

Title: Rosario L. de Braganza, et al. v. Fernando F. de Villa Abrille

—

Facts

1. **October 30, 1944:** Rosario L. de Braganza and her sons Rodolfo and Guillermo received a loan of P70,000 in Japanese war notes from Fernando F. de Villa Abrille, promising to repay P10,000 in legal currency of the Philippines two years after the cessation of hostilities (World War II) or as soon as international exchange was re-established. They also agreed to pay 2% annual interest (Exhibit A).
2. **March 1949:** Villa Abrille sued Rosario, Rodolfo, and Guillermo in the Manila Court of First Instance for non-payment.
3. **Defendants' Response:**
 - Claimed they received only P40,000, not P70,000.
 - Argued Guillermo and Rodolfo were minors (16 and 18 years old) at the time of signing the promissory note.
4. **Trial Court Decision:**
 - Court of First Instance found in favor of Villa Abrille, holding all defendants liable to pay P10,000 plus interest.
5. **Court of Appeals Decision:**
 - Affirmed the trial court's decision, rejecting the minority defense because Guillermo and Rodolfo had not disclosed their ages during the loan execution.
6. **Supreme Court Appeal:**
 - Rosario, Rodolfo, and Guillermo appealed, asserting that the minors could not be held liable for the contract they signed due to their minority.

—

Issues

1. **Legal Capacity of Minors:** Whether Guillermo and Rodolfo Braganza, as minors, could be legally obligated under the promissory note's terms.
2. **Restitution for Benefit Received:** Whether Rodriguez and Guillermo should make

restitution for the extent to which they profited from the money received.

3. **Effect of Minority on Contract:** If the minority of Guillermo and Rodolfo negates the enforceability of Exhibit A.

4. **Liability Timeline:** Whether Rodriguez is precluded from invoking minority as a defense due to the elapsed time since reaching the age of majority.

—

Court's Decision

1. **Legal Capacity of Minors:**

- The Supreme Court held that Guillermo and Rodolfo, being minors at the signing of Exhibit A, could not be legally bound by it.
- Refuted the Court of Appeals' application of Mercado vs. Espiritu, emphasizing that Guillermo and Rodolfo did not falsely present themselves as adults in the promissory note.

2. **Restitution for Benefit Received:**

- While the promissory note is unenforceable due to the minority, the Supreme Court held that, under Article 1304 of the Civil Code, the minors must make restitution for the benefits they received.
- Determined the equivalent value of Japanese notes at the rate of P40 to P1, leading to a monetary responsibility of P1,166.67 for the minors.

3. **Liability of Rosario Braganza:**

- Upheld Rosario's liability for 1/3 of P10,000 (i.e., P3,333.33) plus 2% interest from October 1944.

4. **Liability Timeline:**

- The court found the four-year limitation for action to annul a contract did not preclude the defense of minority as it was used defensively, not as basis for annulment.
- Clarified that the four-year period for Rodolfo to contest based on minority had not elapsed when he raised the defense in June 1951.

—

Doctrine

- **Minor's Contract Liability:** Minors are not legally bound by contracts unless there is active misrepresentation of their age. Passive misrepresentation or mere silence about age does not bind them.
- **Restitution Principle:** Under Article 1304 of the Civil Code, even unenforceable contracts due to non-age require restitution to the extent minors profited from such contracts.

—

Class Notes

- **Key Elements of Doctrine:**
- **Minors' Defense:** Passive non-disclosure of age does not enforce liability.
- **Restitution for Benefits:** Application of Article 1304 ensures restitution for benefits derived by minors even if the contract is unenforceable.
- **Relevant Statutes:**
- **Article 1304, Civil Code:** Addresses the return of benefits derived from unenforceable agreements.

—

Historical Background

- The case was set against the backdrop of post-World War II Philippines, dealing with issues of wartime currency and the legal impacts of transactions conducted with Japanese war notes.
- The case reflects and responds to a period of financial instability and legal complexity in the immediate aftermath of the Japanese occupation and the war's end.