

Title

Rosemarie M. Lee vs. Hon. Josefina Cruz Rodil and the People of the Philippines: A Case of Trust Receipt Agreement Violation Constituting Estafa

Facts

Rosemarie M. Lee, a representative of C.S. Lee Enterprises, Inc., was charged with estafa for failing to comply with her obligations under a trust receipt agreement with the Philippine Bank of Communications. Lee had procured goods through a letter of credit from the bank, amounting to P154,711.97, for which she executed a trust receipt. This agreement obliged her to either sell the goods and remit the proceeds to the bank or return the unsold goods by October 24, 1982. However, Lee neither sold the goods and remitted the proceeds nor returned the unsold goods, prompting repeated demands from the bank and leading to criminal charges. Lee filed a motion to quash the information, arguing the facts charged did not constitute an offense under the Trust Receipts Law (P.D. 115), which she deemed unconstitutional. The trial court rejected her arguments, prompting Lee to escalate the matter to the Supreme Court.

Issues

1. Does the violation of a trust receipt agreement constitute the crime of estafa under Philippine law?
2. Is Presidential Decree No. 115, which characterizes such a violation as estafa, unconstitutional for potentially infringing on the right against imprisonment for non-payment of debt?

Court's Decision

The Philippine Supreme Court affirmed the trial court's decision, holding that the violation of a trust receipt agreement does indeed constitute the crime of estafa under Section 13 of P.D. 115. It rejected Lee's constitutional challenge, emphasizing the police power of the state to prescribe penalties for acts deemed harmful to the public welfare. The court distinguished this case from other precedents, noting that the acts in question occurred after the enactment of P.D. 115, and thus, there was a clear legislative intent to impose criminal liability for violations of trust receipt agreements. The Court pointed out the necessity of trust receipts in the Philippine business landscape and the deliberate legal framework established to uphold their integrity.

Doctrine

The primary doctrine established is that the failure of an entrustee to turn over the

proceeds of the sale of goods covered by a trust receipt or to return unsold goods in accordance with the terms of the trust receipt constitutes the crime of estafa, as explicitly provided in Section 13 of Presidential Decree No. 115. Additionally, this case reaffirms the constitutionality of P.D. 115, underlining its role as a necessary legislative tool to regulate trust receipt transactions and enforce their integrity through criminal penalties.

Class Notes

- **Trust Receipt Transaction**: Involves a loan feature and a security feature, where the bank extends a loan to the importer, secured by the goods through a trust receipt.
- **Estafa Under Trust Receipt Agreement**: Violation of the terms of a trust receipt (failing to remit sale proceeds or return unsold goods) constitutes estafa as per Section 13 of P.D. 115, overriding previous ambiguities.
- **Constitutionality of P.D. 115**: Upheld against the argument that it conflicts with the prohibition against imprisonment for debt, emphasizing the state's police power and the distinct criminal liability stemming from the act of misappropriation or conversion under a trust receipt.
- **Essential Statutes**:
 - P.D. 115, Section 13: Specific provision making the failure to comply with a trust receipt agreement estafa.
 - Revised Penal Code, Article 315(1)(b): Defines the crime of estafa, which can be applied in the context of trust receipt violations as clarified by P.D. 115.

Historical Background

The enactment of P.D. 115, known as the Trust Receipts Law, stemmed from the need to regulate the growing utilization of trust receipts in financing business transactions in the Philippines. The legislative intent was to establish a legal framework that defines the rights and obligations of parties in a trust receipt transaction, addressing the specific challenges and ensuring the integrity of these transactions through enforceable penalties. This case underscores the judiciary's role in interpreting and upholding such legislative measures in the face of constitutional challenges, affirming the principle that laws are presumed valid and serve the public interest by regulating commercial activities critical to the country's economy.