

Title:

George W. Batchelder vs. The Central Bank of the Philippines: On the Source of Obligations and the Role of Administrative Circulars

Facts:

George W. Batchelder, conducting business as Batchelder Equipment, contested the Central Bank of the Philippines' (CBP) refusal to honor an exchange rate of P2.00375 to US\$1.00, equivalent to US\$154,094.56. The contention arose from a disagreement on whether there existed a contractual obligation or an obligation arising from law for the CBP to resell dollars at the specified rate. The case progressed from lower courts to the Supreme Court, through appeals and a motion for reconsideration, challenging the legal basis of CBP's obligations.

The procedural posture began when Batchelder appealed to the Supreme Court after the trial court's decision, which was presumably in his favor based on the assumption of a contractual obligation between him and CBP, was appealed by CBP. The Supreme Court's initial decision was in favor of the CBP, prompting Batchelder to file a motion for reconsideration. This motion aimed to argue the existence of an obligation from law rather than from contract, specifically invoking CBP's issuance of circulars and resolutions which Batchelder contested should bind the CBP to the exchange rate claimed.

Issues:

1. Whether the Central Bank of the Philippines, through its circulars and resolutions, entered into a contractual obligation with Batchelder that bound it to a specific exchange rate.
2. If no contract was established, whether an obligation could arise from law, requiring CBP to adhere to the specified exchange rate.
3. The validity and legal force of administrative circulars and resolutions as sources of obligations under Philippine law.

Court's Decision:

The Supreme Court denied the motion for reconsideration and upheld its original ruling, reinforcing that the Central Bank acted within its regulatory and not contractual capacity when issuing circulars. The Court clarified that administrative circulars could have the force of law but did not inherently create obligations for the issuing body, especially without explicit language to that effect. Consequently, without clear statutory backing, no obligation could be imposed on CBP to adhere to the contested exchange rate. The Court meticulously

dissected each claim, ultimately finding:

1. No contract existed between Batchelder and the CBP for a specific exchange rate.
2. Obligations arising from law must be explicitly stated in statutes or codes, which was not the case here.
3. Administrative circulars do not automatically generate obligations, particularly for the issuing agency, without statutory support.

Doctrine:

The decision reaffirmed the principle that obligations arising from law are not presumed and must be explicitly defined in legal statutes or codes. Moreover, it established that administrative circulars or resolutions, while having the force of law for implementation purposes, do not in themselves establish obligations unless such intention is legislatively clear.

Class Notes:

- **Obligations**: Can arise from law, contracts, quasi-contracts, acts or omissions punished by law, and quasi-delicts.
- **Administrative Circulars**: Have the force of law if issued within the scope of the issuing body's regulatory authority but do not create obligations for the body unless explicitly authorized by law.
- **Legal Statutes and Codes**: The primary sources of obligations; their provisions must be explicitly clear to impose obligations.
- **Contractual Obligation**: Requires express agreement, terms, and consent of both parties.
- **Pelayo vs. Lauron (1909)**: "Obligations arising from law are not presumed."

Historical Background:

This case highlights the evolving nature of administrative law in the Philippines and reflects the judiciary's role in delineating the scope of regulatory bodies' powers and obligations. It underscores the balance between enabling regulatory agencies to manage complex modern economies and ensuring that their actions are within the bounds of the law and do not arbitrarily impose obligations.