

LICERIO LEGASPI AND JULIAN SALCEDO, PLAINTIFFS AND APPELLANTS, VS. DAMASO CELESTIAL, DEFENDANT AND APPELLEE.

G.R. Nos. 43673, 43674. October 24, 1938

Ponente: VILLA-REAL, J.

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VILLA-REAL, J.:

The plaintiffs Licerio Legaspi and Julian Salcedo appeal to this court from the judgment rendered by the Court of First Instance of Cavite in civil cases Nos. 3025 and 3037 of said court, the dispositive part of which reads as follows:

"Wherefore, judgment is rendered by this court holding that both the so-called instrument of mortgage 'Exhibit A and the instrument Exhibit C-1 are really contracts of antichresis and, consequently, the plaintiffs should render to the defendant an account of the 65 salt beds, which are the subject matter of the two cases, as soon as this decision becomes final, taking into consideration the sums already paid by the defendant to the plaintiffs.

"The writ of preliminary attachment issued in civil case No. 3037 is set aside, without costs in both cases. It is so ordered."

In support of their appeal, the appellants assign the following alleged errors as committed by the court a quo in its judgment in question, to wit:

"1. The court erred in holding that both the instrument of mortgage Exhibit A and the instrument Exhibit C-1 are really contracts of antichresis.

"2. The court likewise erred in ordering the plaintiffs to render to the defendant an account of the fruits produced by the 65 salt beds, which are the subject matter of both cases.

"3. Lastly, the court erred in not absolving the plaintiffs from the counterclaim and cross-complaint filed by the defendant, with the costs to the latter."

On January 17, 1935, the plaintiffs brought an action against the defendant Damaso Celestial in the justice of the peace court of Kawit, Cavite, praying that judgment be rendered, ordering said defendant to pay to the above-named plaintiffs the sum of P556.60, plus the corresponding legal interest thereon from the date of the filing of the complaint, until fully paid, and the costs.

The defendant, answering the complaint, admitted the essential facts alleged therein, stating that he was disposed to pay what he should appear still to be indebted and, by way of counterclaim and cross-complaint, claimed that, the contract entered into between him and the plaintiffs being an antichresis, the latter were bound to render an account of the products of the five salt beds, the total production of which was from 300 to 350 cavans of salt at P1 a cavan.

After due trial of the case, the justice of the peace court of Kawit, Cavite, on February 5, 1935, rendered judgment in said case, the dispositive part of which reads as follows:

"Premises considered, judgment is hereby rendered, ordering the defendant to pay the herein plaintiffs the sum of P556.60 with interest at the legal rate from January 17, 1935, and to pay the costs of suit. It is so ordered."

From the foregoing judgment, the defendant appealed to the Court of First Instance of Cavite.

On January 30, 1935, the same plaintiffs filed a complaint in civil case No. 3025 of said Court of First Instance, praying that the same defendant Damaso Celestial be ordered to pay them the sum of P7,637, with the legal interest thereon from the date of the filing of the complaint, until fully paid, and the costs of the suit, and that, upon his failure to do so, the mortgage constituted by said defendant in their favor to secure the payment of the loan in question be ordered foreclosed.

The defendant, answering the complaint, admitted the material facts alleged therein as well as the conditions set forth in the document Exhibit "A" attached thereto, stating that he had never refused to pay any balance of the debt resulting after a rendition of accounts by the plaintiffs and a liquidation; and by way of counterclaim and cross-complaint, alleged that the sixty-five salt beds administered by the plaintiffs, by virtue of the above-stated document, yielded a net produce of about 6,500 cavans of salt every six months at P1 a cavan; that the plaintiffs should render to the defendant an account of said products so that they may be applied to the payment of his loan or debt; that the approximate total value of half of the number of cavans of salt reaped and availed of by the plaintiffs from the sixty-five salt beds administered by them during three years and eleven months, that is, from February 23, 1931, to February 8, 1935, the date of the filing of the answer, was P13,000; that after deducting from said P13,000 the total amount of the defendant's debt to the plaintiffs under the above-stated contracts, that is, P8,193.60, there would still remain a balance in favor of the defendant in the sum of P4,806.40, which he is entitled to collect from the plaintiffs. He prayed that judgment be rendered, ordering the plaintiffs to render an account of their administration and to pay jointly and severally the sum of P4,806.40, with the legal interest thereon, plus the damages that would result if the contract of mortgage already perfected with Melchor de Lara should be frustrated and should he fail to find another to execute said contract of mortgage in the sum of P25,000.

The plaintiffs, replying to the special defense and cross-complaint, denied each and every one of the facts alleged therein, stating that the salt gathered from the 60 salt beds mentioned in the complaint was for the exclusive use, benefit and enjoyment of the plaintiffs who, under the provisions of Exhibit A and the intention of the parties, were not obliged to submit to the defendant a liquidation of the salt produced and gathered, in order that the same may be deducted from the principal.

On February 25, 1935, the parties to civil case No. 3025 submitted the following stipulation to the court, to wit:

"Come now the parties to this case, assisted by their respective attorneys, and respectfully submit the following stipulation:

"1. That, aside from this case, the same plaintiffs had instituted against the same defendant in the justice of the peace court of Kawit, Cavite, civil case No. 165, for the recovery of the sum of P556.60 representing a loan made by the plaintiffs on a portion of the same parcel of land which is the subject matter of the mortgage in this case before this Honorable Court of First Instance, as evidenced by another notarial document dated August 13, 1932. And in this stipulation, said case shall be understood to be consolidated with the present one.

"2. That the defendant agrees and is disposed to make immediate delivery to the plaintiffs of the total amount of P8,193.60, without prejudice to his right to prosecute the case in connection with his contention that said plaintiffs must render to him an account of their administration. In consideration hereof, the plaintiffs, in turn, agree and bind themselves now to secure the amount in question, or the receipt thereof, for the due compliance with the judgment to be rendered by the court on said rendition of accounts, with sufficient property of their own worth not less than P4,000, which security shall be executed not later than the 14th instant; and likewise forthwith to respect, turn over and restore now, as they hereby do so, to the defendant or his assignees, the

conclusive possession, administration, benefit and use of the mortgaged property in question, particularly the sixty-five salt beds administered by said plaintiffs to date.

"Wherefore, both parties sign this stipulation and pray this honorable court to render its decision in accordance herewith, upon acting on the motion of the defendant, dated February 7, 1935.

"Cavite, Cavite, February 9, 1935."

In view of the foregoing stipulation, the court a quo rendered the decision, the dispositive part of which was quoted hereinbefore.

The first question to be decided in this case is whether the contracts entered into between the plaintiffs Licerio Legaspi and Julian Salcedo, on the one hand, and Damaso Celestial, on the other, appearing in the instruments inhibits A and C-1, are of mortgage or antichresis.

The contract Exhibit C-1, entitled "Contract of Antichresis", contains the following stipulation:

"That during the existence of this Contract, the Party of the Second Part (Licerio Legaspi and Julian Salcedo) or their representative shall administer and enjoy the possession of the said 5 salt be us and receive and enjoy the benefits and fruits gathered and harvested thereon; and that the Party of the First Part (Damaso Celestial) shall give and turn over to the Party of the second past the administration and possession of the said 5 salt beds during the term of this contract."

In the contract Exhibit A, the parties stipulated the following:

"(a) The term of this mortgage is three (3) years to be counted from February 23, 1931, and should the party of the first part, after the expiration of this term, fail to pay to the party of the second part the amount of this mortgage, this contract shall subsist in full force and effect and continue until the debt or amount of the mortgage is fully paid.

"(b) During the term of the mortgage, the party of the second part or the mortgagees shall administer or take charge of the work and harvest of the 60 salt beds and pay for the maintenance of the croppers and defray the expenses for the improvement thereof; and the party of the first part shall turn over to the party of the second part the administration of the sixty salt beds mortgaged for the duration, of the stipulated contract.

"(c) The crop from the sixty salt beds shall be shared equally by the croppers and the party of the second part, after deducting the expenses paid by the party of the second part during each harvest period and throughout the existence of this mortgage."

It should be noted that the contract Exhibit C-1 is entitled "Contract of Antichresis" while the contract Exhibit A is entitled "Contract of Mortgage". Both in the contract Exhibit C-1 and in the contract Exhibit A, the defendant Damaso Celestial, as debtor, agrees to turnover to the plaintiffs, as creditors, the possession of the salt beds so that the latter, after paying the expenses for the production, administration and harvest of the salt with one-half of the produce, may keep the other half for their use, benefit and enjoyment. It is not stipulated that the net produce of the salt beds shall first be applied to the payment of the interest, if any, and afterwards to that of the principal of their credit. Both contracts merely provide that the creditors shall keep one-half of the products. Therefore, they are not contracts of antichresis, as defined by article 1881 of the Civil Code. In a contract of mortgage, the mortgagor, as a general rule, retains the possession of the property mortgaged as security for the payment of the sum of money borrowed from the mortgagee, and pays the latter a certain per cent thereof as interest on his principal by way of compensation for his sacrifice in depriving himself of the use of said money and the enjoyment of its fruits, in order to give them to the mortgagor. Inasmuch as it is not an essential requisite of the contract of mortgage that the property mortgaged remain in the possession of the mortgagor (article 1857 of the

Civil Code), the latter may deliver said property to the mortgagee, without thereby altering the nature of the contract. It not being an essential requisite of said contract of mortgage that the principal of the mortgage credit bear interest, or that the interest, as compensation for the use of the principal and enjoyment of its fruits, be in the form of a certain per cent thereof, such interest may be in the form of fruits of the property mortgaged, without the contract's losing thereby its character of a mortgage contract. It is stipulated in the contracts under consideration that, during the term thereof and while the total amount of the loan remains unpaid by the debtor, the salt beds constituted as security for the payment of said loan, shall be administered by the creditors who shall destine one-half of the products thereof for the maintenance and support of the croppers and the improvement of the property, keeping the other half for themselves. It appears, therefore, that the debtor, instead of paying a certain per cent of the principal of the loan as compensation for the sacrifice made by the creditors in depriving themselves of the use of their principal and the enjoyment of its fruits, so as to give them to the debtor, has delivered to them the property constituted as security for the payment of the loan, so that they may administer and use it, enjoying its fruits, by way of compensation for their said sacrifice in lending said debtor their money. Therefore, the contracts, which are the subject matter of this action, have all the essential requisites of a mortgage, enumerated in article 1857 of the Civil Code and, consequently, are mortgage contracts.

With respect to the second assignment of alleged error, this court, having arrived at the conclusion that the contracts entered into between the plaintiffs and the defendant are contracts of mortgage and not of antichresis, finds the same to be well founded.

This court likewise finds the third assignment of alleged error to be well founded.

From the foregoing considerations, this court is of the opinion and so holds, that when a contract of loan with security does not stipulate the payment of interest but provides for the delivery to the creditor by the debtor of the real property constituted as security for the payment thereof, in order that the creditor may administer the same and avail himself of its fruits, without stating that said fruits are to be applied to the payment of interest, if any, and afterwards to that of the principal, of the credit, the contract shall be considered to be one of mortgage and not of antichresis.

Wherefore, the appealed judgment is reversed, and the defendant's debt to the plaintiffs is declared paid and the deeds of security executed by both parties cancelled, dismissing the counterclaim and cross-complaint filed by said defendant and appellee Damaso Celestial, with costs to the latter. So ordered.

Avanceña, C. J., Abad Santos, Imperial, Diaz, Laurel, and Concepcion, JJ., concur.

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