

EL HOGAR FILIPINO, PLAINTIFF AND APPELLEE, VS. A. W. PRAUTCH AND VICENTE POBLETE, DEFENDANTS AND APPELLANTS.

G. R. No. 25118. July 30, 1926

Ponente: JOHNS, J.

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JOHNS, J.:

STATEMENT

Plaintiff seeks to recover from the defendants P10,000 as actual damages, and P10,000 as punitive damages, for the publication of an alleged libelous article in a monthly paper known as Rural Credit, a copy of which is attached to, and made a part of, the complaint.

Defendants filed a general demurrer to the complaint which was overruled, and then filed an answer, pleading the general issue, and alleging as a special defense the truth of the article, and that it was published in good motives and for justifiable ends. It was later amended in which it was alleged that the plaintiff is an illegal and fraudulent entity wrongfully and unlawfully simulating a mutual building and loan association.

Upon such issues, the case was tried, and judgment was rendered against the defendant Prautch for punitive damages for P300, and the defendant Poblete for P100.

The defendants-filed a motion for a new trial which was overruled.

Upon their appeal, they contend:

"I. The lower court erred in not sustaining the second special defense of the appellants and in holding that the appellee is a legal mutual building and loan association,

"II. The lower court erred in overruling defendants' demurrer to plaintiff's complaint.

"III. The lower court erred in not sustaining defendants' defense of truth, good motives, and justifiable ends.

"IV. The lower court erred in awarding plaintiff punitive damages."

JOHNS, J.:

There is no dispute about any material fact. The defendant Prautch admits that he was the author of the article which was published, and the defendant Poblete admits its publication as alleged.

The appellants have filed an exhaustive brief of 103 pages largely devoted to their first and second assignments of error. Under our view, assignments of error Nos. 3 and 4 are the only ones material to this opinion.

It is admitted that the Rural Credit, in which the article appeared, is a monthly periodical of general circulation in the Philippine Islands, and that it is published in the City of Manila, and that the article was published in volume 4, of the issue of March, 1924.

It also appears that on the 14th of August, 1923, the Honorable Eduardo Gutierrez David, Judge of the Twenty-second Judicial District, rendered an opinion in a suit pending before him, in which Buenaventura Lopez et al. were plaintiffs, and the El Hogar Filipino et al. were defendants, in which, among other things, the court said: "The court believes that all the controversy depends upon the solution of the following fundamental questions: (a) Is the contract of mortgage Exhibit 1 usurious or not? and (b) Is clause 10 of said contract of mortgage Exhibit 1 valid or not?"

As to the first proposition, the court, after making an exhaustive analysis of the facts, said:

"In view of these facts, the court is of the opinion that to compel payment of interest at 9 per cent per annum upon the total amount of P84,000 in each year, without proportionately reducing the capital of the debt to correspond to what is really and in fact paid on account thereof, it authorizes the creditor to collect the usurious interest from the debtor, inasmuch as the time will come when the amount paid in by the borrowers or the value of his shares should reach said sum, and, if applied upon the original principal, would reduce this principal to a sum, the interest of which, at 18 per cent, would be less than P7,560. In such a case, the interest of P7,560 in fact would be usurious interest, and in successive years, when additional payments are made, the fixed interest of P7,560 would be more and more usurious. In sound jurisprudence, mere forms or devices are not tolerated to cover what is essentially and in fact a usury. The court does not see any other purpose in the system adopted in the contract in question than to enable the creditor to collect from the debtors, as payment for the use of the money given as a loan, amounts which, without said system, would be manifestly usurious.

"Besides, it appears that the rate of premium charged by the El Hogar Filipino from the herein plaintiffs was P16.67 per cent on the amount of the loan. This premium plus the interest at 9 per cent for the first year amount to P25.67 per cent. Consequently, in the first year of the loan, at least P25.67 per cent was collected upon the amount of the loan which exceeds the 18 per cent per annum fixed by the Usury Law for premiums, interest and fines."

It also found that clause 10 of the contract was null and void, and that the mortgage itself was void ab initio, and that the sale under clause 10 was null and void, and rendered judgment in favor of the plaintiffs and against the El Hogar Filipino for the sum of P12,500, with legal interest, and the further sum of P5,000 as attorney's fees, as provided for by section 6 of Act No. 2655, and dismissed the counterclaim of the El Hogar Filipino, with costs against the defendants. From that judgment, an appeal was taken to this court where it was reversed by a divided court.[1] Pending that appeal, Attorney Hilado prepared and filed a printed brief for the plaintiffs in the lower court, who were the appellees in this court. After the brief was filed in this court, and about seven months after the decision of Judge Gutierrez David was rendered, the article in question was published.

Although there are some expressions in the article that are more forcible than elegant, in substance, it follows the analysis and reasoning of the opinion of Judge Gutierrez David, and of the brief of Attorney Hilado, both of which were of a public record in a judicial proceeding. The article in question purports to be an analysis by the writer of the terms and conditions and legal force and effect of paragraphs 1, 2, 3, 5, 6, 7, 8, 9 and 10 of the mortgage, which was executed by Lopez to the El Hogar Filipino, in which the writer forcibly contends that the El Hogar Filipino is not a mutual building and loan association, and that it is a scheme and device to enable its special and preferred stockholders to obtain and collect usurious interest, and that the mortgage itself is usurious, and that the power of sale is null and void. That was the legal force and effect of the decision of the lower court, from which the appeal was taken, and that was the argument which was made by the attorney for the appellees on appeal to this court. It is worthy of note that at the time the article was published, the majority opinion of this court had not been rendered.

Section 11 of Act No. 277 provides:

"In addition to the criminal action hereby prescribed, a right of civil action is also hereby given to any person libeled as herein-before set forth against the person libeling him for damages sustained by such libel, and the person so libeled shall be entitled to recover in such civil action not only the actual pecuniary damages sustained by him but also damages for injury to his feelings and reputation, and in addition such punitive damages as the court may think will be a just punishment to the libeler and an example to others. Suit may be brought in any Court Of First Instance having jurisdiction of the parties. The presumptions, rules of evidence, and special defenses herein provided for criminal prosecutions shall be equally applicable in civil actions under this section"

Section 4 of the Libel Law, page 168 of the Penal Code,[⁽¹⁾] provides:

"In all criminal prosecutions for libel the truth may be given in evidence to the court, and if it appears to the court that the matter charged as libelous is true and was published with good motives and for justifiable ends, the party shall be acquitted; otherwise he shall be convicted; but to establish this defense, not only must the truth of the matter so charged be proven, but also that it was published with good motives and for justifiable ends."

The whole tenor of the article was an analysis of the legal force and effect of the mortgage made to the El Hogar Filipino, and its real purpose and intent was to show how and wherein the mortgage was null and void, as held by Judge Gutierrez David, and as contended for by Attorney Hilado, and while the contention made in the article was later overruled by this court, there was a vigorous dissenting opinion in this court.

So long as it is done in good faith, newspapers have the legal right to have and express opinions on legal questions. To deny them that right would infringe upon the freedom of the press.

The case in question, about which the article was written, was one of great importance not only to the El Hogar Filipino, but to the public in general, and the whole article was founded upon and was confined and limited to an analysis and discussion of the terms and provisions of the real mortgage which was a public record, and the question as to the validity of which was then pending in court, and in legal effect the article follows and approves the reasoning used in the opinion of the lower court and the brief for the appellees in this court.

Its publication could well be justified under section 7 (Libel Law), page 168 of the Penal Code (above cited) which provides:

"No reporter, editor, or proprietor of any newspaper is liable to any prosecution for a fair and true report of any judicial, legislative, or other public official proceedings, or of any statement, speech, argument, or debate in the course of the same, except upon proof of malice in making such report, which shall not be implied from the mere fact of publication." (Act No. 277, sec. 7.)

The judgment of the lower court is reversed, and one will be entered here for the defendants, with costs against the plaintiff. So ordered.

Avanceña, C. J., Street, Ostrand, and Romualdez, JJ.. concur.
Villamor, J., dissents.

[1] Edited by the Attorney-General, 1911.

[⁽¹⁾]Lopez and Javelona vs. El Hogar Filipino, 47 Phil., 249.

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