

ADORACION ROSALES DE ECHAUS ET AL., PLAINTIIFS AND APPELLEES, VS. MARIA GAN, ETC., ET AL., DEFENDANTS AND APPELLANTS.

G.R. No. 32906. December 29, 1930

Ponente: STREET, J.

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STREET, J.:

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This action was instituted in the Court of First Instance of Occidental Negros by Adoracion Rosales de Echaus, assisted by her husband Enrique Echaus, for the purpose of obtaining a judicial order requiring the defendant Maria Gan, as administratrix of the estate of her deceased husband, Manuel Gay Yulingco, as well as the heirs of said decedent, to execute in due form a contract, with appropriate description of the real property involved, in conformity with the terms of an agreement dated September 3, 1927, executed by the deceased Manuel Gay Yulingco, in life, and Enrique Echaus, one of the plaintiffs in the case (Exhibit A). To this action the defendants interposed a general answer and cross-complaint, in the latter of which they sought a decree annulling the contract Exhibit A as excessively onerous and illegal. Upon hearing the cause the trial court absolved the plaintiffs from the cross-complaint and gave judgment in favor of the plaintiffs upon the complaint, requiring the defendants, within thirty days from the date of the finality of the decision, to execute before a notary public and deliver to the plaintiffs a contract similar in terms to that indicated in the Exhibit A but containing, in addition, a description of the real property involved, in such form as would enable the plaintiffs to procure said contract to be inscribed on the certificate of title corresponding to said property, with costs against the defendants. From this judgment the defendants appealed.

The deceased Manuel Gay Yulingco was, in life, the owner of two haciendas located in the Province of Occidental Negros and known as the Haciendas San Jose (or Maragandang) and Alak, of a value of possibly P300,000. In the year 1926, in view of certain obligations and encumbrances on the property, and as a result of the bad crop of the preceding year, Yulingco found himself in a precarious financial condition; and so pressing were his needs that he actually thought his whole estate was about to be involved in ruin. With a view to finding some solution to his difficulties he came to Manila and solicited help in various quarters, but was unable to get the desired assistance. He then applied to Enrique Echaus, a resident of Hinigaran, Occidental Negros, and Echaus agreed to assist him without requiring immediate compensation. In order to facilitate the efforts of Echaus, Yulingco executed a power of attorney giving Echaus authority to act in Yulingco's behalf. Pursuant to this engagement Echaus undertook the management of the hacienda and by his exertions not only effected necessary adjustments with Yulingco's creditors, but by the proper superintendence of the two haciendas succeeded in raising their output in successive years from nine to twelve, and from twelve to fifteen thousand piculs of

centrifugal sugar. By this means Yulingco found himself rescued from what he considered the verge of ruin; and when the pressing danger was over, on September 3, 1927, he executed the contract (Exhibit A), which in the part material here to be considered is as follows:

"Know all men by these presents:

"That whereas D. Enrique Echaus has heretofore rendered me services of such value that without them I should have become completely bankrupt; and,

"Whereas hitherto I have had no opportunity of paying him duly for those services, but I do not wish them to pass without recompense, though, on the other hand, I have not at present money sufficient to compensate him worthily for said services; and,

"Whereas I have agreed with D. Enrique Echaus upon the manner of such compensation, which, it has been stipulated, shall be paid to Da. Adoracion Rosales, the wife of said D. Enrique Echaus:

"Now therefore, I, Manuel Gay Yulingco, * * * do hereby encumber all the sugar produced in my hereinbelow described plantations for fourteen consecutive years counted from the harvest season of 1927-1928, to answer for the payment of half a peso, Philippine Currency (P0,50) on each picul of sugar produced by my aforesaid plantations, to the order of Da. Adoracion Rosales de Echaus, her heirs and assigns, no matter who may be working and exploiting such plantations, it being understood that this encumbrance shall be enforceable against my share of the sugar produced."

This contract evidently contemplates the creation of a real charge upon the land comprising the two haciendas included in the contract; but the land itself is covered by Torrens certificates of title, while the description given is imperfect and insufficient for purposes of annotation on said certificates. It was accordingly intended by the contracting parties that another document would have to be executed for the purpose of making the agreement fully effective; and to this end Yulingco obligated himself to execute later a document with a more detailed description in conformity with the Torrens certificates. It was for the purpose of giving effect to this stipulation, and in order to enable the plaintiffs to have the contract noted on the certificates that the present action was instituted.

We are unable to discover any valid reason why the defendants, as successors to the deceased Manuel Gay Yulingco, should not be required to perform this obligation; and we are of the opinion that the trial court committed no error in making the proper decree in favor of the plaintiffs.

The contract in question, Exhibit A, on which this action is based, was executed by Manuel Gay Yulingco and Enrique Echaus, and although the contract binds Yulingco to pay to Adoracion Rosales de Echaus, the wife of Enrique Echaus, the sum of fifty centavos for each picul of sugar that may be produced upon the two haciendas covered by the contract during the fourteen years beginning with the crop for 1927-1928, nevertheless this action is not instituted by the nominal beneficiary, Adoracion Rosales de Echaus, directly for the purpose of obtaining the benefit which said contract purports to confer upon her. The purpose of the action is to compel the defendants to execute a contract pursuant to the tenor of the contract Exhibit A, but containing an adequate description of the property contained in the two haciendas, for the purpose of enabling Echaus to procure the annotation of said contract on the Torrens certificates of title. It is therefore evident that, technically speaking, the proper person to bring this action is Enrique Echaus, the person with whom the contract was made by Yulingco. It is, nevertheless, equally obvious that the wife of Enrique Echaus is a party in interest, and she is certainly a proper, if not an entirely necessary party to the action. It results that there is really no improper joinder of parties plaintiff.

With respect to the merits of the case it is suggested that the agreement in Exhibit A is excessively onerous to the defendants, to the extent of being what is denominated in the civil law a leonine contract; and it is argued that the

contract is for that reason immoral and illegal. In this view we are unable to concur. That the contract was, under the circumstances, imprudent is undeniable; and that it is bound to operate with no little hardship upon the estate of the deceased can readily be believed, in the light of the present depression in the price of sugar. But that valuable services were rendered to Yulingco by Echaus is undeniable, and there is no room for any suggestion of fraud or bad faith on the part of the latter. The circumstance that the contract may have been the result of an exaggerated sense of gratitude on the part of Yulingco and the further circumstance that he may have conferred a greater benefit on Echaus than had been really earned, do not supply a ground for annulling the agreement. It was contemplated by both parties from the inception of the service that in the end Echaus should be adequately compensated; and in support of the agreement is the fact that it was not made at a time when Yulingco's necessities were urgent. On the contrary it was made after relief had been obtained, and after Echaus had had time fully to reflect the value of the services rendered. According to the testimony of the attorney who drew up the agreement, as well as that of Du Juaco, a confidential friend of Yulingco, the agreement was made while Yulingco was in full use of his mental faculties and without undue pressure exerted upon him from any source. The agreement undoubtedly expresses his true intention and purpose at the time it was made. Under these circumstances, as the trial judge observed, it is not incumbent upon the court to modify or nullify the agreement with the result of frustrating the will of the contracting parties.

The agreement is further criticized by the appellants as invalid in various aspects, in relation with the provisions of law relating to agency, donations, and stipulations for the benefit of third persons. We are of the opinion, however, that the true nature of the agreement is more readily obvious in the light of the fact that the services rendered by Enrique Echaus, which constitute the consideration for this contract, were rendered by him during his marriage to his wife, Adoracion Rosales, and the compensation derived from those services naturally pertains to the conjugal estate. The circumstance that, by the contract Exhibit A, the compensation earned by Echaus is made payable to his wife does not deprive said compensation of its character as conjugal property. It is true that the appellants rely upon article 1402 of the Civil Code as indicating that the payments to be made under this contract to the wife are her separate property. But this view is not borne out by the language of said article which declares that, if a credit belongs to one of the spouses, i. e., is the separate property of one of the spouses, any instalments paid from time to time upon said credit shall not be partnership property. The article has no application to the case where the credit itself is partnership property. It being thus evident that the money payable under the agreement Exhibit A is of a ganancial nature, the fact that it is made payable to the wife instead of the husband is immaterial. In conclusion we may add that if it be supposed that the second paragraph of article 1257 of the Civil Code is applicable to the case, the right of the plaintiffs to maintain this action is supported by the doctrine of *Kauffman vs. National Bank* (42 Phil., 182).

From whatever point of view the situation be considered, we are of the opinion that no error was made in the appealed judgment, and the same is therefore affirmed. So ordered, with costs against the appellants.

Avanceña, C. J., Johnson, Malcolm, Villamor, Ostrand, Johns and Villa-Real, JJ., concur.

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