

THE UNITED STATES, PLAINTIFF AND APPELLEE, VS. VICENTE DIAZ CONDE AND APOLINARIA R. DE CONDE, DEFENDANTS AND APPELLANTS.

G. R. No. 18208. February 14, 1922

Ponente: JOHNSON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-18208/>

JOHNSON, J.:

It appears from the record that on the 6th day of May, 1921, a complaint was presented in the Court of First Instance of the city of Manila, charging the defendants with a violation of the Usury Law (Act No. 2655). Upon said complaint they were each arrested, arraigned, and pleaded not guilty. The cause was finally brought on for trial on the 1st day of September, 1921. At the close of the trial, and after a consideration of the evidence adduced, the Honorable M. V. del Rosario, judge, found that the defendants were guilty of the crime charged in the complaint and sentenced each of them to pay a fine of P120 and, in case of insolvency, to suffer subsidiary imprisonment in accordance with the provisions of the law. From that sentence each of the defendants appealed to this court.

The appellants now contend: (a) That the contract upon which the alleged usurious interest was collected was executed before Act No. 2655 was adopted; (b) that at the time said contract was made (December 30, 1915), there was no usury law in force in the Philippine Islands; (c) that said Act No. 2655 did not become effective until the 1st day of May, 1916, or four months and a half after the contract in question was executed; (d) that said law could have no retroactive effect or operation, and (e) that said law impairs the obligation of a contract, and that for all of said reasons the judgment imposed by the lower court should be revoked; that the complaint should be dismissed, and that they should each be discharged from the custody of the law.

The essential facts constituting the basis of the criminal action are not in dispute, and may be stated as follows: (1) That on the 30th day of December, 1915, the alleged offended persons Bartolome Oliveros and Engracia Lianco executed and delivered to the defendants a contract (Exhibit B) evidencing the fact that the former had borrowed from the latter the sum of P300, and (2) that, by virtue of the terms of said contract, the said Bartolome Oliveros and Engracia Lianco obligated themselves to pay to the defendants interest at the rate of five per cent (5%) per month, payable within the first ten days of each and every month, the first payment to be made on the 10th day of January, 1916. There were other terms in the contract which, however, are not important for the decision in the present case.

The lower court, in the course of its opinion, stated that at the time of the execution and delivery of said contract (Exhibit B), there was no law in force in the Philippine Islands punishing usury; but, inasmuch as the defendants had collected a usurious rate of interest after the adoption of the Usury Law in the Philippine Islands (Act No. 2655), they were guilty of a violation of that law and should be punished in accordance with its provisions.

The law, we think, is well established that when a contract contains an obligation to pay interest upon the principal, the interest thereby becomes part of the principal and is included within the promise to pay. In other

words, the obligation to pay interest on money due under a contract, be it express or implied, is a part of the obligation of the contract. Laws adopted after the execution of a contract, changing or altering the rate of interest, cannot be made to apply to such contract without violating the provisions of the constitution which prohibit the adoption of a law "impairing the obligation of contract." (8 Cyc, 996; 12 Corpus Juris, 1058-1059.)

The obligation of the contract is the law which binds the parties to perform their agreement if it is not contrary to the law of the land, morals or public order. That law must govern and control the contract in every aspect in which it is intended to bear upon it, whether it affect its validity, construction, or discharge. Any law which enlarges, abridges, or in any manner changes the intention of the parties, necessarily impairs the contract itself. If a law impairs the obligation of a contract, it is prohibited by the Jones Law, and is null and void. The laws in force in the Philippine Islands prior to any legislation by the American sovereignty, prohibited the Legislature from giving to any penal law a retroactive effect unless such law was favorable to the person accused. (Articles 21 and 22, Penal Code.)

A law imposing a new penalty, or a new liability or disability, or giving a new right of action, must not be construed as having a retroactive effect. It is an elementary rule of contract that the laws in force at the time the contract was made must govern its interpretation and application. Laws must be construed prospectively and not retrospectively. If a contract is legal at its inception, it cannot be rendered illegal by any subsequent legislation. If that were permitted then the obligations of a contract might be impaired, which is prohibited by the organic law of the Philippine Islands. (U. S. vs. Constantino Tan Quingco Chua, 39 Phil., 552; Aguilar vs. Rubiato and Gonzales Villa, 40 Phil., 570.)

Ex post facto laws, unless they are favorable to the defendant, are prohibited in this jurisdiction. Every law that makes an action, done before the passage of the law, and which was innocent when done, criminal, and punishes such action, is an ex post facto law. In the present case Act No. 2655 made an act which had been done before the law was adopted, a criminal act, and to make said Act applicable to the act complained of would be to give it an ex post facto operation. The Legislature is prohibited from adopting a law which will make an act done before its adoption a crime. A law may be given a retroactive effect in civil action, providing it is curative in character, but ex post facto laws are absolutely prohibited unless its retroactive effect is favorable to the defendant.

For the reason, therefore, that the acts complained of in the present case were legal at the time of their occurrence, they cannot be made criminal by any subsequent or ex post facto legislation. What the courts may say, considering the provisions of article 1255 of the Civil Code, when a civil action is brought upon said contract, cannot now be determined, A contract may be annulled by the courts when it is shown that it is against morals or public order.

For all of the foregoing reasons, we are of the opinion, and so decide, that the acts complained of by the defendants did not constitute a crime at the time they were committed, and therefore the sentence of the lower court should be, and is hereby, revoked; and it is hereby ordered and decreed that the complaint be dismissed, and that the defendants be discharged from the custody of the law, with costs de oficio. So ordered.

Araullo, C. J., Street, Malcolm, Avanceña, Ostrand, Johns, and Romualdez, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.