94 Phil. 254

[G.R. No. L-6342. January 26, 1954]

PHILIPPINE NATIONAL BANK, PLAINTIFF AND APPELLEE VS. LAUREANO ATENDIDO, DEFENDANTS AND APPELLANT.

D E C I S I O N

BAUTISTA ANGELO, J.:

This is an appeal from a decision of the Court of First Instance of Nueva Ecija which orders the defendant to pay to the plaintiff the sum of P3,000, with interest thereon at the rate of 6% per annum from June 26, 1940, and the costs of action.

On June 26, 1940, Laureano Atendido obtained from the Philippine National Bank a loan of P3,000 payable in 120 days with interests at 6% per annum from the date of maturity. To guarantee the payment of the obligation the borrower pledged to the bank 2,000 cavanes of palay which were then deposited in the warehouse of Cheng Siong Lam & Co. in San Miguel, Bulacan, and to that effect the borrower endorsed in favor of the bank the corresponding warehouse receipt. Before the maturity of the loan, the 2,000 cavanes of palay disappeared for unknown reasons in the warehouse. When the loan matured the borrower failed to pay either the principal or the interest and so the present action was instituted.

Defendant set up a special defense and a counterclaim. As regards the former, defendant claimed that the warehouse receipt covering the palay which was given as security having been endorsed in blank in favor of the bank, and the palay having been lost or disappeared, he thereby became relieved of liability. And, by way of counterclaim, defendant claimed that, as a corollary to his theory, he is entitled to

an indemnity which represents the difference between the value of the palay lost and the amount of his obligation.

The case was submitted on an agreed statements of facts and thereupon the court rendered judgment as stated in the early part of this decision.

Defendant took the case on appeal to the Court of Appeals but later it was certified to this Court on the ground that the question involved is purely one of law.

The only issue involved in this appeal is whether the surrender of the warehouse receipt covering the 2,000, cavanes of palay given as a security, endorsed in blank, to appellee, has the effect of transferring their title or ownership to said appellee, or it should be considered merely as a guarantee to secure the payment of the obligation of appellant.

In upholding the view of appellee, the lower court said: "The surrendering of warehouse receipt No. S-1719 covering the 2,000 cavanes of palay by the defendant in favor of the plaintiff was not that of a final transfer of that warehouse receipt but merely as a guaranty to the fulfillment of the original obligation of P3,000.00. In other word, plaintiff corporation had no right to dispose (of) the warehouse receipt until after the maturity of the promissory note Exhibit A. Moreover, the 2,000 cavanes of palay were not in the first place in the actual possession of plaintiff corporation, although symbolically speaking the delivery of the warehouse receipt was actually done to the bank."

We hold this finding to be correct not only because it is in line with the nature of a contract of pledge as defined by law (Articles 1857, 1858 & 1863, Old Civil Code), but is supported by the stipulations embodied in the contract signed by appellant when he secured the loan from the appellee. There is no question that the 2,000 cavanes of palay covered by the warehouse receipt were given to appellee only as a guarantee to secure the fulfillment by appellant of

his obligation. This clearly appears in the contract Exhibit A wherein it is expressly stated that said 2,000 cavanes of palay were given as a collateral security. The delivery of said palay being merely by way of security, it follows that by the very nature of the transaction its ownership remains with the pledgor subject only to foreclosure in case of non-fulfillment of the obligation. By this we mean that if the obligation is not paid upon maturity the most that the pledgee can do is to sell the property and apply the proceeds to the payment of the obligation and to return the balance, if any, to the pledgor (Article 1872, Old Civil Code). This is the essence of this contract, for, according to law, a pledgee cannot become the owner of, nor appropriate to himself, the thing given in pledge (Article 1859, Old Civil Code). If by the contract of pledge the pledgor continues to be the owner of the thing pledged during the pendency of the obligation, it stands to reason that in case of loss of the property, the loss should be borne by the pledgor. The fact that the warehouse receipt covering the palay was delivered, endorsed in blank, to the bank does not alter the situation, the purpose of such endorsement being merely to transfer the juridical possession of the property to the pledgee and to forestall any possible disposition thereof on the part of the pledgor. This is true notwithstanding the provisions to the contrary of the Warehouse Receipt Law.

In a case recently decided by this Court (Martinez vs. Philippine National Bank, 93 Phil., 765) which involves a similar transaction, this Court held:

“In conclusion, we hold that where a warehouse receipt or quedan is transferred or endorsed to a creditor only to secure the payment of a loan or debt, the transferee or endorsee does not automatically become the owner of the goods covered by the warehouse receipt or quedan but he merely retains the right to keep and with the consent of the owner to sell them so as to satisfy the obligation from the proceeds of the sale, this for the simple reason that the transaction involved is not a sale but only a mortgage or pledge, and that if the property covered by the quedans or warehouse receipts is lost without the fault or negligence of the mortgagee or pledgee or the transferee or endorsee of

the warehouse receipt or quedan, then said goods are to be regarded as lost on account of the real owner, mortgagor or pledgor."

Wherefore, the decision appealed from is affirmed, with costs against appellant.

Bengzon, Padilla, Montemayor, Jugo, Reyes, and *Labrador, JJ.,* concur.

Date created: October 03, 2014