

[G. R. No. 3316-Paras, October 26, 2010]

JOSE PNCE DE LEON, PLAINTIFF AND APPELLANT, VS. SANTIAGO SYJUCO, INC., DEFENDANT AND APPELLANT, PHILIPPINE NATIONAL BANK, DEFENDANT AND APPELLEE.

D E C I S I O N

PARAS, C.J.:

The plaintiff obtained from, defendant Syjuco on May 5, 1944, a loan of P200,000 and on July 31, 1944, another loan of P16,000, payable "within one year from May 5, 1948." On November 15, 1944, the plaintiff offered to pay the entire indebtedness plus all the interest up to the date of maturity. Upon Syjuco's refusal to accept the tendered payment, the plaintiff deposited the amount with the clerk of the Court of First Instance of Manila and instituted the present action .to compel Syjuco to accept payment. The records of the case were destroyed during the war, but they were duly reconstituted after the liberation. The trial court sentenced the plaintiff to pay to Syjuco the total sum of P23,130, representing the whole indebtedness plus interest from August 6, 1944, to May 5, 1949, computed according to the Ballantyne scale of values. From this judgment Syjuco has appealed, claiming the right to be paid the sum of P216,000, actual Philippine currency, plus P200,000 as penalty agreed upon in the contract. The majority of this Court sustains Syjuco's claim for P216,000.

As the same questions have been resolved in *Ilusorio vs. Busuego*, G. R. No. L-822, September 30, 1949,^[1] *Roño vs. Gomez*, May 31, 1949,^[2] 46 O. G., Supp. to No. 11, p. 339, and *Gomez vs. Tabia*, August 5, 1949,^[3] 47 O. G. 644, in which I dissented, I have to disagree with the majority in the case at bar.

On the question whether a debtor can pay an indebtedness before the date of maturity provided corresponding interest is paid, I said the following in *Ilusorio vs. Busuego* .

"In other words, I hold that the mortgagor has the right to pay the indebtedness at any time within three years provided that, as in this case, he pays the interest for the whole term of the mortgage. In the ordinary course of things, a loan is granted in consideration of interest, and if by the early payment of the obligation, the creditor would not lose any part of the stipulated interest, both paragraphs 3 and 4 would practically be enforced. It cannot be alleged that the creditor herein, in addition to interest, wanted to have his money in the safekeeping of the debtor, because the contract is one of loan and not of deposit. It is to be remembered, moreover, that the debt was being paid in the same currency loaned (Japanese money). The effect of inflation is one of the risks naturally incident to the money-lending business, and the lender should protect himself against it by plain covenants."

On the matter of requiring a loan obtained in Japanese war notes to be paid after the liberation in equivalent Philippine currency, I am hereinbelow reproducing at length what I stated in *Bofio vs. Gomez* which should have greater application and force, because while in the *Bono* case the amount of the loan is only 54,000, in the case at bar the debtor is being ordered to pay the large sum of P216,000:

"The principal defense set up by Bono is that the note is contrary to law, morals or public order. This defense was flatly overruled in the court of origin, seconded by the Court of Appeals. The judgment of the latter court is now before us upon appeal by certiorari of Cristobal Bono.

"The situation is one in which a borrower of P4,000.00 in Japanese war notes is made to pay the same amount in currency of the present Philippine Republic. In other words, the borrower of P4,000 during the latter part of the Japanese military occupation which in ordinary practical terms, could hardly purchase a cavan of riffie, is now compelled to pay P4,000.00 in actual Philippine currency which, in the same ordinary practical terms, may be held equivalent to at least 100 cavanes of rief. Said borrower is compelled to do so, merely because in his promissory note he agreed to pay after one year in pesos of the Philippine currency, and expressly waived any postwar arrangement devaluating the amount borrowed in October, 1944.

"The Court of Appeals held that the commitment of Cristobal Roño to settle his indebtedness in the legal tender at the time of payment is not against the law, morals or public order. We readily acquiesce in the proposition that the contract is not contrary to law or public order, for we are aware of no statute or public policy which prohibits a person from bringing about or causing his own financial reverses. But we are of the opinion that, if enforced to the letter, it is against morals. If the contract was entered into in times of peace, its obligations should have the force of law between the parties and must be performed in accordance with their stipulations (Art. 1091, Civil Code). But when as in the case at bar, the borrower had to obtain a loan during war time, when living conditions were abnormal and oppressive, everything was uncertain, and everybody was fighting for his survival, our conscience and common sense demand that his acts be judged by compatible standards.

"The Court of Appeals found that everybody was aware of the developments of the war outside of official propaganda and that, in so far as knowledge of war events is concerned, Roño was more or less on an equal footing with Gomez. This means that all knew the bombings by the American air forces of various parts of the Islands in September, 1944, and of the decisive defeats of the Axis powers in Europe, and that the mighty forces of the Allies would soon, as in fact they did, concentrate on and crush Japan, with the result that the Japanese war notes would accordingly become worthless. It may of course be supposed that Roño knowingly bound himself to his pact. But this is true merely in theory. Although, as found also by the Court of Appeals, Roño was not entirely an ignorant man because he is a mechanic and knows English, the fact nevertheless remains that the lender, Jose L. Gomez, was a lawyer, and the exaggerated way the promissory note is worded plainly shows that the latter must have thoroughly studied the transaction with Roño and