

****Title:**** Reparations Commission v. Universal Deep-Sea Fishing Corp.

****Facts:**** The Reparations Commission awarded six trawl boats to Universal Deep-Sea Fishing Corporation (UNIVERSAL), which were to be delivered F.O.B. from a Japanese port in pairs, under three separate contracts of Conditional Purchase and Sale of Reparations Goods. The boats, named M/S UNIFISH 1-6, were delivered between 1958 and 1960, with specified payments due at later dates.

To secure the payment obligations under these contracts, UNIVERSAL, as the principal, and Manila Surety & Fidelity Co., Inc. (the surety company), as the surety, executed performance bonds in favor of the Reparations Commission. Additionally, an indemnity agreement was executed by UNIVERSAL and Pablo S. Sarmiento (an indemnitor).

On August 10, 1962, the Reparations Commission filed an action against UNIVERSAL and the surety company, seeking to recover various amounts due under the contracts. UNIVERSAL contested the demands, stating the payments were not yet due, while the surety company argued the action was premature but additionally filed a cross-claim against UNIVERSAL for reimbursement and other fees, and a third-party complaint against Sarmiento, arguing his personal liability.

****Issues:****

1. Whether the first installments under the contracts were due and demandable when the complaint was filed.
2. Whether the Manila Surety & Fidelity Co., Inc. should be awarded premiums on the performance bonds.
3. Whether the down payment made by UNIVERSAL should be applied to the guaranteed indebtedness, thereby reducing the surety's liability.
4. Whether Pablo S. Sarmiento is personally liable under the indemnity agreements.

****Court's Decision:****

1. The Court held that the first installments under all contracts were indeed due and demandable at the time the action was commenced, rejecting UNIVERSAL's contention of obscurity in the payment schedules. The distinction between the "first installment" and the subsequent "equal yearly installments" was clarified, with the former being due within 24 months of delivery per the contract and law.
2. The Court agreed with the surety company's claim for premiums on the performance bonds, ordering UNIVERSAL to pay the amount of P7,251.42 for the premiums, as these

payments were stipulated in the indemnity agreements.

3. Concerning the application of the P10,000.00 down payment, the Court found that the rules regarding the imputation of payments (Articles 1252 to 1254 of the Civil Code) were not applicable to the surety's singular and contingent obligation. Therefore, the surety company remained liable for the full amount of its undertaking.

4. As for the liability of Pablo S. Sarmiento, the Court found him personally liable as he signed the indemnity agreements in his personal capacity as well as on behalf of UNIVERSAL.

****Doctrine:****

- ****First Installment Due and Demandable:**** The first installment payment under a contract for conditional purchase and sale becomes due and demandable within the period agreed upon by the parties, after the complete delivery of the goods or services.

- ****Surety's Liability and Premiums Payment:**** A surety remains liable to the terms agreed upon in the indemnity agreement, which includes the obligation to pay premiums for the duration of its liability.

- ****Imputation of Payments:**** The specific rules for the imputation of payments do not apply to obligations of a surety, which is contingent and singular in nature, differing from the general rules applicable to multiple debts of the same kind to a single creditor.

****Class Notes:****

- Key Concepts:

- Understanding contractual terms and their enforceability.
- Differentiation between "first installment" and subsequent installment payments.
- The role and obligations of a surety in guaranteeing the performance under a contract.
- Personal liability arising from indemnity agreements.

- Relevant Statutes:

- Rep. Act No. 1789, Section 12 - regarding the sale of capital goods on a credit basis.
- Civil Code, Articles 1252 to 1254 - pertaining to the imputation of payments.

****Historical Background:**** This case highlights the legal intricacies involved in contracts of sale under the reparations goods arrangement following World War II, showcasing the enforcement of financial obligations, the importance of detailed contractual terms, and the

roles of sureties and indemnitors in ensuring contractual compliance.