

Title:

Trillana v. Quezon College, Inc.: The Case of Conditional Subscription

Facts:

In a detailed sequence of events, the case began with Damasa Crisostomo's intention to subscribe to 200 shares of Quezon College, Inc., as evidenced by a letter dated June 1, 1948, where she promised to make the payment "after catching fish" without providing any initial payment. This letter was acknowledged in the presence of two witnesses. Upon her death on October 26, 1948, without any payment made, Quezon College presented a claim in the Court of First Instance of Bulacan within her testate proceeding, for the sum of P20,000 representing the value of the subscription. The administrator of Crisostomo's estate opposed the claim.

The lower court dismissed the claim on the basis that the subscription was neither registered with nor authorized by the Securities and Exchange Commission. Quezon College appealed this decision. The Supreme Court focused not on the ground cited by the lower court but on the need for an explicit acceptance of Crisostomo's terms by Quezon College for an enforceable contract to exist.

Issues:

1. Whether the absence of an explicit acceptance of the terms of payment by Quezon College, Inc. regarding Damasa Crisostomo's subscription for shares constitutes an enforceable contract.
2. Whether a conditional obligation based on an event dependent solely on the will of the debtor (Damasa Crisostomo) is void under the law.

Court's Decision:

The Supreme Court affirmed the appealed order, holding that without an explicit acceptance by Quezon College of Crisostomo's terms of payment, no enforceable contract was created. The court further ruled that an obligation conditional upon an event solely depending on the debtor's will is void, referring to Article 1115 of the old Civil Code. The offer of a subscription on specific terms by Quezon College paired with Crisostomo's divergent terms of payment, without the college's explicit agreement, did not mature into a binding contract.

Doctrine:

The case established or clarified two critical principles in contract law:

1. An explicit mutual agreement is essential for the formation of a contract, especially when the terms proposed by one party diverge from the initial offer.
2. A conditional obligation that depends solely on the debtor's will is void, as outlined in Article 1115 of the old Civil Code.

Class Notes:

- **Contract Formation:** For a contract to be binding, there must be an offer, an acceptance of that offer, and a mutual agreement on the terms. If the acceptance terms are at variance with the offer, explicit agreement to the new terms by the offeror is necessary.
- **Conditional Obligations:** Article 1115 of the old Civil Code stipulates that an obligation is void if its fulfillment depends exclusively on the debtor's will. This principle prevents the formation of obligations based on conditions solely within the debtor's control.
- **Case Application:** In *Trillana v. Quezon College, Inc.*, the failure of Quezon College to explicitly accept divergent payment terms proposed by a potential stock subscriber led to the non-formation of a contract, reinforced by the void nature of the condition proposed for payment.

Historical Background:

The *Trillana v. Quezon College, Inc.* case provides insight into post-World War II Philippines' legal and economic environment, highlighting issues of contract formation and the interplay between individual promises and corporate subscription agreements. It reflects the judiciary's role in clarifying the nuances of contract law during a period of rebuilding and growth.