

**MATILDE MAGDAÑGAL, REPRESENTED BY MARIA A. SANTOS,
ADMINISTRATRIX OF HER TESTAMENTARY ESTATE, ET AL.,
PLAINTIFFS AND APPELLANTS, VS. CRISANTO LICHAUCO ET AL.,
DEFENDANTS. FAUSTI...**

G.R. Nos. 21377 -21659. October 08, 1924

Ponente: ROMUALDEZ, J.

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ROMUALDEZ, J.:

Plaintiffs, the successors in interest of Matilde Magdañgal and Ramon Henson, ask herein that the defendants, the successors in interest of Cornelia Laochangco, be ordered to restore to them certain lands given in antichresis by Matilde Magdañgal and Ramon Henson to Cornelia Laochangco on December 7, 1888, and to render an account of the products of said lands.

Defendants Crisanto, Faustino, Galo and Timotea, surnamed Lichauco, answered the complaint with a general denial, a counterclaim and a special defense, and asked that they be absolved from the complaint, and that plaintiffs be ordered to pay defendants P9,000 with interest thereon at 10 per cent per annum from February 26, 1887 to December 7, 1888, and at 6 per cent per annum from the latter date until the termination of the case; P2,092 with legal interest from June 28, 1887; P19,030 with legal interest from June 19, 1888, and P36,641.51 as taxes, improvements, and expenses for the repair and preservation of the property.

Defendants Eugenia Lichauco, Samon Soriano, as judicial administrator of the intestate estate of Luisa Lichauco, Catalino Arevalo and Clara Lichauco, filed an answer, setting up a counterclaim and a defense in accord with those of the first defendants mentioned above.

On February 9, 1915, the Court of First Instance of Pampanga rendered judgment denying the plaintiffs the restoration of the land claimed, because it was not known whether or not the antichretic debt had been paid for which reason the defendants were ordered to render an account of their administration of the property from the year 1901, and the plaintiffs, in turn, to render an account of their administration of the same property from December 7, 1888 to the year 1900, and ordering lastly that if after the rendition of said accounts it should be found that the credits in favor of the defendants have not been satisfied with the fruits of the lands, that the latter be sold and the proceeds of the sale be applied to the payment of the plaintiffs' debit balance.

The latter appealed from such judgment, and this court, by its order of September 27, 1915, declared the appeal wrongly allowed and ordered that the case be remanded to the court of origin for the compliance with said judgment by the parties.

The case was remanded to the court a quo, and the plaintiffs submitted a blank account pro forma without any specific data as to income or expenses.

Defendants rendered an account which the court ordered amplified, which was done and another account was rendered on June 10, 1916, according to which the balance against the defendants then amounted to P25,660.65.

These accounts were submitted to the consideration of the court, which in its order of August 30, 1916, approved the blank account of the plaintiffs, which the defendants did not question, and it found those submitted by the defendants quite reasonable, and ordered that the parties present further concrete evidence anent the number of hectares of the land tilled and sown, and the products of the property.

Pending the presentation of such evidence required by the court, the defendants on November 23, 1916 filed a motion alleging that the true area of parcel A, is not what appears in the complaint but only 107 hectares, 71 ares and 13 centares, as appears from plan Exhibit I and the title and other documents Exhibits 2 to 5, all of which were attached to the motion, and praying that they be permitted to amend their respective answers and counterclaims in order to allege therein the true area of said parcel A.

On December 15, 1916, plaintiffs filed a written opposition to the defendants' last-mentioned motion, because, among other reasons, the defendants had not appealed from the judgment of February 9, 1915, which was decided by the Supreme Court ordering that the cause be remanded for the rendition of accounts, and, furthermore, that Exhibits A and B had been admitted by the defendants without any objection,

On December 16, 1916, the court decided the motion in the following terms:

"This motion was presented because it is alleged that a part of the land came from Mercedes Magdañal and another part from Mariano Alejandrino. It appears from said Exhibit 10-X that this is true; but as the case has already been decided upon the merits by Judge Del Rosario, this point is already settled. The court believes that this motion must be presented to the Supreme Court, and this court may only order the sheriff receiver, as he is hereby ordered, to render a separate account of parcel A including therein only an account of the harvest from the lands coming from Mariano Henson which are 107.71.13 hectares, and the harvest from the other land in a separate account."

Thereafter and in March, 1923 the parties introduced their evidence and on June 25 of said year, the court rendered judgment declaring the antichretic debt fully paid; holding that of parcel A, only 107 hectares, 71 ares and 12 centares belong to the plaintiffs; and ordering the defendants to deliver immediately to the plaintiffs said area of land and to pay to the latter P2,541.03 plus the costs. Both parties appealed from this judgment.

Plaintiffs assign the following errors as committed by the trial court:

"1. In finding that there are included in parcel A, two parcels of land, one of 49 hectares, 55 ares, and 40 centares, which the deceased Cornelia Laochangco bought of Mariano Alejandrino and another of 65 hectares, 27 ares, and 52 centares purchased by the same decedent from Mercedes Magdañal, and that the true area of parcel A is only 107 hectares.

"2. In taking as the cash value of the annual harvest of parcel A to be only P11,184.08 in sugar cane and P1,606.78 in palay, proceeding upon the erroneous supposition that said parcel only contained 107 hectares, 71 ares, and 13 centares in area; instead of finding that it has 222 hectares more, and that it produced 3,000 cavanese of palay and 2,500 pilones of sugar annually.

"3. In not including in the computation of the products, those yielded by parcel C notwithstanding the fact that said parcel C was delivered to the defendants together with parcel A, by virtue of the antichretic contract of December 7, 1888, and that the court found the whole of the same (Parcel C) to be exclusively owned by the plaintiffs.

"4. In declaring that 'the lands in question were also under the administration of the spouses Ramon Henson and Matilde Magdañal from the year 1888 to 1900' (less three years on account of the two past revolutions), and that during those nine years their harvesting was valued at some P57,890.90, and in charging or adding this sum to the plaintiffs' debt instead of finding that the said spouses Henson-Magdañal were merely employees

of the defendants in charge of the lands, with a monthly compensation of P30, and that such as all the products gathered from the lands in question were delivered by them to the defendants.

"5. In not finding that it is the defendants, who are bound to render accounts to the plaintiffs of the products which they obtained from the lands from 1888 to 1900.

"6. In holding that the net amount of the products which the defendants must pay the plaintiffs is only P2,541.03, instead of finding that the total of all the products, which the defendants must pay to the plaintiffs after deducting their debt, amount to P371,963.

"7. In not ordering the defendants to return to the plaintiffs, besides the hacienda in question, the machinery found on the same at the time of the execution of the antichretic contract of December 7, 1888.

"8. In charging to the plaintiffs' account the value of the machinery and the warehouse and other improvements which the defendants allege they installed, built and made on the hacienda, in controversy"

The defendants Rosario Revilla, Ramon Soriano, Asuncion Soriano and the testamentary estate of Crisanto Lichauco, in turn, assign the following errors as committed by the trial court:

"1. In requiring the lessees Faustino Lichauco and Crisanto Lichauco to render an account of the exploitation of the lands in question.

"2. In rejecting the last account unduly rendered by the lessees Faustino Lichauco and Crisanto Lichauco.

"3. In fixing the defendants' debits at P122,429.61 and credits at P119,888.56 by hypothetical computations.

"4. In ordering the defendants to pay the plaintiffs the sum of P2,541.03, and to return the lands conveyed by way of antichresis.

"5. In denying the reopening of the trial."

The other defendants assign the following errors as committed by the trial court:

"1. In holding that 'the defendant Lichauco under whose management the lands in question were, and upon whom, therefore it was incumbent to present the evidence required by the court, refused, or rather showed very little willingness to supply evidence.'

"2. In disapproving the account presented by the defendants and approving the plaintiffs' account.

"3. In taking as the basis of the net production of the lands in question the sum of P6,432.33 each year, and in not holding that only one-half of said production belongs to the hacienda in question.

"4. In computing the interest on the sum owed by the plaintiffs for the time and period during which the debt was not amortized.

"5. In finding that the antichretic loan had been paid at the time of the judgment and ordering the defendants to pay to the plaintiffs the sum of p2,541.03 and to return the property."

The fundamental questions at issue in this case may be reduced to two: First, that referring to the area of the lands delivered by the plaintiffs' predecessors in interest to the defendants' predecessors in interest by way of antichresis; and second, that relative to the liquidation of the accounts between the creditors and the debtors in said antichretic contract.

As to the area of said lands, the preponderance of the evidence shows that of parcel A only a portion of 107 hectares, 71 ares and 13 centares, according to the boundaries on the plan 10-X (P. 492 of the record), was delivered together with parcel C (described in the complaint) to the defendants' predecessors in interest by virtue

of the antichresis here in question.

The fact that the defendants did not, amidst the diverse questions raised, discuss the area of parcel A in the beginning, and only did so in the motion on November 23, 1916, after the Supreme Court had remanded the case to the court below, is not, to our mind, sufficient to bar the plaintiffs from discussing said point as, in fact, they did in the subsequent proceedings, finally obtaining a ruling on this point from the court a quo, as set forth in the judgment appealed from.

Even supposing that in the first judgment rendered on February 9, 1915, the question of the area of parcel A had been decided in the sense that it is described in the complaint, it is a fact that in the court's order of December 16, 1916, it was recognized that it appeared from the plan Exhibit 10-X that one part of the land came from Mercedes Magdañal, and another part from Mariano Alejandrino, and it was ordered that account of the fruits of the said portion of 107 hectares, 71 ares, and 13 centares be rendered separated from the products of the remainder of the land.

In that order it was held that there was a controversy, and that controversy was recognized between the parties anent the area of parcel A. It does not appear that the plaintiffs took exception to this order.

That question was therefore raised, which the court found to exist and the plaintiffs recognized and discussed as a point at issue upon which, among other points, the defendants introduced evidence at the trial held in the month of March, 1923. Therefore, the court had sufficient power and jurisdiction to decide it later on, as it did in the judgment appealed from.

We therefore hold that the court a quo committed no error in finding that of parcel A only 107 hectares, 71 ares and 13 centares constitute the lands delivered by virtue of the antichresis in question.

Passing now to the liquidation of the accounts between the plaintiffs and the defendants, we find that said account commenced on December 7, 1888, with a credit against the plaintiffs' predecessors in interest made up of the following items:

"In favor of Cornelia Laochangco, nineteen thousand and thirty pesos (P19,030);

"In favor of Concepcion Gruet, later on assigned to Cornelia Laochangco, nine thousand pesos (P9,000);

"Ten per cent interest upon the latter sum, by special agreement, from February 26, 1887, to December 7, 1888, one thousand six hundred two pesos and fifty centavos (P1,602.50) ;

"In favor of Joaquin Caldez, also assigned afterwards to Cornelia Laochangco, two thousand ninety pesos (P2,090)." All these sums amount to thirty-one thousand seven hundred twenty-two pesos and fifty centavos (P31,722.50). This is the total credit for which the lands in question were conveyed by way of antichresis.

The evidence does not sufficiently show that the lands in question yielded any net profit until the year 1900. The P30 monthly pension under the contract to the spouses Henson-Magdañal cannot be deemed demandable without proving that said spouses directed or aided in the management of the hacienda, because the aforesaid pension is linked with such direction or aid; and it was shown that Henson died in the year 1900, and Matilde Magdañal neither directed nor aided in the hacienda subsequent to said year 1900. With respect to this pension for the prior period, the preponderance of the evidence shows that said spouses had already received it. Consequently, up to that year, neither the interest nor the principal of the antichretic debt was in any measure amortized. And the total interest on said principal at the rate of 6 per cent annually from December 7, 1888, to December 31, 1900, that is, a period of twelve years and twenty-three days, amounts to twenty-two thousand nine hundred sixty-one pesos and eighty-seven centavos (P22,961.87).

During and up to the end of the year 1901, the principal remained unchanged, and the interest increased by one year, or in the sum of one thousand nine hundred three pesos and thirty-five centavos (P1,903.35). Consequently, on December 31, 1901, the principal was the same, i. e., thirty-one thousand seven hundred twenty-two pesos and fifty centavos (P31,722.50), and the interest amounted to twenty-four thousand eight hundred sixty-five pesos and twenty-two centavos (P24,865.22). According to the preponderance of the evidence, the products of said land consisted, from the year 1901 to the year 1906 both inclusive, of an annual rental at the rate of four hundred pesos (P400) a year.

Plaintiffs discuss this rental alleging that the defendants' predecessors in interest had no right to lease the land. The fact, however, is that the creditors were authorized to do so under clause 14 of the contract, since, according to the preponderance of the evidence, for several years prior to 1900, the land produced no profit.

The rents of this lease, as all other products of the land, must be applied to the amortization, first, of the interest and then, of the capital, in accordance with the contract and the law. For this reason from the moment that the property yielded any income, as shown by the evidence, such income should be applied, first, to the interest due, and applied annually, since the stipulated interest accrues annually.

Hence the P400 rental of the property for the year 1901, must be applied to the interest due on December 31 of said year 1901, said interest being thus reduced to twenty-four thousand four hundred sixty-five pesos and twenty-two centavos (P24,465.22).

An operation similar to that made with respect to the year 1901 is also to be made for the year 1902, without losing sight of the fact that the original principal remains unchanged. To the interest remaining in December, 1901, must be added one thousand nine hundred three pesos and thirty-five centavos (P1,903.35) which is the interest on the whole principal for the year 1902; and the four hundred pesos (P400), which is the rent of the property for the year 1902 must be applied, with the result that on December 31, 1902, there remained unpaid twenty-four thousand nine hundred sixty-eight pesos and fifty-seven centavos (P24,968.57) of the accumulated interest.

The same is repeated for the year 1903. The income of the property (the P400 rent), is not sufficient to pay the interest of one thousand nine hundred three pesos and thirty-five centavos (P1,903.35) at the end of the year, which balance, added to the interest already accumulated at the beginning of the year 1903, gives a total interest of twenty-six thousand four hundred seventy-one pesos and ninety-two centavos (P26,471.92) due and unpaid December 31, 1903.

Repeating the operation, we find that on December 31, 1904, the interest due was twenty-seven thousand nine hundred seventy-five pesos and twenty-seven centavos (P27,975.27) ; on December 31, 1905, twenty-nine thousand four hundred seventy-eight pesos and sixty-two centavos (P29,478.62) ; and on December 31, 1906, thirty thousand nine hundred eighty-one pesos and ninety-seven centavos (P30,981.97).

The evidence shows that from the year 1907, inclusive, the defendants managed the property. It now becomes important to determine its products from said year 1907.

In this respect, and considering what appears from the record, it seems the defendants have not adduced all the evidence they might have on the question of the exact quantity of the products of this hacienda. The parties have not presented enough evidence. The court below had already so decided in November, 1916, when, upon petition of counsel for the plaintiffs, said court appointed sheriff D. Esteban Victorio receiver of the lands in question, among other reasons, in order to render his report within five months from that date from which report might be attained a surer and more reliable basis for determining the amount of the annual products of the property.

And in order to ascertain the area of the land whose products were being determined, as we have said, on December 16, 1916, the lower court ordered said receiver to do the following:

"The court believes that this motion must be presented to the Supreme Court, and this court may only order the sheriff receiver, as he is hereby ordered, to render a separate account of parcel A including therein only an account of the harvest from the lands coming from Mariano Henson which are 107.71.13 hectares (that is to say, 107 hectares, 71 ares and 13 centares, according to plan Exhibit 10-X mentioned in said order), and the harvest from the other land in a separate account."

Said receiver did so, and filed his report as shown on page 595 of the original record. Based on this report, the lower court, in the judgment herein appealed, fixed the annual products of the property in question at six thousand four hundred thirty-two pesos and thirty-three centavos (P6,432.33). Taking into account all the evidence, we do not find sufficient reason to deviate from this conclusion of the trial court.

Finding" a justification in the record for doing so, we take this sum as the prudent general yearly average of the amount of the products of the property up to the present date and until by virtue of the present decision, it is delivered by the defendants to the plaintiffs.

Resuming the liquidation, we find that on December 31, 1906, the accumulated unpaid interest amounted to thirty thousand nine hundred eighty-one pesos and ninety-seven centavos (P30,981.97). The interest earned in the year 1907 by the whole principal of which no part had as yet been paid, is, as in the preceding years, one thousand nine hundred three pesos and thirty-five centavos (P1,903.35) ; but, as we have said, the products from the year 1907 were six thousand four hundred thirty-two pesos and thirty-three centavos (P6,432.33). It follows from this that the interest earned by the principal during the year was amply paid by the products, with an excess of four thousand five hundred twenty-eight pesos and ninety-eight centavos (P4,528.98) which, applied to the interest already accumulated on December 31, 1906, leave an interest balance on December 31, 1907, of twenty-six thousand four hundred fifty-two pesos and ninety-nine centavos (P26,452.99).

A similar operation to that for the year 1907 must be made for 1908 and the following years, from which it follows that the interest due and unpaid is: On December 31, 1908,, twenty-two thousand twenty-four pesos and one centavo (P22,024.01) ; in December, 1909, seventeen thousand four hundred ninety-five pesos and three centavos (P17,495.03); on December 31, 1910, twelve thousand nine hundred sixty-six pesos and five centavos (P12,966.05); on December 31, 1911, eight thousand four hundred thirty-seven pesos and seventy-three centavos (P8,437.73); on December 31, 1912, three thousand nine hundred eight pesos and seventy-five centavos (P3,908.75).

The year 1913 began with this interest balance of P3,908.75. The interest corresponding to that year earned by the whole principal which up to that time had remained intact, amounted as in the preceding years, to one thousand nine hundred three pesos and thirty-three centavos (P1,903.83). So that the total of the accumulated unpaid interest on December 31, 1913, amounted to five thousand eight hundred twelve pesos and eight centavos (P5,812.08), which was more than fully paid by the products of the land of that year which, as we said, amounted to six thousand four hundred thirty-two pesos and thirty-three centavos (P6,432.33), leaving an excess of six hundred twenty pesos and twenty-three centavos (P620.23) which must then be applied to the principal, and which was thus reduced on December 31, 1913, to thirty-one thousand one hundred two pesos and twenty-seven centavos (P31,102.27).

At the end of the year 1914 this principal p31,102.27 was increased by its annual interest of one thousand eight hundred sixty-six pesos and fourteen centavos (P1,866.14). Applying these sums to the products of that year P6,432.33, the interest due was paid, and the principal was decreased to twenty-six thousand five hundred

thirty-six pesos and eight centavos (P26,536.08) on December 31, 1914.

It may not be out of place to observe here that interest cannot be awarded upon interest notwithstanding the fact that in the year 1914, this action was instituted and the defendants filed their claim, because the provisions of article 1109 of the Civil Code are not applicable hereto, as we are concerned with a contract entered into prior to the promulgation and operation of said code in these Islands (*Sunico vs. Ramirez*, 14 Phil., 500; *Salvador vs. Palencia*, 25 Phil., 661).

A similar process to that made for the year 1914 is to be made for the year 1915 and those following, with the result that the principal was annually reduced as follows: On December 31, 1915, to twenty-one thousand six hundred ninety-five pesos and ninety-one centavos (P21,695.91); on December 31, 1916, to sixteen thousand five hundred sixty-five pesos and thirty-three centavos (P16,565.33); on December 31, 1917, to eleven thousand one hundred twenty-six pesos and ninety-two centavos (P11,126.92); and on December 31, 1918, to five thousand three hundred sixty-two pesos and twenty-one centavos (P5,362.21).

It is to be noted that at the beginning of the year 1919 the principal had been reduced to an amount less than the products of the property for one year. Nevertheless, according to the evidence there were expenses incurred by the defendants for which, in obedience to the law, they must be reimbursed. These expenses are those made for machinery and other improvements plus that paid for the land tax, amounting to thirty-one thousand three hundred sixty-eight pesos and sixty-three centavos (P31,368.63), according to the amended account presented by the defendants dated June 10, 1916.

Upon liquidating, then, the accounts between the parties for the year 1919, we find that to the unpaid principal at the beginning of said year amounting to five thousand three hundred sixty-two pesos and twenty-one centavos (P5,362.21), there must be added, not only the interest upon said principal for that year, which is three hundred twenty-one pesos and seventy-three centavos (P321.73), but also the amount of said expenses to the reimbursement whereof the defendants are entitled, and which amount to the aforesaid sum of p31,368.63, making a total of thirty-seven thousand fifty-two pesos and fifty-seven centavos (P37,052.57). From this total must be deducted the amount of the products for the year 1919, P6,432.33, from which it follows that the total debt of the plaintiffs to the defendants on December 31, 1919, amounted to thirty thousand six hundred twenty pesos and twenty-four centavos (P30,620.24).

This last amount no longer includes the principal of the antichresis which was fully paid in 1919 and therefore, from the year 1920 inclusive, no interest is computed.

Now then: the products of the property from 1920 to the present year 1924, that is, for five years, at P6,432.33 per year amount to thirty-two thousand one hundred sixty-one pesos and sixty-five centavos (P32,161.65). This sum compared with the remainder of the expenses incurred by the defendants amounting, as we have said, to thirty thousand six hundred twenty pesos and twenty-four centavos (P30,620.24) there results a balance of one thousand five hundred forty-one pesos and forty-one centavos (P1,541.41) in favor of the plaintiffs, which the defendants must pay them, in addition to delivering to them the property, because full payment has been made by its products, not only of the whole principal and interest thereon, but also the expenses made for the machinery, improvements and taxes.

The dispositive part of the judgment appealed from is hereby affirmed, with the understanding, however, that the defendants are sentenced to pay to the plaintiffs the sum of one thousand five hundred forty-one pesos and forty-one centavos (P1,541.41), with the costs of both instances. So ordered.

Johnson, Street, Malcolm, Avancena, Villamor, and Ostrand, JJ., concur.

Judgment modified.

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