

JOAQUIN HERRERIAS, PETITIONER, VS. ROQUE JAVELLANA, RESPONDENT.

G.R. No. L-1786. September 27, 1949

Ponente: TUASON, J.

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TUASON, J.:

This was an action on a promissory note for P26,400 with 12% interest per annum, signed on August 24, 1945, and payable in ten days. Defendant resisted the action alleging that the note sued upon represents the total value of 125 sacks of brown sugar having a total weight of 7,590 kilos, which plaintiff sold on credit to defendant, and that under Executive Order No. 62 then in force, the price stipulated was in excess of that fixed in said Executive Order, namely, P0.50 a kilo. The sale was consequently null and void, it is contended.

The Court of Appeals, from whose decision the case was elevated to this Court on certiorari, found the plaintiff's version of the transaction to be the truth. This version is, according to the court, as follows:

"Prior to August 24, 1945, the plaintiff and the defendant had an understanding whereby he (plaintiff) was to deliver sugar to the defendant on the condition that the latter was to give the former 50 bottles of whiskey for every picul of sugar. On the aforementioned date, the plaintiff delivered 120 piculs of sugar to the defendant (Exhibit 1) but as the defendant had no whiskey at the time he proposed to the plaintiff that he signed a promissory note for the value of the whiskey that he was to give the plaintiff in exchange for the latter's sugar. The prevailing price of whiskey then was P5 a bottle but the defendant bargained at P4.40. So instead of executing a promissory note for P30,000 which was the value of 6,000 bottles of whiskey in exchange for the 120 piculs of sugar delivered by the plaintiff, he executed a note for P26,400, Exhibit A."

In view of these findings, which in substance are also the findings of the Court of First Instance of Manila, the Court of Appeals affirmed the appealed decision, sentencing defendant to pay plaintiff the value of the note with interest at 12% per annum from the 3rd of September, 1945, until fully paid, plus another amount equal to 20% of the amount indebted as attorney's fees, and the costs.

The sole question presented before us is whether upon the facts set out above, the execution of the note in question violated the provisions of Executive Order No. 62. The answer to this would be in the affirmative if we were to consider the note as payment for the sugar.

But this was not the case. If the contract between the parties was not one of purchase and sale but one of barter, as both the Court of First Instance and the Court of Appeals held, then the consideration for the sugar was not cash but 6,000 bottles of whiskey, and the note was executed in consideration for the liquor. The transaction did not then fall within the provision of the Executive Order above cited. This Executive Order contemplated sales payable in cash. The legality of the deal would not, we take it, be challenged had the defendant actually delivered the promised whiskey to the plaintiff and the plaintiff had sold it afterward to defendant or other persons at a figure, higher than what the sugar would bring at the official rate yet the only difference between such state of facts and what actually happened is that in the latter case the whiskey did not physically change hands. Juridical

status and relations and legal concepts are not altered by a factual alteration so slight and unsubstantial.

Being in derogation of natural or common law rights, Executive Order No. 62 must be construed strictly, barring collusions to evade its provisions. There is no indication that the form of contract used by the parties was conceived as a cloak to circumvent the law. On the contrary, there is positive indication that the transaction was bona fide and fair; the defendant, it appears from his cross-complaint, was a manufacturer of and dealer in whiskey on a large scale. As such manufacturer, he needed large quantities of brown sugar to carry on his business.

The Court of Appeals correctly applied the law to the facts. Its decision is affirmed, with costs.

Moran, C.J., Ozaeta, Paras, Feria, Bengzon, Padilla, Montemayor, Reyes, and Torres, JJ., concur.

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