

Title: National Development Company and New Agrix, Inc. vs. Philippine Veterans Bank et al.

Facts:

The National Development Company (NDC) and New Agrix, Inc. petitioned against the Philippine Veterans Bank and the ex-officio sheriff of Calamba, Laguna, based on the controversy involving Presidential Decree No. 1717 (PD 1717), issued by then-President Ferdinand Marcos, which mandated the rehabilitation of the Agrix Group of Companies, including Agrix Marketing, Inc. (AGRIX). PD 1717 extinguished all mortgages and other liens on assets of the dissolved corporations, a provision which is central to the dispute.

Prior to the decree, AGRIX had secured a mortgage with Philippine Veterans Bank on July 7, 1978, over parcels of land in Los Baños, Laguna. With AGRIX's bankruptcy looming, PD 1717 was enacted. Subsequently, the Philippine Veterans Bank filed a claim under PD 1717 with the AGRIX Claims Committee for repayment. Concurrently, petitioners sought to cancel the bank's mortgage lien through the Regional Trial Court of Calamba, while the bank pursued extrajudicial foreclosure of the mortgaged properties. Petitioners also filed a separate action to halt the foreclosure, and the two cases were consolidated.

The trial court, presided by Judge Francisco Ma. Guerrero, annulled PD 1717 entirely, asserting that it violated the principles of separation of powers, impaired the obligation of contracts, and contravened the equal protection clause. The petitioners, unsatisfied with the trial court's ruling, escalated the matter to the Supreme Court.

Issues:

1. Whether Presidential Decree No. 1717 is constitutional in extinguishing all mortgages and liens on assets of AGRIX.
2. Whether the private respondent is estopped from questioning the validity of PD 1717 after filing a claim with the AGRIX Claims Committee.
3. Whether PD 1717 violates the principle of separation of powers.
4. Whether PD 1717 impairs the obligation of contracts.
5. Whether PD 1717 contravenes the equal protection clause.

Court's Decision:

The Supreme Court dismissed the petition and declared PD 1717 unconstitutional. The Court found that the decree did not satisfy the police power's requirements of a lawful subject and method, as the public interest was not sufficiently defined or related to the

general welfare. The decree was deemed in violation of the due process and equal protection clauses, as it took away vested property rights arbitrarily and discriminated against different types of creditors.

Furthermore, regarding the issue of estoppel, the Court observed that the private respondent's compliance with PD 1717 was under the coercive climate of the Marcos regime where legal challenges were insignificant. Thus, estoppel was deemed inapplicable.

Overall, PD 1717 failed to comply with Constitutional protections under the Bill of Rights, particularly with respect to the due process and contract impairment clauses. Additionally, the creation of New Agrix, Inc. was scrutinized as a violation of the 1973 Constitution's provisions regarding private corporation formation by special law.

Doctrine:

The Supreme Court emphasized that a legislative act based on the police power must have a lawful subject that serves the public interest and a lawful method that is not unduly oppressive. Property rights derived from contract, such as mortgages, liens, accrued interests, penalties, and charges, are protected under the due process and contract clauses of the Constitution.

Class Notes:

- A mortgage lien is a protected property right that cannot be extinguished without due process of law.
- Legislation must comply with the equal protection clause by treating similar persons or things alike and dissimilar ones differently.
- Police power cannot justify the impairment of the obligation of contracts in instances where the public interest is not sufficiently established.
- Special laws for the organization of private corporations are not permissible unless the corporation is government-owned or controlled, as per the 1973 Constitution, Article XIV, Section 4.

Historical Background:

The case reflects the post-Marcos era of the Philippines where previously unassailable presidential decrees were re-examined under the light of constitutional law. PD 1717 was a product of Marcos' regime, which, along with many other decrees, was considered absolute. The case signifies a judicial departure from the oppressive context of the past and asserts the primacy of the Constitution over presidential decrees of the authoritarian period. The

judicial review of PD 1717 and its subsequent invalidation showcases the restoration of constitutional supremacy in the post-Marcos Philippines.