

**SIMPLICIO A. PALANCA, PETITIONER, VS. COURT OF APPEALS
(SPECIAL FORMER ELEVENTH DIVISION), AND EDGARDO S.
SANICAS, REPRESENTED BY HIS ATTORNEY-IN-FACT, JOSE S.
SANICAS, RESPONDE...**

G.R. No. 106685. December 02, 1994

Ponente: QUIASON, J.

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QUIASON, J.:

This is a petition for review on certiorari under Rule 45 of the Revised Rules of Court to set aside the Decision of the Court of Appeals in CA-G.R. CV No. 20245 and its Resolution dated August 12, 1992 denying the motion for reconsideration of said decision.

We deny the petition.

I

On January 22, 1977, petitioner, as vendor, and Jose S. Sanicas, as vendee, entered into a Contract to Sell on Installment of a parcel of land covered by TCT No. T-6771766. Under the terms of the contract, private respondent agreed to pay petitioner the amount of P9,851.00 as downpayment and the balance of P88,659.00 in 120 monthly installments with 14% interest per annum on the outstanding balance. Jose S. Sanicas further agreed to pay the annual real property taxes, and that should he fail to pay the said taxes, he would have to pay a yearly surcharge or penalty of 50% of the taxes due plus 12% compounded interest per annum.

Respondent Edgardo S. Sanicas later assumed the account of his brother Jose and he designated the latter as his authorized representative in dealing with petitioner.

Paragraph 11 of the contract contained the following provision:

"That it is further agreed and understood by the VENDEE that in the event of monetary fluctuation, the unpaid balance account of the herein VENDEE on the aforecited subdivision lot shall be increased proportionately on the basis of the present value of P6.72 to \$1.00 US dollar" (Rollo, p. 2).

Following demands from petitioner for the updating of the account, private respondent requested a detailed statement. When petitioner failed to furnish him with the statement, private respondent hired an accountant to compute his obligations under the contract. Thereafter, he tendered the amount of P44,955.87 in cash upon petitioner, which amount included interest at 12% per annum.

Petitioner, however, refused to receive the amount tendered, prompting private respondent to make a judicial consignment of the amount on May 29, 1987.

Private respondent then filed with the trial court a complaint for reconveyance with preliminary injunction, praying that petitioner be restrained from cancelling private respondent's rights under the contract and from

ejecting him from the property. Private respondent further prayed that the trial court order petitioner to accept the amount earlier consigned, and subsequently, to declare as fully paid the purchase price of the parcel of land.

Petitioner justified his refusal to accept the amount of P44,955.87 by asserting that private respondent's actual liability was P155,630.40, relying on the escalator clause in paragraph 11 of the contract.

Applying Article 1250 of the New Civil Code, the trial court ruled that for an agreement providing for the adjustment of the purchase price in case of a diminution of the value of the peso to come into effect, there should be an "extraordinary inflation or deflation." It was the position of the trial court that inasmuch as there was no extraordinary inflation or deflation, paragraph 11 of the contract should not be taken into account in the computation of the amount payable under the contract (Rollo, pp. 45-46).

Furthermore, the trial court ruled that it was unconscionable to peg the unpaid balance in the event of monetary fluctuation at 100.398% aside from the agreed interest rate of 14% (Rollo, p. 48).

Accordingly, the trial court, in its Decision dated June 17, 1988, disposed as follows:

"WHEREFORE, judgment is hereby rendered ordering the defendant to execute a deed of conveyance in favor of plaintiff covering Lot No. 8, Blk. 1, TCT No. T-77176 considering the payment made by plaintiff of the balance of the purchase price in the sum of Forty Four Thousand Nine Hundred Seventy Nine Pesos and Eighty Seven Centavos (P44,979.87) thru judicial consignment effected on May 29, 1987 per Official Receipt No. 4016228 issued by the Provincial Treasurer of Negros Occidental.

Without pronouncement as to attorney's fees and costs" (Rollo, p. 48).

Petitioner appealed to the Court of Appeals.

The Court of Appeals modified the judgment of the trial court. Based on the trial court's record, the appellate court ruled that the amount payable by private respondent was P70,688.17, broken down as follows:

"P45,186.04 Balance on the principal;

P22,604.63 Interest thereon from January 24, 1983 to April 2, 1987 plus, balance on interest; and

P 2,897.00 Land taxes from 1977 to 1986"

(Rollo, p. 38).

The Court of Appeals concurred with the trial court's ruling that paragraph 11 of the contract cannot come into effect absent an actual extraordinary inflation or deflation.

II

Not pleased with the judgment of the appellate court, petitioner comes to this Court raising the sole issue of "whether or not petitioner is entitled to a proportionate increase in payment on the balance of the purchase price for a piece of real property bought on installment, pursuant to paragraph 11 of the subject Contract To Sell on Installment" (Rollo, p. 2).

III

We cannot grant the petition but not on the grounds relied upon by the trial court and the Court of Appeals that there should be an "extraordinary inflation" before a stipulation for an upward adjustment of the purchase price can be enforced.

The specific provision of law applied by the two lower courts is Article 1250 of the Civil Code of the Philippines, which provides:

"In case extraordinary inflation or deflation of the currency stipulated should supervene, the value of the currency at the time of the establishment of the obligation shall be the basis of payment, unless there is an agreement to the contrary."

In the case at bench, the clear understanding of the parties is that there should be an upward adjustment of the purchase price the moment there is a deterioration of the Philippine peso vis-a-vis the U.S. dollar. This is the "monetary fluctuation" contemplated by them as would justify the adjustment. Under this scenario, it is an idle task to determine whether the contract has been visited by an "extraordinary inflation" as to trigger the operation of Article 1250.

While the contract may contain an "escalator clause" providing that in the occurrence of certain events, the contract price shall be increased to a fixed percentage of the base price ("Escalator" price adjustment clauses, 63 ALR 2d 1337 [1959]), still the autonomy of the parties to provide such escalator clauses may be limited by law.

The petition should be dismissed on the ground that the stipulation of the parties is in violation of R.A. No. 529, as amended, entitled "An Act to Assure Uniform Value To Philippine Coin and Currency," otherwise known as the Cuenco Law.

Section 1 of R.A. No. 529, as amended, provides in pertinent part:

"Every provision contained in, or made with respect to, any domestic obligation, to wit, any obligation contracted in the Philippines which provisions purport to give the obligee the right to require payment in gold or in a particular kind of coin or currency other than Philippine currency or in an amount of money of the Philippines measured thereby, be as it is hereby declared against public policy, and null, void and of no effect, and no such provision shall be contained in, or made with respect to, any obligation hereafter incurred. x x x" (Underscoring supplied).

Often lost sight of is the fact that the said law prohibits two things in all domestic contracts: (1) giving the obligee the right to require payment in a specified currency other than Philippine currency; and (2) giving the obligee the right to require payment "in an amount of money of the Philippines measured thereby."

When the parties stipulated that "xxx in the event of monetary fluctuation (meaning any change in the rate of exchange of the Philippine peso to the U.S. dollar), the unpaid balance account of the herein vendee on the aforesaid subdivision lot shall be increased proportionately on the basis of the present value of P6.72 to US\$ 1.00," the obligee was given the right to demand payment of the balance of the purchase price "in an amount of money of the Philippines measured" by a foreign coin or currency.

Republic Act No. 529 mandates that the money of obligation or payment to be stipulated in all contracts entered into in the Philippines shall be in Philippine currency. The authority to legislate on the money of obligation or payment in all transactions entered into in the Philippines is beyond dispute.

The whereas clause of R.A. No. 529 reads as follows:

"WHEREAS, the value of Philippine coin and currency affects public interest and is subject to regulation by the Congress of the Philippines;

"WHEREAS, it has been disclosed that the provisions of certain obligations contracted in the Philippines purport to give the obligee the right to require payment in gold or in a particular kind of coin or currency or in an amount in money of the Philippines measured thereby, thus obstructing the power of the Congress to regulate the value of the money of the Philippines and contravening the policy of the Congress, here declared,

to maintain at all times the equal and stable power of every peso coined or issued by the Philippines, in the markets and in the payment of debts."

Congress passed Republic Act No. 529, having in mind the preservation of the value of the Philippine peso. A currency has value because people are willing to accept it in exchange for goods and services and in payment for debts. Thus, despite the fact that money has no value as a commodity, it has value to those willing to use it as a medium of exchange (Cargill, Money, The Financial System and Monetary Policy 18 [2nd ed., 1983]; Grubel, The International Monetary System 185 [3rd ed.]). If goods and services are available in return for a definite medium of exchange, the value of all goods and services necessarily will be measured in terms of that medium. But these functions of money are not capable of performance if there is no confidence in the currency (Nusbaum, Money in the Law 3-4 [1939 ed.]). If instead of the Philippine currency, the people would use a foreign currency as the mode of payment or as basis for measuring the amount of money to be paid in Philippine currency, such usage would adversely affect the confidence of the public on the Philippine monetary system.

The contract in question is a sale of a parcel of land in the Philippines payable in Philippine pesos. While the balance of the purchase price is payable in Philippine currency measured by a foreign currency, no foreign currency was directly involved in the transaction. The obligation should therefore be paid in the same amounts of Philippine currency as stipulated in the contract without any adjustment based on the prevailing exchange rate of the U.S. dollar to the Philippine peso. The transaction does not involve a loan in a foreign currency stipulated to be payable in Philippine currency but measured by a foreign currency, in which case the rate of exchange prevailing at the stipulated date of payment shall prevail (*Lily San Buenaventura v. Court of Appeals*, 181 SCRA 197 [1990]).

The liberalization of the foreign exchange regulations on receipts and disbursements of residents arising from both non-trade and trade transactions (Resolution of the Monetary Board dated August 7, 1992; Central Bank Circulars No. 1353, Series of 1992; No. 1318 dated January 3, 1992; No. 1338 dated April 28, 1992; No. 1348 dated July 28, 1992) did not repeal or in any way amend R.A. No. 529. In essence, the said Circulars of the Central Bank merely allowed the free sale and purchase of foreign exchange outside the banking system and other transactions involving foreign currency previously subject to Central Bank control.

While foreign exchange controls are tools in the maintenance of the value of the Philippine currency, such controls are not the only means of maintaining that value. The requirements in R.A. No. 529 that the money of obligation or payment in all domestic transactions must be in Philippine currency are also measures to maintain such value.

Besides, a Central Bank Circular cannot repeal a law. Only a law can repeal another law. Article 7 of the Civil Code of the Philippines provides:

"Laws are repealed only by subsequent ones and their violation or non-observance shall not be excused by disuse, or custom or practice to the contrary."

WHEREFORE, the petition is DENIED.

SO ORDERED.

Narvasa, C.J., (Chairman), Bidin, Regalado, Davide, Jr., Romero, Bellosillo, Melo, Puno, Vitug, Kapunan, and Mendoza, JJ., concur.

Feliciano, J., on official leave.

Padilla, J., in the result.

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