

SALVADOR ARANETA, PLAINTIFF AND APPELLANT, VS. ALVA J. HILL, DEFENDANT AND APPELLANT.*G.R. No. L-3241. October 29, 1953*

Ponente: BENGZON, J.

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Alva J. Hill is the registered owner of a piece of a real estate situated in Mandaluyong, Rizal, covered by transfer certificate of title No. 39240 of the Registry of Deeds of Rizal. On October 25, 1941, he sold that land to Manuel Briones (Appendix A), for the sum of P9,977.60 of which P977.76 was paid upon the recording of the contract of sale on the certificate of title, and the balance of P8,799.84 was to be paid with 9 per cent annual interest in equal monthly installments of P146.66 each for a period of 5 years beginning November 1, 1941. The contract further states that should the vendee become in arrears in his payments for a total of P600, the vendor has the option to cancel the contract and all amounts previously paid shall be considered as rental for the use of the premises.

Subsequently Manuel Briones, for valuable consideration, assigned all his interests to the plaintiffs Salvador Araneta, who duly notified the vendor of, and the latter approved, such assignment. Then came World War II. The defendant being an American citizen, was interned by the Japanese forces. Not knowing where the defendant was and desiring to pay him the installments on the property, the plaintiff requested his former law partner, the late Antonio Bautista, to contact him. Bautista succeeded in doing so; through this partner of his, the plaintiff sent the defendant the sum of P500. This was in 1943. In 1944, plaintiff again gave the defendant the sum of P600, with the help of Margaret Wolfson. Both payments were in Japanese military notes.

Upon the advent of the American forces in 1945, Alva J. Hill departed for the United States. Before leaving he appointed Atty. Felix Falgui as his attorney-in-fact. In a letter dated July 3, 1945 (Exhibit 1), Attorney informed the plaintiff of such appointment and the same time demanded payment of the installment in arrears on the property. The plaintiff answered that he was willing to pay, provided the defendant would validate the payments made during the Japanese occupation and that no interest would be collected during the same period. Attorney Falgui replied that he will consult the defendant (who was then in the States) regarding the validation of those payments; as to the interest, his instructions were to collect all. On August 21, 1945, the plaintiff wrote back, informing Attorney Falgui about his reluctance to resume payments due to the fact that he (Falgui) was "not yet prepared to admit the payment of P1,100 which I have made to Mr. Hill"; and furthermore, he sought refuge under the moratorium order. A series of letters were later exchanged between the two, more or less of the same tenor until April 25, 1946 when the plaintiff received a letter from Attorney Falgui, informing him that due and in arrears, the contract has been cancelled by his principal in accordance with the provisions of the contract of sale. On June 19, 1946, the plaintiff sent a letter to the defendant (who had then arrived from the States) containing his version of the statement of accounts and a formal offer to pay P8,555.70, after deducting the amount of P1,100 paid during the Japanese occupation and excluding the interest during the same period. The offer was rejected. Wherefore, on February 21, 1947, plaintiff filed a complaint in the Manila court to compel defendant "to accept the sum of P8,555.70 tendered to him by the plaintiff in complete payment of the purchase price of the property in

question and to execute and deliver to the plaintiff the necessary deed of sale" of the land.

On February 10, 1948, the trial judge rendered his decision, ordering the plaintiff to pay defendant P8,869.56 plus 9 per cent interest thereon from February 27, 1945, until fully paid and requiring the defendant to deed to plaintiff the real estate involved in the controversy. The court did not give full value to the Japanese notes which had been delivered by the plaintiff to the defendant during the occupation.

From this decision, both parties appealed. The Court of Appeals forwarded the case on the ground that the defendant "assails the constitutionality and validity of Moratorium Order (Executive Order No. 32) and of Republic Act No. 342".

The plaintiff says the lower court erred in holding that although the defendant had received P1,100 in Japanese military notes, such money was only equivalent to P80 in today's currency and therefore said plaintiff is deemed to have paid only P80 on account of the purchase price. The assignment is well taken,[1]said notes being legal tender at the time of payments.[2]

In his second assignment of error, the plaintiff argues it was erroneous to require him to pay interest on the unpaid purchase price, because on June 19, 1946 he had made an offer to make payment of the whole unpaid price by his letter Exhibit 1. We note however that as the offer excluded interest during the Japanese occupation, defendant was justified in rejecting the offer. There is no law condoning interest accruing during the Japanese occupation on debts owing to private individuals.[3] Commonwealth Act No. 727 was vetoed by the President of the United States.

Main points of defendant's appeal are the propositions that he had a right to cancel the contract and did legally cancel it, and that, at any rate, the plaintiff should pay interest on the balance due corresponding to the whole period of the Japanese occupation.

In connection with his first proposition defendant alleges that plaintiff as of January 1, 1942 had become in arrears to the extent of P637.98 and the only payments made since then was P500 in 1943 and P600 in 1944 as against accrued liability of at least P4,225 (installments for two years plus P637). The arrears therefore were always over the P600-limit and he could have rescinded the contract of sale during the Japanese occupation.

In reply to this, the plaintiff maintains he was always ready and willing to pay during the occupation but defendant did not desire, (and so informed him) to get full payment in Military currency. He likewise offers other excuses which, in the approach we propose to follow, do not require extended elucidation.

Supposing the defendant had a right to rescind the contract by reason by plaintiff's default during the Japanese occupation, the fact is that he elected not to cancel but to enforce the contract by the letter of July 3, 1945 demanding payment of the installments in arrears. Thereafter plaintiff's failure to pay was justified by two circumstances, to wit, the refusal of defendant to fully validate the payment during the occupation and the moratorium law, Executive Order No. 32 dated March 10, 1945.

By virtue of this order the obligation of plaintiff to pay the installments due before July 3, 1945 as well as those accruing afterwards was not demandable. Consequently the letter of April 25, 1946 canceling the contract had no juridical foundation.

The defendant argues that the order merely suspended "enforcement of payment of all debts" but does not suspend the duty to pay obligations. He also argues that the order does not affect installments falling due after March 1, 1945.

There is no doubt in our minds that the installments due constituted a debt or obligation of the plaintiff which the

defendant could not "enforce" by cancelling the contract. Such cancellation would be an indirect way of "enforcing" the debt, contrary to purposes of the Moratorium orders. The installments falling due after March 1, 1945, are not obligations "contracted" after such date, and are properly within the purview of the moratorium orders.

True, we have in May of this year declared the Moratorium Laws ineffective^[4] but in August 1945 when plaintiff invoked it, and at the beginning of this case, it was in full force. Anyway plaintiff may fall back upon his other excuse: defendant's refusal to give entire validity to his payments during the Japanese occupation.

Hence the trial court must be held to have committed no mistake in finding that the deed of sale Appendix A is still in force and binding upon both parties and their assigns.

However, as herein previously intimated, the plaintiff is not relieved from paying interest for the whole period of the Japanese occupation.

Wherefore, with the modification that the full amount of P1,100 shall be credited against the purchase price, and that plaintiff shall pay 9 per cent interest on the unpaid balance of the purchase price, including the period of the Japanese occupation, the appealed judgment is affirmed. No costs in this instance. So ordered.

Paras, C. J., Pablo, Montemayor, Reyes, Jugo, Bautista Angelo and Labrador, JJ., concur.

Padilla, J., concurring and dissenting: As stated in the opinion I do not agree to the pronouncement that the payment of P1,100 in Japanese military or war notes released the debtor by that amount. I concur in the opinion in all other respects.

[1] *Haw Pia vs. China Banking Corporation*, 45 Off. Gaz., Supp. (9) 299, 80 Phil. 604; *Lim vs. Register of Deeds of Rizal*, 46 Off. Gaz., 3665, 82 Phil. 789; *Fidelity & Surety Co. vs. Court of Appeals*, 47 Off. Gaz., 4084, 85 Phil. 485. [2] Mr. Justice Padilla disagrees on this score, in view of his dissent in the *Haw Pia* case. [3] *De Guzman vs. Fernando*, 90 Phil. 251; *Araneta vs. Samson*, 85 Phil. 142. [4] *Rutter vs. Esteban*, *supra*, p. 68.

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