

LEONCIO GABRIEL, PETITIONER, VS. MONTE DE PIEDAD Y CAJA DE AHORROS AND THE COURT OF APPEALS, RESPONDENTS.*G.R. No. 47806. April 14, 1941*

Ponente: LAUREL, J.

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The herein petitioner was employed as appraiser of jewels in the pawnshop of the Monte de Piedad from 1913 up to May, 1933. On December 13, 1932, he executed a chattel mortgage to secure the payment of the deficiencies which resulted from his erroneous appraisal of the jewels pawned to the appellee, amounting to P14,679.07, with six per cent (6%) interest from said date. In this chattel mortgage, the appellant promised to pay to the appellee the sum of P300 a month until the sum of P14,679.07, with interest is fully paid. The document was registered on December 22, 1932 (statement, decision of Court of Appeals). To recover the aforementioned sum less what had been paid, amounting to P3,333.25 or the balance of P11,345.75, and in case of default to effectuate the chattel mortgage, an action was instituted against the petitioner by the respondent Monte de Piedad in the Court of First Instance of Manila (civil case No. 50847). The petitioner answered, denying generally and specifically all the specifications therein, and also denied under oath the genuineness of the execution of the alleged chattel mortgage attached thereto. By way of special defense, he alleged (1) that the chattel mortgage was a part of a scheme on the part of the management of the Monte de Piedad to cover up supposed losses incurred in its pawnshop department; (2) that a criminal action had been instituted at the instance of the plaintiff against him wherein said chattel mortgage was presented by the prosecution with regard to his supposed responsibility as expert appraiser of jewels of the plaintiff entity but he was therein acquitted; and (3) that said acquittal constituted a bar to the civil case. By way of crosscomplaint, the petitioner alleged (1) that the chattel mortgage was entered into by E. Marco for and in behalf of the Monte de Piedad without being duly authorized to do so by the latter; (2) that the defendant was induced, through false representation, to sign said chattel mortgage against his will; (3) that the chattel mortgage was based upon all nonexisting subject matter and nonexisting consideration; and (4) that the chattel mortgage was null and void ab initio. By way of counterclaim, the petitioner alleged (1) that the payments made by him for the account of the chattel mortgage amounting to P3,333.25 were made through deceit and without his consent and consisted of P300 monthly deductions from his salary, printing job for plaintiff done by him in his printing press, and reimbursement made from the pocket of E. Marco; (2) that he has received P356.25 a month as expert appraiser of the plaintiff and that he was separated arbitrarily at the end of the month of May 1933, from the plaintiff entity without lawful cause and one month notice and plaintiff failed to pay him his salary for the month of May, 1933 and the month of June, 1933, in accordance with law; and (3) that due to the malicious and systematic prosecution brought in criminal case No. 49078 and in the present case, he suffered damages and losses both materially and in his reputation in the amount of at least P15,000. Wherefore, petitioner, among others, prayed that the Monte de Piedad be ordered to return the unlawful deductions from his monthly remuneration, to pay his salary for the months of May and June, 1933, and damages and losses he suffered amounting to P15,000.

The lower court rendered judgment in favor of the Monte de Piedad against the herein petitioner. Petitioner

brought the case on appeal to the Court of Appeals, which affirmed the judgment of the lower court in a decision rendered May 29, 1940. Hence, this petition for review by certiorari.

Petitioner contends that the provisions of the chattel mortgage contract by which he guaranteed to pay the deficiencies amounting to P14,679.07 are contrary to law, morals and public policy, and hence, the chattel mortgage contract is ineffective and the principal obligation secured by it is void. A contract is to be judged by its character, and courts will look to the substance and not to the mere form of the transaction. The freedom of contract is both a constitutional and statutory right and to uphold this right, courts should move with all the necessary caution and prudence in holding contracts void. (*People vs. Pomar*, 46 Phil., 440; *Ferrazzini vs. Gsell*, 34 Phil., 697.) At any rate, courts should not rashly extend the rule which holds that a contract is void as against public policy. The term "public policy" is vague and uncertain in meaning, floating and changeable in connotation. It may be said, however, that, in general, a contract which is neither prohibited by law nor condemned by judicial decision, nor contrary to public morals, contravenes no public policy. In the absence of express legislation or constitutional prohibition, a court, in order to declare a contract void as against public policy, must find that the contract as to the consideration or thing to be done, has a tendency to injure the public, is against the public good, or contravenes some established interests of society, or is inconsistent with sound policy and good morals, or tends clearly to undermine the security of individual rights, whether of personal liability or of private property. Examining the contract at bar, we are of the opinion that it does not in anyway militate against the public good. Neither does it contravene the policy of the law nor the established interests of society.

Petitioner also contends that the chattel mortgage in question is void because it lacks consideration. A consideration, in the legal sense of the word, is some right, interest, benefit, or advantage conferred upon the promisor, to which he is otherwise not lawfully entitled, or any detriment, prejudice, loss, or disadvantage suffered or undertaken by the promisee other than to such as he is at the time of consent bound to suffer. We think that there is sufficient consideration in this contract, for, according to the Court of Appeals, "it has been satisfactorily established that it was executed voluntarily by the latter to guarantee the deficiencies resulting from his erroneous appraisals of the jewels." A preexisting admitted liability is a good consideration for a promise. The fact that the bargain is a hard one will not deprive it of validity. The exception to this rule in modern legislation is where the inadequacy is so gross as to amount to fraud, oppression or undue influence, or when statutes require the consideration to be adequate. We are not convinced that the instant case falls within the exception.

Another objection raised is that the requirement of section 5 of Act No. 1508 has not been complied with. We think that there is substantial compliance with the requirements of the Chattel Mortgage Law on this point. The wording of the affidavit under discussion, as it appears from the record, is almost in the same language of the statute. Likewise, it appears that it was signed by E. Marco, who was Director-General of the Monte de Piedad at the time of the execution of the contract of chattel mortgage. The Court of Appeals found that "the contention that director Marco had no authority to enter into the agreement is without merit. It appears that there was confirmation of Exhibit A by the Consejo de administration of the Monte de Piedad." Statutory requirements as to forms or words of the affidavits in chattel mortgage contracts must be substantially, but need not be literally, complied with.

The second assignment of error made by the petitioner is that the Court of Appeals erred in not holding that the acquittal of the petitioner in criminal case No. 49078 of the Court of First Instance of Manila bars the action to enforce any civil liability under said chattel mortgage. We do not need to dwell at length on this assignment of error, for we find no reason for disturbing the conclusion reached by the Court of Appeals on this point:

"The appellant claims that his acquittal in criminal case No. 49078 of the Court of First Instance of Manila is ft

bar to the institution of the present case. The evidence of record does not bear out this contention. There is no identity of subject matter between the two cases; nor is the instant case dependent upon the said criminal action. We agree with the trial court that the transactions involved in this case are different from those involved in criminal case No. 49078. The court's finding that the transactions involved in the case at bar commenced in August, 1932, can not be considered erroneous simply because Exhibit F-32 of the plaintiff is allegedly dated August 20, 1931. Exhibit F-22 can not be given any probative value, it was undated during the hearing of the case."

We do not find it necessary to discuss the last assignment of error.

The petition is hereby dismissed and the judgment sought to be reviewed is affirmed, with costs against the petitioner. So ordered.

Imperial, Diaz, Moran, and Horrilleno, JJ., concur.

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