

Title: ****Florencio Rufo Fabie vs. Pedro Yulo et al.****

Facts:

Florencio R. Fabie sued the heirs of Teodoro Yulo y Belleza, specifically targeting the legal heirs and estate administrators, for the recovery of a debt amounting to P30,000 with an interest rate of 15% per annum. The debt was acknowledged by the widow and heirs of Teodoro Yulo through a document executed on March 23, 1904, promising to pay within five years with the option for renewal. The defendants paid the stipulated semiannual interest faithfully until July 31, 1910, but thereafter ceased payments despite demands made by Fabie. The Court of First Instance of Iloilo ruled in favor of Fabie, directing the defendants to pay the principal and the accrued interest. The defendants appealed the decision, challenging its validity, particularly concerning the extent of their liability and the enforcement against the estate's assets.

Issues:

1. Whether the heirs of Teodoro Yulo y Belleza are liable for the debt acknowledged by their father and themselves in a notarial instrument.
2. Whether the estate of Teodoro Yulo y Belleza or the subsequent administrator is responsible for the debt incurred.
3. The effectiveness and enforceability of the notarial instrument executed by the widow and heirs of Teodoro Yulo in binding themselves to the debt.
4. The extent of liability of the minor and incompetent heirs in relation to the debt acknowledged and assumed by their guardians.

Court's Decision:

The Supreme Court affirmed the lower court's decision, ruling that:

1. The heirs, by acknowledging and voluntarily assuming the debt through the notarial instrument, are jointly liable to pay the debt and the accrued interest.
2. The obligation to pay rests upon Teodoro Yulo himself, as the receiver of the loan, making his estate liable for the payment of the debt posthumously.
3. The notarial instrument executed by the widow and heirs of Teodoro Yulo constitutes a valid contract binding them to the debt, irrespective of the capacity of some signatories acting as guardians.
4. The liability of the minor and incompetent heirs is limited to their share of the inheritance, ensuring that lawful debts, such as the one in question, are settled before distribution of the estate.

Doctrine:

- Heirs are liable for the debts of the deceased to the extent of the inheritance received. (Art. 661, Civil Code)
- The estate remains under administration until all debts and obligations are settled. (Art. 1026, Civil Code)
- An acknowledgement and commitment by heirs to settle a debt of the decedent, through a legal document, binds them to fulfill such obligations.

Class Notes:

- When accepting an inheritance, heirs inherit not only rights but also obligations.
- A document signed by heirs, acknowledging a debt and promising payment, constitutes a valid contract binding upon them.
- Liabilities of minor and incompetent heirs for debts acknowledged by their guardians are limited to their inheritance share.
- Settlement of debts precedes the distribution of an estate among heirs.

Historical Background:

The case unravels at a time when the Philippines was under American sovereignty, showcasing the application of the Spanish Civil Code, particularly on matters concerning inheritance and the execution of estates. It highlights the judicial processes involved in the recognition and settlement of debts against an estate, underscoring the responsibilities of heirs and estate administrators in upholding agreements made by or on behalf of the decedent.