

[G.R. No. L-8532. October 11, 1957]

GUARDIANSHIP OF JAMES E. STEGNER, ET AL., MINORS, JUANITA T. STEGNER, PETITIONER. PHILIPPINE TRUST CO., GUARDIAN AND APPELLEE, VS. CATHERINE STEGNER AND MILDRED STEGNER, OPPOSITORS AND APPELLANTS.

D E C I S I O N

FELIX, J.:

This is an appeal from an order of the Court of First Instance of Manila approving the consolidated statement of accounts filed by the Philippine Trust Company as guardian of the properties of the minors James, Henry, Ruth, Catherine and Mildred, all surnamed Stegner, and releasing said guardian 'from its responsibilities. The facts of the case are as follows;

W. A. Stegner, a citizen of the United States, was at the time of his demise a resident of Pamplona, Cagayan. He left a will containing the following provisions:

"I, W. A. Stegner, of. lawful age, a resident of the Municipality of Pamplona, Province of Cagayan, Philippine Islands, and a citizen of the United States of Minnesota, United States of America, being of sound and disposing mind and memory, and not acting under undue influence or restrained of any kind, do hereby make, publish, and declare this to be my last will and testament, hereby revoking all other wills and testamentary dispositions by me made."

* * * * *

III

“I give, devise and bequeath unto the executor and trustee hereinafter named absolutely and in fee simple and of my property, real, personal and mixed of every kind, nature and description whatsoever, of “which I may seized or possesses or to which I may be in any manner entitled, or in any manner interested at the time of my death in trust however, for the use and purposes hereinafter set out and same other, giving unto my said executor and trustee full power and authority to sell any of the property, real or personal, subject to the trust hereby created, and to invest and reinvest the proceeds of any such sales, in such manner as my said executor and trustee may deem proper, all without the legal restrictions otherwise applicable to trustee; to borrow money for the benefit of the trust; to sell, lease, mortgage, pledge, improve or exchange any property, real or personal, hold hereunder for such price and upon such terms as;d conditions as may be seen advisable; and to deal cm behalf of the trust vnlii any subsidiary or affiliate, without increase of liability and a,a freely as though dealing with an independent third party.”

* * * * *

IV

“I nominate and appoint the Philippine Trust Company executor of and trustee under this my last will and testament to serve without bond and as guardian of my children James E. Stegner, Henry G. Stegner, Ruth H. Stegner, and Catherine Stegner.”

This testator 'seems to have left the following properties:

Cash.....	P18,972.88
Cert. No. 06386, Serie "C", for 1 share of "La Urbana", at P200 per share	200.00
Cert. No. 06996, Serie "C", for 1 share of "La Urbana", at P200 per share	200.00
Cert. No. 07140, Serie "C", for 1 share of "La Urbana", at P200 per share	200.00
Cert. No. 09161, Serie "D", for 3 share of "La Urbana", at P200 per share	600.00
(Account receivable)—Balance of Promissory Note dated May 10, 1935, executed by "La Granja, Inc.," in favor of W. A. Stegner.....	<u>10,000.00</u>
Total Assets	P24,672.86

and in addition thereto, the minors were to receive monthly pensions from the U.S. Veterans. Administration.

Although there is no evidence on record, the decision of the trial Court states that said will of W. A. Stegner was duly admitted to probate and this statement was never refuted by any of the parties.

On November 11, 1986, Juanita T. Stegner, widow of the deceased and mother of the minors, petitioned the Court of First Instance of Manila for the issuance in her favor of letters of guardianship over the person and properties of her children, which petition was granted by the Court in its order of November 13, 1936, upon the filing by the petitioner of a bond in the sum of P500. The Veterans Administration, however, recommended that the guardianship over the properties be placed in the hands of a solvent trust company doing business in Manila.

The Philippine Trust Company thereafter filed a petition, which was later amended, praying that in view of the will of W. A. Stegner appointing said company as guardian for the estates of the minors, letters of guardianship for the properties of James, Henry, Ruth, Catherine and Mildred Stegner be issued in its favor, and upon agreement of the parties, the Court set aside its previous order and appointed Juanita T. Stegner as guardian over the persons of the minors and the Philippine Trust Company as guardian of their *properties*, James E. Stegner reached the age of majority and was consequently released from guardianship by order of the Court of March 28, 1941, but it appears that he and his sister Ruth were killed by the Japanese in 1945.

The remaining wards under guardianship having reached the age of majority, the Philippine Trust Company on May 26, 1953, filed a final consolidated statement of account and petition

for discharge containing a detailed statement of cash receipts and disbursements made covering the period from June 1, 1942, to May 20, 1953, in the case of Henry Stegner; from June 1, 1941, to May 20, 1953, in the case of Ruth, Catherine and Mildred Stegner. It also showed that the amount of P15,117.29 in Japanese military notes which was invalidated by Executive Orders Nos. 25 and 49 was deducted from the balance of P16,282.32 remaining in favor of the wards; that the participation in the notes of La Granja, Inc., had been eliminated upon discovery that the balance of the same was duly paid for on January 4, 1940, and was correspondingly noted in the inventory account of July 6, 1940, which was approved by the Court on August 29 of the same year; that the value of the participation in the La Urbana was reduced from P3,200 to P400 in view of the fact that P2,800 had already been paid on April 12, 1938, as stated in the inventory account dated June 29, 1938, and duly approved by order of the Court of November 3, 1948; that the company was entitled to 5 per cent of the total amount received by said guardian as fees. It was, therefore, prayed that the statement of accounts be approved; that it be authorized to collect the sum of P418.77 as fees or commission and the amount of P437.31 as attorney's fees; that it be authorized to deliver the estate of the deceased Ruth Stegner to her. brother Henry and sisters Catherine and Mildred, in equal shares; that the residuary estates of the wards be delivered to them; that it be relieved from further responsibility as such guardian, and that the proceedings be declared closed and terminated.

Catherine and Mildred Stegner opposed this petition alleging, among others, that although the guardianship commenced in 1937, the consolidated statement of accounts submitted by the Philippine Trust Company started only from 1941; that it did not explain why the minors should be prejudiced by the sum of P15,117.29 allegedly invalidated; that despite the absence of previous judicial authorization, the company invested the funds of the wards in mortgage loans; that said loans were not contested by the wards when they were informed of the same because they were still minors at the time; that as the loans were in the name of the Philippine Trust Company and not in the names of Catherine and Mildred Stegner, these wards should not be prejudiced by the payments made by the mortgagors during the enemy occupation amounting to P15.117.29 which was declared invalidated. They also assailed the validity of Executive Orders Nos. 25 and 49 on the ground that they were illegal and unconstitutional. Furthermore, oppositors objected to the items listed as the company's commission; attorney's fees; the miscellaneous disbursements allegedly incurred for the wards; and charged that the Philippine Trust Company did not exercise the diligence of a good father of a family to protect the interests of the minors with respect to the participation in La Granja and La Urbana and which negligence resulted in the loss of

P9.900 belonging to said minors. Thus, they asked the Court to disapprove the statement of accounts submitted by the company and that it be ordered to present a new one with the objected items eliminated.

On July 29, 1954, the Court issued an order finding the opposition interposed by Catherine and Mildred Stegner as groundless and approved the statement of accounts submitted by the Philippine Trust Company, authorizing the collection of its commission and attorney's fees; and the delivery to the wards Henry, Catherine and Mildred Stegner of their respective residuary estates. The motion for the reconsideration of said order filed by oppositors having been denied for lack of merit, the matter was brought to this Court on appeal.

Consolidating the interrelated questions raised by oppositors, the main issue in the instant case is whether the Philippine Trust Company could be held liable for the investments of the funds of the wards made without securing the previous authorization of the Court and which resulted in the loss of P15,117.29. In defense of its actuation, petitioner-appellee contends that it relied on the provisions on trust corporations, specifically Section 139 of the Corporation Law (repealed by Republic Act No. 337, known as the General Banking Act) which provides that deposits or moneys received by a trust corporation as guardian or trustee can be loaned and invested in accordance with the provisions governing loans and investments of savings and mortgage banks, unless otherwise directed by the instrument creating the trust. Appellants, on the other hand, maintain that the properties of the wards were received by the guardian in a fideicommissary capacity which partakes of the nature of a "commodatum" for the benefit of said minors, thus requiring court authorization before said funds could be invested.

Although the context of the will of W. A. Stegner unmistakably conveys the testator's intention to create a trust and make the Philippine Trust Company a trustee, it must be remembered that upon said company's application and by agreement of the parties, the Court in its order of February 23, 1937, appointed the Philippine Trust Company as guardian (not as trustee) of the properties of the minors, and there is no showing either that when the will of W. A. Stegner was presented and allowed to probate in case No. 49170 of the Court of First Instance of Manila, appellee was appointed as such trustee. Having assumed office as "guardian" of the properties of the wards, the company should be governed, in the management of the funds of said minors, by the provisions of the Rules of Court on guardianship and not by the rules on trust corporations under the Corporation Law.

Petitioner-appellee, however, asserts that although it did not secure previous judicial approval of those investments, they were included in the annual accountings which were passed upon by the court from time to time. In support of such contention, the Vice-president of the Philippine Trust Company took the witness stand and testified that for the investments made in the mortgage of the Tambunting brothers, the Veterans Administration when notified offered no objection and recommended approval thereof, and such investment was approved by the Court on July 22, 1939; that the investments in the mortgages of Cadsawan and T. de Vera were included in the inventory of July 6, 1940 and duly approved by the Court on October 29, 1940 without objection from the Veterans Administration; that on March 8, 1941, the guardian filed a final accounting and a petition for discharge with respect to James Stegner who had then reached the age of majority, and to which accounting the Veterans Administration and James Stegner himself confronted in writing. This final accounting which included the investments in the mortgages of Tambunting, and J. Pickering & Co. was approved by order of the Court of March 28, 1941; that on July 11, 1941, an inventory was again filed with the written conformity of the Veterans Administration wherein it appeared that certain amounts were invested in the mortgage of the Servants of the Holy Ghost and that of J. Pickering & Co., which inventory was approved by the Court on August 4, 1941; and that on June 12, 1943, an inventory with respect to Henry Stegner was filed wherein it showed that he had been paid his share of the investments in the mortgages, and which accounting was duly approved by the Court on June 7, 1943. The witness testified that in all these cases the mother and guardian over the persons of the minors, Juanita T. Stegner, was duly furnished copies of the accounting- and apparently she offered no objection whatsoever. It was further brought out that the interests accruing out of such investments were duly credited to the wards and formed part of their funds from which they made withdrawals every now and then. Evidence was also presented to prove that the corresponding mortgage participation certificates, specifying the amounts invested, were issued in the names of the wards (Exhibits A-1, A-2, A-3, B-2, C-1, D-1, D-2, E-1).

It is to be noted in this connection that the mortgages of Cadsawan and Pickering were settled and paid prior to the outbreak of the war and they are not questioned in this case. The mortgages of the Tambunting brothers, Servants of the Holy Ghost, T. de Vera, Hermoso and Francisco, which were also executed before the war were not yet due when the Japanese forces invaded the Philippines, and soon after their occupation of Manila the Japanese Military Command ordered the mortgage debtors of almost all the banks herein established to settle their obligations immediately. This, undoubtedly, caused the mortgagors

mentioned above to pay the balance of their respective debts in Japanese military notes, which was then the legal tender, amounting to P15,117,29, which after the liberation of the island was declared invalidated by Executive Orders Nos. 25 and 49.

Section 5, Rule 96 of the Rules of Court, provides that:

Sec. 5, COURT MAY ORDER INVESTMENT OF PROCEEDS AND DIRECT MANAGEMENT OF ESTATE.—The Court may authorize and require the guardian to invest the proceeds of sales or encumbrances, and any other of his ward's money in his hands, in real estate or otherwise, as shall be for the best interest of all concerned, and may make such other orders for the managements investment, and disposition of the estate and effects, as circumstances may require.

Although the authority referred to in this Section may not have been secured prior to the investment of the properties or funds of the ward, yet We believe that the court's approval of the annual inventories and accounts submitted by the guardian, with the conformity and/or acquiescence of the U.S. Veterans Administration and the mother of the minors, wherein the questioned investment was mentioned and accounted for, amounts to a ratification of the acts of the guardian and compliance with the provisions of section 5, Rule 96 aforesaid.

Passing upon the same question arising out of practically the same set of facts, this Court, speaking through Chief Justice Ricardo Paras, held:

"It is not necessary for us to pass upon the applicability of section 189 of Act No. 1459, because we hold that, under section 5 of Rule 96 of the Rules of Court, the investments in question were valid and binding upon appellant's ward. It is noteworthy that in the four previous inventory-accounts filed by the appellant, with the lower court, the mortgage loans extended by the appellant and the interest collected thereon were plainly reported; * * *. We are of the opinion that this approval had the effect of impliedly validating appellant's acts and making them binding upon its ward"—(Philippine Trust Co. vs. Ballesteros, 98 Phil.,

1007).

Aside from the fact that the participations in La Granja and La Urbana were duly Included in the accounts approved by the Court and which We hold to be unassailable, We find no merit in the imputation of negligence on the guardian with respect to said assets after taking into consideration the satisfactory explanations made by said guardian.

Wherefore, the order of the Court, *a quo* of July 29, 1954, appealed from is hereby affirmed, without pronouncement as to costs. It is so ordered.

Paras, C.J., Bengzon, Padilla, Montemayor, Reyes, A., Bautista Angela, Labrador, Concepcion and Endencia, JJ., concur.

Order affirmed.

Date created: April 23, 2015