the United States administered by the United States Veterans Administration who shall, directly or indirectly, solicit, contract for, charge, or receive, or who shall attempt to solicit, contract for, charge, or receive any fee or compensation exceeding twenty pesos in any one claim, or who shall collect his fee before the claim is actually paid to a beneficiary or claimant, shall be deemed guilty of an offense and upon conviction thereof shall for every offense be fined not exceeding one thousand pesos or imprisonment not exceeding two years or both, in the discretion of the court."

The trial court held that upon the passage of Republic Act No. 145, the agreement for the payment of a 5 per cent fee on the amount collected was voided and compliance therewith became illegal; so it sentenced the

defendant-appellant to pay a fine of P200, to indemnify Eugenio Albiza in the sum of F280, or suffer subsidiary imprisonment in case of insolvency, and to pay the costs.

On this appeal, defendant-appellant's counsel contends that the application of Republic Act No. 145 to the defendant-appellant for having charged and collected the fee of 5 per cent is an infringement of the constitutional prohibition against ex post facto laws. And the case of *U. S. vs. Diaz Conde, et al.*, 42 Phil., 766, is cited for the principle that law impairing the obligations of a contract is null and void; that a law must be construed prospectively, not retroactively, so that if it is legal at its inception it can not be declared illegal by subsequent legislation, otherwise the sanctity of contracts will be impaired in violation of the organic law. In this case the defendant-appellant had collected interest in the years 1915 and 1916 at the rate of 5 per cent per month, an interest in excess of that authorized by the Usury Law (Act No. 2655), which took effect in May, 1916, and the court held that the collection of the said interest was legal at the time it was made and that it cannot be declared illegal by any subsequent legislation. This case is not exactly in point, because when the Usury Law was passed the interest had already been collected; whereas in the case at bar the collection of the fee was effected after Republic Act No. 145 had been passed. The claim that said Act is an ex post facto law is not fully justified because although the services were rendered before the Act took effect, collection for said services did not take place until after the law became effective.

In defense of the judgment of conviction, the Solicitor General argues that contracts are not beyond the reach of legislation by Congress in the proper exercise of the police power of the State, and as Republic Act No. 145 was enacted in pursuance thereto, its applicability to the appellant must be sustained; that the rights of defendant-appellant under the contract, Exhibit 1, had not become absolute at the time of the enactment of Republic Act No. 154, because the agreed fee had not been collected, so that the non-impairment of contracts clause of the Constitution is not applicable thereto.

Without passing upon the above arguments of both parties, we note that it does not appear from the language of the law itself, or from any other circumstances, that the Legislature had intended to give its provisions any retroactive effect such as to affect contracts entered into under the sanction of the previous law (Commonwealth Act No. 675). We must, therefore, consider it prospective, not retroactive.

"* * * The presumption, however, is that all laws operate protectively only and only when the legislative has clearly indicated its intention that the law operate retroactively will the courts so apply it. Retroactive operation will more readily be ascribed to legislation that is curative or legalizing than to legislation which may disadvantageously, though legally, effect past relations and transactions." (2 Sutherland Statutory Construction, p. 243.)

"* * * Beginning with Kent's dictum in *Dash vs. Van Kleeck*, it has been continuously reaffirmed that "The rule is that statutes are prospective, and will not be construed to have retroactive operation, unless the language employed in the enactment is so clear it will admit of no other construction." *Id.*, p. 135.)

Besides, it should not be interpreted in a manner that would render its application violative of a constitutional inhibition.

"Strict construction to prevent retroactive operation has often been applied in order that the statute would not violate contract obligations or interfere with vested rights. The principal explanation offered by the courts, however, is that the statute must be construed so as to sustain its constitutionality and thus prospective operation will be presumed where a retroactive operation would produce invalidity." (2 Sutherland Statutory Construction, *supra*, p. 135.)

It is also argued that the right of appellant to collect the 5 per cent fee was contingent merely and did not become

absolute, complete and unconditional until the compensation benefits had been collected and said right is not protected by the non-impairment clause of the Constitution. A renowned authority on statutory construction, however states that the distinction between vested and absolute rights is not helpful, and that "a better way to handle the problem" is "to declare those statutes attempting to affect rights which the court finds to be unalterable, invalid as arbitrary and unreasonable, thus lacking in due process" some courts having recognized that the real issue in the reasonableness of the particular enactment (Sutherland Statutory Construction, Vol. 2, pp. 121-122). The 5 per cent fee fixed in Commonwealth Act No. 675 is to Us not unreasonable. Services were rendered thereunder to complainant's benefit. The right to the fees accrued upon such rendition. Only the payment of the fee was contingent upon the approval of the claim; therefore, the right was not contingent. For a right to accrue is one thing; enforcement thereof by actual payment is another. The subsequent law enacted after the rendition of the services should not as a matter of simple justice affect the agreement, which was entered into voluntarily by the parties as expressly directed in the previous law. To apply the new law to the case of the defendant-appellant such as to deprive him of the agreed fee would be arbitrary and unreasonable as destructive of the inviolability of contracts, and therefore invalid as lacking in due process; to penalize him for collecting such fees, repugnant to our sense of justice. Such could not have been the legislative intent in the enactment of Republic Act 145.

In resume, we hold that Republic Act No. 145 must be given prospective application only, and may not be given retroactive effect such as to affect rights that had accrued under a contract expressly sanctioned by a previous law (C. A. 675). The judgment appealed from is hereby reversed and the defendant-appellant, acquitted, with costs de oficio. So ordered.

Paras, C. J., Bengzon, Padilla, Montemayor, Reyes, A., Jugo, Bautista Angelo, Concepcion, and Reyes, J.B.L., JJ., concur.

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