

CENTRAL AZUCARERA DE BAIS, PETITIONER, VS. THE HONORABLE COURT OF APPEALS, DAVID BAROT, ET AL., RESPONDENTS.

G.R. No. 87597. August 03, 1990

Ponente: REGALADO, J.

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REGALADO, J.:

Petitioner seeks the review and reversal of the decision of respondent Court of Appeals, dated March 20, 1989,[1] which affirmed in toto the original decision of the Regional Trial Court of Manila, Branch XX, dated December 28, 1984, in Civil Case No. 39650, entitled "David Barot, et al. vs. Central Azucarera de Bais," and set aside the partial modification thereof by the same trial court in its order of May 7, 1985.

The present litigation started thirty-one (31) years ago in the then Court of First Instance of Manila when private respondents filed a complaint for a sum of money against petitioner Central Azucarera de Bais on March 19, 1959. In their complaint, private respondents, consisting of David Barot and one hundred eighty (180) other sugar cane planters in Bais, Negros Oriental, relied on Section 1 of Republic Act No. 809, otherwise known as the Sugar Act of 1952, which in part provides that:

"SECTION 1. In the absence of written milling agreements between the majority of planters and the millers of sugar-cane in any milling district in the Philippines, the unrefined sugar produced in that district from the milling by any sugar central of the sugar-cane of any sugar-cane planter or plantation owner, as well as all by-products and derivatives thereof, shall be divided between them as follows:

Sixty per centum for the planter, and forty per centum for the central in any milling district the maximum actual production of which is not more than four hundred thousand piculs: Provided, That the provisions of this section shall not apply to sugar centrals with an actual production of less than one hundred fifty thousand piculs.

Sixty-two and one-half per centum for the planter, and thirty-seven and one-half percentum for the central in any milling district the maximum actual production of which exceeds four hundred thousand piculs but does not exceed six hundred thousand piculs;

Sixty-five per centum for the planter, and thirty-five per centum for the central in any milling district the maximum actual production of which exceeds six hundred thousand piculs but does not exceed nine hundred thousand piculs;

Sixty-seven and one-half per centum for the planter, and thirty-two and one-half per centum for the central in any milling district the maximum actual production of which exceeds nine hundred thousand piculs but does not exceed one million two hundred thousand piculs;

Seventy per centum for the planter, and thirty per centum for the central in any milling district the maximum actual production of which exceeds one million two hundred thousand piculs.

By actual production is meant the total production of the mill for the crop year immediately preceding."

The facts as found by the respondent court are as follows:

"As alleged in the complaint, the plaintiffs-appellants were all sugar cane planters in the milling district of Bais, Negros Oriental, who have been milling their sugarcane with appellant Central Azucarera de Bais since 1952, without any written milling contracts or agreements between plaintiffs-appellants and defendant-appellant. Further, plaintiffs-appellants averred that prior to the enactment of the Sugar Act of 1952 (RA 809) as planters, they only had a 60% share in the sugar produced and milled with appellant Central while the latter had 40%. With the enactment of R.A. 809, however, the percentage of the share of the planters was gradually increased depending upon the actual sugar production for each crop year and on whether or not the majority of the planters had executed milling agreements with appellant Central. Hence, the plaintiffs-appellants who have been milling their sugarcane with the appellant Central from 1952-53 to 1958-59, without any written milling contracts sought to compel the latter to give to them the increased participation as provided for in R.A. 809 alleging that they constituted the majority of the sugarcane planters who milled with the appellant Central during these crop years.

"The defendant-appellant denied in its Answer all the material allegations in the complaint and averred that the plaintiffs-appellants who milled with the Central did not constitute the majority of the sugarcane planters without written milling contracts arguing that it had written milling contracts with the majority of its planters during the crop years in question, thus, Sec. 1 of R.A. 809 could not apply. Defendant-appellant likewise argued that R.A. 809 was unconstitutional on the ground that it not only deprived the appellant Central of its properties without due process of law but it also impaired the obligation of contracts.

"As an affirmative defense, appellant Central averred, among others, that when the milling agreements executed in 1919 between the Central and its adherent planters expired in 1949, defendant-appellant and the majority of the planters in the milling district entered into a new milling contract to be effective for ten (10) years commencing from 1949. The new contract provided that the subscribing planters receive as their share 62% of the unrefined sugar and molasses resulting from the milling of their cane and they have certain obligations which are not assumed by the non-subscribing planters. The contract also provided that the appellant Central shall not grant to other planters, not signatories thereof, terms and conditions more advantageous than those provided for in the said contract. In compliance with the aforesaid restriction, appellant Central has laid down the policy of granting to the planters who did not sign the milling agreement, only 60% of the unrefined sugar produced from their cane. The plaintiffs-appellants therefore, who had been continuously delivering their sugarcane for milling with full knowledge of the aforesaid restrictions imposed in the contract and without protest, have thereby impliedly, if not expressly accepted the conditions under which their sugarcane had been milled by the appellant Central and have thus entered into a valid contract that they cannot now demand for a bigger participation than that provided for in the said contract." (Emphasis in the original text).[2]

During the pendency of the case, upon motion of herein petitioner central, the trial court suspended the proceedings in an order dated August 25, 1970, on the ground that the issues in the present case are similar to the issues presented in the case before the Supreme Court entitled *Asociacion de Agricultores de Talisay-Silay, Inc., et al. vs Talisay-Silay Milling Co., Inc., et al.*, docketed as G.R. No. L-19937. Eventually, this Court promulgated judgment in said case on February 19, 1979.[3]

The court a quo resumed trial of the case and on December 28, 1984, it rendered a decision in favor of the private respondents finding that the majority of the planters did not have milling contracts with the petitioner. After determining the private respondents' increased participation in the sugar, molasses and bagasse and the money value thereof, the trial court decreed:

"WHEREFORE, judgment is hereby rendered in favor of the plaintiffs David Barot and others whose names appear in the attached list marked Annex 'A' and against the defendant Central Azucarera de Bais, ordering the

latter to pay the former the following:

"1. The increased participation of the plaintiffs in sugar for the crop years 1952-53 to 1958-59, inclusive, consisting of 19,909.85 piculs, with a money value of P4,290,915.03 as of December 31, 1982 as hereinabove shown;

"2. The increased participation of plaintiffs in molasses for the crop years 1952-53 to 1958-59, inclusive, consisting of 2,775.241 tons, with a money value of P995,938.01 as of December 31, 1982 as hereinabove shown;

"3. The increased participation of the plaintiffs in bagasse for the crop years 1952-53 to 1958-59, inclusive, consisting of 386,114.79 bales, with a money value of P1,259,854.81 as of December 31, 1982 as hereinabove shown;

"4. Interest at the current rate on the aggregate totality of plaintiffs' claim worth P6,546,707.85, starting January 1, 1983, until such time as the same shall be fully paid;

"5. 25% of the total amount due the plaintiffs as for (sic) and attorney's fee; and

"6. To pay the costs.

"IT IS SO ORDERED."[4]

Petitioner filed on January 20, 1985 a motion for reconsideration of the aforestated decision, which was granted in part in an order of May 7, 1985. The dispositive portion was modified to read as follows:

"WHEREFORE, premises considered, the motion for reconsideration is granted in part and the dispositive portion of the decision dated December 28, 1984 is hereby amended to read as follows:

"1. WHEREFORE, judgment is hereby rendered in favor of the plaintiffs David Barot and others whose names appear in the attached list marked Annex 'A' and against defendant Central Azucarera de Bais ordering the former to pay the following:

"1. The increased participation of the plaintiffs in sugar for the crop years 1952-53 to 1958-59, inclusive, consisting of 19,909.85 piculs, with a value of P265,223.45;

"2. The increased participation of the plaintiffs in molasses for the crop years 1952-53 to 1958-59, inclusive, consisting of 2,775.03 tons, with a value of P59,294.89;

"3. The increased participation of the plaintiffs in bagasse for the crop years 1952-53 to 1958-59, inclusive, consisting of 986.114 bales with a value of P77,222.96;

"4. 10% of the total amount due the plaintiffs as and for attorney's fees; and

"5. To pay the costs.

"All amounts herein ordered to be paid shall bear interest at 12% per annum, the legal rate from the finality of this decision until full payment.

"SO ORDERED."[5]

Petitioner appealed to respondent Court of Appeals the decision dated December 28, 1984 and the order dated May 7, 1985. Private respondents likewise appealed from the order of May 7, 1985 insofar as said order partially modified the trial court's decision of December 28, 1984, particularly on the question of interest and on the ground that said order is contrary to law and the evidence presented. Both appeals were docketed as and adjudicated in CA-G.R. CV No. 07759.

On March 20, 1989, respondent court promulgated its decision setting aside the May 7, 1985 order of the trial court and reinstated the decision dated December 28, 1984. The appellate court approved the findings of the court below that the majority of the planters who milled their sugar cane with petitioner in the crop years involved did not have written milling contracts. Likewise, it sustained the ruling that one hundred per cent (100%) of the computed increased participation of the planters should be paid to the latter, it being understood that under Section 9 of Republic Act No. 809 sixty per centum (60%) thereof belongs to the laborers. It adopted the rule that after paying the entire amount to the planters, they are in turn "directed to pay 60% of the increased participation to their laborers under the supervision of the Ministry (now Department) of Labor." Respondent court also ordered the payment of interest at the rate of twelve per cent (12%) per annum, on the basis of the rates charged by the Philippine National Bank on its regular loans.

Petitioner takes issue with the decision of the Court of Appeals, hence this petition wherein it contends that respondent court erred in:

- "A. Granting interest computed on the basis of PNB lending rates, instead of the legal rate of six per cent;
- B. Granting interest commencing from 1952 and not from the date plaintiffs' claim can be considered liquidated;
- C. Granting an award of attorney's fees in favor of private respondents when even the courts were of divergent views on the issues involved;
- D. Ruling that majority of the planters who milled with the petitioner had no written milling agreements, based on a manner of counting planters not sanctioned by the Talisay Silay case;
- E. In not directing that sixty per cent of the award, if any, should be segregated for the benefit of the planters' laborers."

An initial discussion of the fourth assignment of error is necessary, it being a threshold issue. On this score, petitioner claims that the Court of Appeals erred in assuming that only those who actually affixed their signatures on the milling agreements shall be considered contract planters or planters with milling contracts; and, further, in declaring that the heirs of planters who signed milling agreements can be counted as planters with milling contracts only if they have already received their respective shares in their respective inheritance, otherwise, they shall be counted only as one.

Respondent Court of Appeals, in so holding, explicated as follows:

"The lower court likewise was correct in observing and concluding that of the 79 milling contracts presented by the defendant-appellant, fifteen (15) thereof should be considered only singly and not by the numbers of the planters which are named in the said contracts. The reason behind this is that the numerous signatories are but heirs, legatees or successors-in-interest of a deceased planter, and which could only be counted as one planter per contract, whose plantation remained whole as before his death, unsubdivided among his heirs, legatees or successors-in-interest, and, which in fact, continues to be reflected in the books of the appellant Central as one plantation just as it appeared in its records before the death of the original owner-planter. In the case of *Asociacion (sic) de Agricultores de Talisay-Silay, Inc., et al. versus Talisay Milling Co., Inc.*, 88 SCRA 294, the heirs or successors-in-interest of a deceased planter relative to the applicability of R.A. 809 (Sugar Act of 1952) was enunciated, along this line we quote:

"x x x for the purpose of the application of R.A. 809 to the Talisay--Silay Milling District for the crop year 1952-53, the milling contracts, Exh. C--37, executed by the administrator of the estate of Esteban de la Rama, should be considered not as merely the contracts of two planters but as the separate 'contracts of the individual successors-in-interest of said estate who have already received their respective shares in the respective inheritance

and who were actually holding separate and distinct plantation Audit Numbers respectively and who were actually dealing with the Central independently of each other, as they were deemed by the Central to be such.'" (As underscored in the original).[7]

We find no compelling reason to deviate from said ruling of respondent court. From our examination of petitioner's allegations, it is easily discernible that this particular issue is factual. As petitioner itself avers, the determination of whether a majority of the planters had milling agreements requires a review of the evidence presented to substantiate the respective positions of both parties.[8] Hence, we are constrained to submit to the well-known procedural rule that findings of fact of the Court of Appeals and the trial courts are final and conclusive if they are borne out by the records or supported by the requisite quantum of evidence.[9] Besides, petitioner failed to show by clear and convincing proof that the instant case falls under any of the exceptions to the aforesaid rule on conclusiveness of findings of fact. We are satisfied that the findings of the court below are amply supported by the evidence of record. The finding that the majority of the planters who milled their sugar cane with petitioner did not have milling contracts was arrived at after scrupulously examining and evaluating the evidence presented, including the written agreements produced by the parties in court. This is in addition to the fact that petitioner failed to explain and substantiate its allegation that the majority of the planters had milling contracts.

Against this factual setting, the applicability of Section 1 of Republic Act No. 809 and the entitlement of the private respondents to the increased participation are unquestionable. Parenthetically, this increased participation should be given in their entirety to the planters. We cannot accept petitioner's insistence that the sixty per centum (60%) share of the laborers provided under Section 9 of Republic Act No. 809 should be paid directly to them. Said provision states:

"SEC. 9. In addition to the benefits granted by the Minimum Wage Law, the proceeds of any increase in the participation granted the planters under this Act and above their present share shall be divided between the planter and his laborer in the plantation in the following proportion:

Sixty per centum of the increased participation for the laborers and forty per centum for planters. The distribution of the share corresponding to the laborers shall be made under the supervision of the Department of Labor."

x x x

Nothing in the quoted provision can be said to indicate that direct payment to the laborers is required. In fact, under Section 1 of the law, the increased participation clearly pertains to the planters. This construction of Republic Act No. 809 was applied in the case of *Ernesto, et al. vs. The Court of Appeals, et al.*, [10] where the planters, after receipt of the increased participation, were in turn ordered to pay their respective laborers sixty per centum (60%) of such difference as will be paid to them by the central, and the then Minister of Labor was directed to supervise the corresponding payments to the laborers. The correctness of this procedure is evident since the planters are in a better position to distribute the proportionate shares in the increased participation to their respective laborers. The planters are correctly assumed to know the amounts to be paid to each of their laborers by simply examining their company records.

We are, however, of the considered opinion that respondent court erred in awarding interest on the basis of the lending rates imposed by the Philippine National Bank. Such an award is bereft of statutory and jurisprudential basis. In the present case, the proper interest rate to be imposed should be the legal rate of six per cent (6%) per annum provided for in Article 2209 of the Civil Code. This express provision of the law cannot be disregarded, since it categorically declares that "(i)f the obligation consists in the payment of a sum of money, and the debtor

incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent per annum.”

The rate of interest should not be twelve per cent (12%) as provided in the May 7, 1985 order of the trial court. It is well settled that the rate of interest of twelve per cent (12%) under Central Bank Circular No. 416 is applicable only to loans or renewals thereof or forbearance of money, goods, or credits or judgments in connection therewith. Any other judgment, as in the present case, is not covered thereby.[11]

Neither may equity be validly invoked nor aptly relied upon in this case. Equity is available only in the absence of law and not as its replacement. Equity is justice outside legality, which simply means that it cannot supplant, although it may, as it often happens, supplement the law.[12] Thus, liberal interpretation in favor of private respondents is not in point because no such interpretation is, in fact, necessary. The law is clear that it is the legal interest that shall be paid and an unwarranted deviation therefrom would entail judicial legislation. Obviously, this objectionable result is anathema to our deeply rooted doctrine of separation of powers.

The rule is that interest is due from the moment there is delay on the part of the obligor to perform his obligation, that is, from the time it was judicially or extrajudicially demanded.[13] Nonetheless, under Article 2213 of the Civil Code, "(i)nterest cannot be recovered upon unliquidated claims or damages, except when the demand can be established with reasonable certainty." Unliquidated damages or claims, it is said, are those which are not or cannot be known until definitely ascertained, assessed and determined by the courts after presentation of proof.[14]

In the case at bar, however we hold that the claim of private respondents is for a definite sum of money. What they are claiming are specific percentages definitely provided under the law. It is merely a matter of mathematically computing the exact money value thereof, inasmuch as the annual sugar production and the amount of molasses and bagasse, derived from the production during the crop years involved, are undisputed and are in fact based on the records of petitioner. Irremissibly, therefore, the claim cannot be considered unliquidated. But even assuming *ex gratia argumenti* that it is unliquidated, the same will nevertheless fall under the exception in Article 2213 because the demand therefor can be established with reasonable certainty. Thus, in the absence of the law expressly declaring that demand is not necessary, the interest must be computed from the time of extrajudicial demand which, as held by respondent court in this case, was established to have been made in 1952 to comply with Republic Act No. 809[15] which was enacted in that year.

On the matter of attorney's fees, it is an accepted doctrine that the award thereof as an item of damages is the exception rather than the rule, and counsel's fees are not to be awarded every time a party wins a suit. The power of the court to award attorney's fees under Article 2208 of the Civil Code demands factual, legal and equitable justification, without which the award is a conclusion without a premise, its basis being improperly left to speculation and conjecture. In all events, the court must explicitly state in the text of the decision, and not only in the decretal portion thereof, the legal reason for the award of attorney's fees.[16]

It is undeniable and evident that both the respondent appellate court and the trial court completely violated the aforestated doctrinal rule. In awarding attorney's fees as damages, no justification therefor is advanced either in the decision of the trial court or of respondent appellate court which affirmed the former. Even for this reason alone, the award must be deleted and any advertence we would make herein to petitioner's alleged bad faith or good faith, as discussed in the exchanges of the parties but disregarded in the aforesaid decisions of both lower courts, would be unnecessary and pointless.

WHEREFORE, the judgment of respondent Court of Appeals is hereby **AFFIRMED**, subject to the **MODIFICATION** reducing the interest awarded to private respondents to six per cent (6%) per annum to

commence in 1952, and deleting the award of attorney's fees.

SO ORDERED.

Melencio-Herrera, (Chairman), Padilla, and Sarmiento, JJ., concur.
Paras, J., no part.

* Pursuant to the Court's resolution dated July 24, 1989, on September 20, 1989 counsel for private respondents submitted a list containing the names of said private respondents with their respective addresses and in the case of those who are already deceased, the names of their heirs and their respective addresses (Rollo, 124--144), a copy of which list is appended to this decision as Annex "A" hereof.

[1] Penned by Bonifacio A. Cacdac, Jr., J., with the concurrence of Rodolfo A. Nocon, P. J., and Gloria C. Paras, J.; Rollo, 32.

[2] Rollo, 33-34.

[3] 88 SCRA 294 (1979).

[4] Ibid., 35-36.

[5] Ibid., 36-37.

[6] Ibid., 14.

[7] Ibid., 40-41.

[8] Ibid., 22.

[9] *Tiongco vs. De la Merced, et al.*, 58 SCRA 89 (1974); *Korean Airlines Co., Ltd. vs. Hon. Court of Appeals, et al.*, 154 SCRA 211 (1987).

[10] 116 SCRA 755 (1982).

[11] *Reformina, et al. vs. Tomol, Jr., etc., et al.*, 139 SCRA 260 (1985); *Philippine Rabbit Bus Lines, Inc. vs. Cruz, etc., et al.*, 143 SCRA 158 (1986); *Florendo vs. Ruiz, et al.*, 170 SCRA 461 (1989).

[12] *Aguila, et al. vs. Court of First Instance of Batangas, etc., et al.*, 160 SCRA 352 (1988).

[13] Article 1169, Civil Code.

[14] See *Rivera vs. Matute*, 98 Phil. 516 (1956).

[15] Rollo, 43.

[16] *Mirasol vs. De la Cruz, etc., et al.*, 84 SCRA 337 (1978); *Abrogar, et al. vs. Intermediate Appellate Court, et al.*, 157 SCRA 57 (1988); *Stronghold Insurance Co., Inc. vs. Hon. Court of Appeals, et al.*, G.R. No. 83376, May 29, 1989.

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