

Title: **Hur Tin Yang vs. People of the Philippines**

Facts:

1. **Initial Transactions**:

- Supermax Philippines, Inc., a construction company, received several commercial letters of credit from Metrobank in 1998 for purchasing construction materials.

2. **Trust Receipts**:

- To secure the release of the construction materials purchased through these letters of credit, Hur Tin Yang, Vice President of Supermax, signed 24 trust receipts acknowledging that the materials would be held in trust for Metrobank.

3. **Non-Compliance**:

- When the trust receipts matured, Supermax failed to pay Metrobank or return the materials as agreed. A demand letter dated August 15, 2000, went unanswered, followed by a second letter on October 11, 2001.

4. **Legal Proceedings**:

- Metrobank filed 24 Informations against Hur Tin Yang on March 15, 2002, accusing him of estafa under Article 315, paragraph 1(b) of the Revised Penal Code (RPC) in relation to Presidential Decree No. 115 (The Trust Receipts Law).

- During trial, the defense argued that the trust receipts were merely additional security for loans and that Metrobank knew the materials were for internal use in construction, not for resale.

- Despite these arguments, the Regional Trial Court (RTC) convicted Hur Tin Yang, imposing a penalty of imprisonment and ordering him to pay over Php 13 million.

5. **Court of Appeals**:

- The Court of Appeals affirmed the RTC decision, noting sufficient evidence was presented to establish Hur Tin Yang's guilt beyond reasonable doubt under the parasitic nature of PD 115.

6. **Supreme Court Petition**:

- Hur Tin Yang elevated the case to the Supreme Court, arguing that the agreements were loans, not trust receipts.

Issues:

1. **Nature of Agreement** - Whether the transactions between Metrobank and Supermax

were genuine trust receipt agreements or simple loans.

2. **Knowledge of Bank** - Whether Metrobank's knowledge that the materials were for internal use affected the classification of the transactions.
3. **Criminal Liability** - Whether Hur Tin Yang can be held criminally liable for estafa under Article 315, par. 1(b) of the RPC in relation to PD 115.

Court's Decision:

1. **Nature of Agreement**:

- The Supreme Court determined the transactions were not trust receipts but rather simple loan agreements. The conduct and evident intentions, including the purposes as agreed by the parties, indicated a loan.

2. **Knowledge of Bank**:

- Since Metrobank knew the materials were not intended for resale, the essential criterion for a trust receipt transaction was absent. The materials' intended use in construction projects negated the obligations under a trust receipt, making the agreements loans.

3. **Criminal Liability**:

- The failure to meet the obligations did not constitute estafa under the Trust Receipts Law. This type of agreement, where goods cannot be returned but their proceeds pay off a loan, falls outside criminal liability under the specific penal statute.

Doctrine:

- **Stare Decisis & Trust Receipts** - In transactions where both parties understand goods are not subject to resale, but for loan security, it is categorized under loans not trust receipts (citing *Ng vs. People and Land Bank of the Philippines vs. Perez*).

- **Non-Imprisonment for Debts** - This case reinforces the constitutional provision against imprisonment for the non-payment of debts through the misuse of legal instruments like trust receipts.

Class Notes:

1. Essential Elements of Estafa under Art. 315, par. 1(b), RPC:

- Misappropriation or conversion of money, goods, or other personal property received in trust.

2. Trust Receipts under PD 115:

- The criminal liability arises from failing to deliver proceeds or return the covered goods as stipulated under a trust receipt.

3. **Stare Decisis** - Legal consistency and predictability through previously decided cases with similar facts and legal principles.

Historical Background:

- **Philippine Banking Practices and Criminal Law**: This decision addresses questionable banking practices of treating secured loans as trust receipts to leverage criminal prosecution, emphasizing the constitutional guard against debt imprisonment. It marks significant jurisprudence in commercial law, reaffirming the intent of the Trust Receipts Law to aid importers/dealers, not to criminalize secured financial transactions within domestic business operations.