

HILARIA AGUILAR, PLAINTIFF AND APPELLANT, VS. JUAN RUBIATO, DEFENDANT AND APPELLANT, AND MANUEL GONZALEZ VILA, DEFENDANT AND APPELLEE.

G.R. No. 14823, December 09, 1919

Ponente: MALCOLM, J.

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MALCOLM, J.:

As certainly as may be ascertained, the facts of record in this case are believed to be the following:

Juan Rubiato is a resident of the municipality of Nagcarlan, Province of Laguna, of somewhat ordinary intelligence and astuteness. Early in the year 1915, he was the owner of various parcels of land having a potential value of approximately P26,000. Rubiato was desirous of obtaining a loan of not to exceed P1,000. Being in this state of mind, two men, Manuel Gonzalez Vila a procumdor judicial and one Gregorio Azucena, and possibly another, one Marto Encarnacion, came to the house of Rubiato and there induced him to sign the second page of a power of attorney in favor of Manuel Gonzalez Vila. This power of attorney, introduced in evidence as Exhibit A, reads as follows:

"To all whom it may concern:

"I, Juan Rubiato e Isles, of age, married, a resident of the barrio of Rizal, municipality of Nagcarlan, Province of Laguna, Philippine Islands, do hereby freely and voluntarily set forth the following:

"First. That I own and possess the full and absolute dominion over eight parcels of land (planted with about two thousand five hundred coconut trees) situated in the aforesaid barrio, municipality of Nagcarlan, Province of Laguna, P. I.; that the description and boundaries of same are duly described in the possessory title (dated the 15th day of January, 1896) (titulo posesorio) issued to me by the former Spanish sovereignty; that same is inscribed in the register of property of said province under numbers 141, 144, 146, 148, 150, 152, 154 and 156; that these facts are proven by the certificate, written on the legal official papers numbered 0.153.826, 0.460.498, 0.455.683 and 0.460.459 and duly authorized by registrar, Sr. Antonio Roura, * * *

"Second. That being unable, on account of illness, to go in person to Manila, I hereby declare that I grant to Sr. Manuel Gonzalez Vila, a resident of the municipality of San Pablo, Province of Laguna, P. I., any power whatever required by law to secure in said city a loan not exceeding one thousand pesos (P1,000), Philippine currency; that he shall secure same in my name and representation; that he may secure same either under the rate of interest and conditions considered most convenient and beneficial for my interests, or under pacto de retro; that furthermore he has ample power to execute, sign and ratify, as though he were myself, any writing necessary for the mortgage of my land described in the aforementioned document; and that he holds this special power of attorney over said lands to the end that same may be used as a guaranty of the loan to be secured." * * *

By reason of the power thus given, Manuel Gonzalez Vila on April 29, 1915, formulated the document introduced in evidence as Exhibit C, by which the lands of Rubiato were sold to Hilaria Aguilar of Manila, for the sum of

P800, with right of repurchase within one year, Rubiato to remain in possession of the land as lessee and to pay P120 every three months as lease rent. Hilaria Aguilar never saw the lands in question and did not know, until after she had consulted her attorney, exactly what her rights were. Manuel Gonzalez Vila received from Hilaria Aguilar the P800 mentioned in Exhibit C as the selling price of the land. Whether this money was then passed on to Juan Rubiato is uncertain, although it is undeniable that Hilaria Aguilar has never been paid the money she advanced.

The one year mentioned in the pacto de retro having expired without Hilaria Aguilar having received the principal nor any part of the lease rent, she began action against Juan Rubiato and Manuel Gonzalez Vila to consolidate the eight parcels of land in her name. After due trial, the trial judge, the Hon. Manuel Camus, rendered a decision in which he recited the facts somewhat, although not exactly, as hereinbefore set forth. The court found that the power of attorney only authorized Manuel Gonzalez Vila to obtain a loan subject to a mortgage, and not to sell the property. The judgment handed down was to the effect that the plaintiff Hilaria Aguilar recover from the defendant Juan Rubiato the sum of P800 with interest at the rate of 60 per cent per annum from April 29, 1915 until May 1, 1916, and with interest at the rate of 12 per cent per annum from May 1, 1916, until the payment of the principal, with the costs against the defendant. Both parties appealed.

The points raised by the plaintiff-appellant going as they do to the facts and these being as hereinbefore stated, no lengthy discussion of plaintiff's five assignments of error need be indulged in. The issue is not precisely relative to an interpretation of the power of attorney. The court is under no necessity of seizing on inexact language in order to hold that the document authorized a mortgage and not a sale. The so-called power of attorney might indeed be construed as authorizing Vila to sell the property of Rubiato. And it might indeed be construed under a conception similar to that of the trial court's as a loan guaranteed by a mortgage. But the controlling fact is, that the power of attorney was in reality no power of attorney but a sham document.

In addition to the evidence, there is one very cogent reason which impels us to the conclusion that Rubiato is only responsible to the plaintiff for a loan. It is—that the inadequacy of the price which Vila obtained for the eight parcels of land belonging to Rubiato is so great that the mind revolts at it. It is an agreement which a reasonable man would neither directly nor indirectly be likely to enter into or to consent to. To hold that the power of attorney signed by Rubiato authorized Vila to enter into the instant contract of sale would be equivalent to holding, if we may be permitted to use the language of Lord Hardwicke, that "a man in his senses and not under delusion" would dispose of lands worth P26,000 for P1,000, and would pay interest thereon at the rate of 60 per cent per annum. (See 6 R. C. L., 679, 841.)

The members of this court after most particular and cautious consideration, having in view all the facts and all the natural tendencies of mankind, consider that Rubiato is only responsible to the plaintiff for the loan of P800.

The points advanced by defendant-appellant likewise necessitate only brief consideration. While entertaining some doubt as to the justice of requiring Rubiato to pay back the amount of P800, we do not feel authorized in disturbing this finding of the trial court. It may well be that Vila and his partners, acting as middlemen, fabricated the document which Rubiato signed, secured the money from Hilaria Aguilar, and then pocketed the same. Yet as minor details somewhat corroborative of the result reached by the trial court, are the undeniable facts that Rubiato admitted his desire to obtain a loan, that Hilaria Aguilar made such a loan, and that while the testimony of Vila is not overly truthful, in this one respect we do have his forceful statement that the money was paid over to Rubiato. That payment of the sum of P800 was not explicitly prayed for in the complaint, does not deprive the court of power to render judgment for this amount, because it is a rule of good pleading that "the demand in the complaint is no part of the statement of the cause of action, and does not give it character. The facts alleged do this, and the plaintiff is entitled to so much relief as they warrant." (Sutherland on Code Pleading, Vol. I, sec. 186; Code of

Civil Procedure, sec. 126.)

The only remaining question which merits resolution, on which the plaintiff and defendants flatly disagree, relates to the interest which should be allowed. The trial court, it will be remembered, permitted the plaintiff to recover interest at the rate of 60 per cent per annum from April 29, 1915, when the pacto de retro was formulated, until May 1, 1916, the date when the Usury Law, Act No. 2655, went into effect, and interest at the rate of 12 per cent per annum after that date. It is, of course, true, as previously decided by this court in *United States vs. Constantino Tan Quingco Chua* ([1919], 39 Phil., 552), that usury laws, such as that in force in the Philippines, are to be construed prospectively and not retrospectively. As stated in the decision just cited, "The reason is, that if the contract is legal at its inception, it cannot be rendered illegal by any subsequent legislation, for this would be tantamount to the impairment of the obligation of the contract." As we have held that the defendant is under obligation to the plaintiff for a mere loan, as this loan fails to name a lawful rate of interest, and as interest at the rate of 60 per cent per annum is unquestionably exorbitant and usurious under the Usury Law, on and after the date when this law became effective, the defendant would be liable for the legal rate of interest, which is 6 per cent per annum. We would even go further and hold that he would be liable only for such interest prior to the enactment of the Usury Law. This we can do under the sanction of article 1255 of the Civil Code which condemns agreements contrary to morals and public policy.

Judgment is affirmed, with the sole modification that the plaintiff shall only recover interest at the rate of 6 per cent per annum on the sum of P800 from April 29, 1915 until paid, without special finding as to costs in this instance. So ordered.

Arellano, C.J., Torres, Araullo, Street, and Avanceña, JJ., concur.

Judgment modified.

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