

SERVILLANO AQUINO, PLAINTIFF AND APPELLEE, VS. EMETERIO TAÑEDO, DEFENDANT AND APPELLANT.*G.R. No. 12457. January 22, 1919*

Ponente: AVANCEÑA, J.

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The plaintiff demands from the defendant payment of the sum of P1 0,000, together with legal interest thereon from the date of the filing of the complaint. The defendant, in a counterclaim, demands from the plaintiff payment of the sum of P6,791.75 and legal interest, thereon from March 28, 1914.

On May 5, 1913, the plaintiff purchased from the defendant several parcels of land for the price of P45,000 (Exhibit X). In the contract the defendant acknowledged receipt of the sum of P10,000, as a part of this price, the contracting parties stipulating that the rest should be paid as follows: P7,000 in September of the same year, P10,000 in May, 1914, and P18,000 in 1915. By virtue of this contract the plaintiff took possession of the lands purchased. On March 28, 1914, the plaintiff and the defendant, by virtue of another contract (Exhibit Z), agreed to consider the previous contract as rescinded and of no value. As a result of this second agreement, the plaintiff returned to the defendant the lands together with all the documents pertaining thereto. The defendant, of his part, instead of returning the price received by him, subscribed in favor of the plaintiff another document (Exhibit) in which he acknowledges that he owes the plaintiff the sum of P12,000, of which P2,000, the amount of the interest on P10,000 for one year, was to be paid on or before the 31st of May of the following year, 1915, and, as to the remaining P10,000, it was agreed that the date of their payment would be fixed upon payment of the P2,000.

On May 28, 1915, the defendant paid the plaintiff the P2,000, in accordance with the contract, Exhibit A. Upon this payment being made no time was fixed for the payment of the other P10,000.

Subsequently, the plaintiff filed against the defendant an action in the Court of First Instance of Tarlac (Civil Case No. 792), wherein he demanded of the defendant the payment of the P10,000. Before this case was decided, the plaintiff and the defendant stipulated that, in the event that the court should find that the defendant's obligation was not due, they should move the court merely to fix the period in which this sum should be paid, with the understanding that, if it be not paid: within the period fixed by the court, the plaintiff might bring an action against the defendant for its collection, without prejudice to the defenses which the defendant might set up. It appears that this agreement was taken into account by the court, for the record shows that on September 13, 1915, it rendered judgment in that case merely fixing a period of three months, counting from October 1, 1915, for the payment of this sum of P10,000 by the defendant.

There is no dispute over the fact that the defendant owes the plaintiff the P10,000 claimed by the latter. The question raised by this appeal is one that relates to the defendant's counterclaim. The sum demanded in this counterclaim is the value of the product of the lands, collected by the plaintiff during the time he was in possession of them, by virtue of the contract Exhibit X, specifically, from May 5, 1913, until the plaintiff returned the lands to the defendant, on March 28, 1914.

The plaintiff contends that the judgment rendered by the Court in Civil Case No. 792 had resolved all the issues then in controversy between the plaintiff and the defendant, and among them that of the counterclaim which is now presented in the instant case. We believe, however, that this contention is unfounded. The judgment rendered by the court in that Civil Case, No. 792, undoubtedly was rendered in consideration of the agreement between the plaintiff and the defendant to move the court merely to fix the period within which the defendant should be obliged to pay to the plaintiff the P10,000, without prejudice to the defenses the defendant might set up with respect to this obligation. Withal, we are of the opinion that the plaintiff should be absolved from this counterclaim, for the very reasons that we shall presently set forth.

The question is this: the plaintiff, on account of having purchased the lands from the defendant on May 15, 1913, according to Exhibit X, took possession of the same and collected their products. On March 28, 1914, the plaintiff and the defendant dissolved that contract of sale and, as a result thereof, the plaintiff returned the lands to the defendant, and the defendant in turn, bound himself to return to the plaintiff the part of the price that the latter had paid. Is the plaintiff obliged to return to the defendant the products of the lands that the plaintiff collected during his possession?

The defendant invokes article 1295 of the Civil Code, which prescribes that the rescission obliges the return of the things which were the objects of the contract, with their fruits and the price with interest. He maintains that, pursuant to this provision, the plaintiff is obliged to return the fruits collected by him. But the rescission mentioned in the contract Exhibit Z is not the rescission referred to in this article 1295. Although the plaintiff and the defendant employed the word rescind, it has not, in the contract executed by them, either the scope or the meaning of the word rescission to which article 1295 refers and which takes place only in the cases mentioned in the preceding articles, 1291 and 1292. Rescission, in the light of these provisions, is a belief which the law grants, on the premise that the contract is valid, for the protection of one of the contracting parties and third persons from all injury and damage the contract may cause, or to protect some incompatible and pre-erent right created by the contract. Article 1295 refers to contracts that are rescindible in accordance with law in the cases expressly fixed thereby, but it does not refer to contracts that are rescinded by mutual consent and for the mutual convenience of the contracting parties. The rescission in question was not originated by any of the causes specified in articles 1291 and 1292, nor is it any relief for the purposes sought by these articles. It is simply another contract for the dissolution of a previous one, and its effects, in relation to the contract so dissolved, should be determined by the agreement made by the parties, or by the application of the other legal provisions to which we shall refer later on, but not by article 1295, which is not applicable.

The defendant alleges that, upon the execution of the contract of rescission, Exhibit. Z, the plaintiff verbally agreed to return the fruits collected by him. The plaintiff denies this absolutely. As the contract of rescission was drawn up in writing, it must be presumed that the document wherein this contract appears contains all the agreements stipulated by the parties. Although the defendant was permitted to introduce oral evidence to establish that, besides what is set forth in the written contract, the plaintiff also agreed, verbally, to return the fruits collected, the plaintiff, on his part, presented other evidence in rebuttal. Examining the evidence adduced by both parties on this point, we can say that there is no preponderance in favor of the proof presented by the defendant. In such conditions, the presumption that the written contract contains all the agreements should prevail and, consequently, the defendant's contention that such a verbal agreement made by the plaintiff existed should be rejected.

The defendant argues that, as he bound himself to pay, and in fact did pay, interest on the P10,000 which he received from the plaintiff as [a part of] the price of the land, it should be understood that the plaintiff, reciprocally, also bound himself to return, on his part, the fruits which he collected from these lands. This

argument would be valid if the interest paid by the defendant had been paid for the time preceding the rescission, that is, from May 5, 1913, when the contract of purchase and sale was executed, until March 28, 1914, when it was rescinded. The record shows, however, that this interest was paid for the time subsequent to the rescission. It will be recalled that the defendant received from the plaintiff P10,000 as a part of the price of the lands; that, on rescinding the sale in March, 1914, the plaintiff returned the lands; and that the defendant, on his part, instead of returning the part of the price, W10,000, received by him, executed in favor of the plaintiff the Exhibit A, binding himself to pay the sum of P12,000, with interest, one year afterwards, that is, on May 31, 1915. Both parties agree that P000 of these P12,000 is the interest on the P10,000 for one year, at the rate of 20 per cent per annum. According to that, after the defendant had been in receipt of the P10,000 for two years, he bound himself to pay interest only for one year. This necessarily supposes that this sum did not earn interest for the other year. If it is admitted that this interest pertains to the first year previous to the rescission, then it had accrued and was due when this contract of rescission was executed, however, it was not deemed to be due on that date, inasmuch as the defendant did not bind himself to pay it until after the second year. Furthermore, if it is considered that this interest corresponds to the first year prior to the rescission, the year in which no interest was due would be the following year. Thus the result would be that, while the plaintiff returned the lands, the defendant did not return the price, and if he did not even bind himself to pay interest on this unreturned price, the transaction would lack the same reciprocity which the defendant invokes to sustain the contrary. We accept the conclusion that the interest which the defendant bound himself to pay, and in fact did pay, to the plaintiff, was for the time subsequent to the rescission. Consequently the defendant did not bind himself to pay, nor did he pay, interest on the P10,000 for the time prior to the rescission. Applying, by inversion, the defendant's argument, we believe that we ought to conclude that the plaintiff could not have bound himself to return to the defendant the fruits of the land that the plaintiff collected during his possession, inasmuch as the defendant did not pay, nor bind himself to pay, interest during the same time for the part of the price which he received.

But the plaintiff held the lands by reason of his having purchased them from the defendant. On this account, his possession, until the contract of purchase and sale was dissolved and the lands were returned by him, was in good faith. As such possessor in good faith, the fruits collected by him become his own (art. 451, Civil Code) and he is not obliged to return them, to the defendant. In the absence of any covenant, this provision should be applied to the instant case.

Aside from the foregoing considerations, equity also lies on the plaintiff's side, because, as the record shows, for the improvement of the land and in order to produce the fruits which he collected, he incurred expenses in an amount such that the products collected by him may, reasonably, be considered equivalent to the interest for one year on the P10,000 which he had paid to the defendant.

Therefore, the judgment appealed from is affirmed, with the costs against the appellant. So ordered.

Arellano, C.J., Torres, Johnson, Malcolm, and Street, JJ., concur.

Judgment affirmed.

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