

Title: Filomena Sarmiento and Eusebio M. Villaseñor vs. Glicerio Javellana, G.R. No. L-6128, 43 Phil. 880 (1922)

Facts:

- Loan Agreement (August 28, 1911):** Defendant Glicerio Javellana loaned plaintiffs Filomena Sarmiento and her husband Eusebio M. Villaseñor a sum of P1,500 at 25% interest per annum for one year. The loan was secured by a pledge of valuable jewelry appraised at P4,000.
- Loan Maturity and Extension (August 31, 1912):** Upon the loan's maturity, Villaseñor, unable to settle the debt, sought an extension. An agreement was reached that the loan would continue to accrue 25% interest per annum, as long as the pledged jewelry's value covered the debt and interest.
- Redemption Attempt (August, 1919):** Villaseñor, accompanied by Carlos M. Dreyfus, attempted to redeem the pledged jewelry with P11,000. Javellana refused, claiming redemption period had lapsed.
- Rejection of Subsequent Redemption Offers:** Plaintiffs consistently attempted to redeem the jewelry but were rebuffed by Javellana.
- Complaint Filed (October 9, 1920):** Plaintiffs filed suit to compel Javellana to return the pledged jewelry upon repayment of the principal and accrued interest.
- Defendant's Counterclaim:** Javellana alleged a conversation wherein Sarmiento purportedly sold the jewelry to him for P3,000 after the loan's maturity, and paid her the balance, P1,125, deducting the loan value.
- Trial Court's Decision:** Judged in favor of the plaintiffs, ordered Javellana to return the jewelry or its equivalent value (P12,000) upon repayment of the loan principal plus interest.

Issues:

- Validity of Pledge Agreement and Redemption Rights:**
 - Whether the plaintiffs retained the right to redeem the pledged jewelry after the extended loan period.

2. **Prescriptive Period of Actions Related to Pledged Property:**

- Whether the plaintiffs' action to reclaim the pledged jewelry was barred by prescription.

3. **Factual Dispute on the Alleged Sale of the Jewelry:**

- Determine credibility and sufficiency of evidence regarding the defendant's claim of having bought the pledged jewelry.

Court's Decision:

1. **Validity of Pledge Agreement:** The Court affirmed the validity of the original pledge agreement evidenced in writing and upheld the plaintiffs' right to redeem the pledged jewelry upon repayment of the debt. It found that the agreement was legitimately extended, rendering the jewelry still subject to redemption.

2. **Prescriptive Period Analysis:**

- **Contractual Basis:** The Court interpreted the written pledge agreement to encompass the inherent right of redemption, aligning with the standard contractual obligations to return pledged collateral.

- **Prescription of Actions:** Both parties are bound by a ten-year prescriptive period under Section 43 of the Code of Civil Procedure for written contracts. The plaintiffs' action filed on October 9, 1920, was within this timeframe from the agreement's expiration on August 31, 1912.

3. **Sale Dispute:** The Court rejected Javellana's claim of having purchased the jewelry. It found his supporting evidence weak and insufficiently corroborated by witness Jose Sison. Significant weight was placed on the fact that the plaintiff retained the pledge documents, indicating continued recognition of the security interest rather than full ownership transfer.

Doctrine:

1. **Written Pledge Contracts:** The fundamental duty of a creditor to return the pledged item upon the fulfillment of the principal obligation is inherent, whether explicitly stated or not. This duty renders the action to enforce such right a written contract, subject to a ten-year prescription period.

2. **Mutual Benefit of Terms:** The benefit of a loan term is presumed for both debtor and creditor unless explicitly stated otherwise. This establishes that only upon term expiry can full obligations and thus prescriptive periods be claimed.

****Class Notes:****

- ****Elements of a Pledge:**** Constitution of a pledge requires possession, delivery of control, and secured obligation.
- ****Prescription Periods:**** Ten years for written contracts (Sec. 43, Code of Civil Procedure); essential rights and obligations inferred in standard contractual pledges.
- ****Contractual Interpretation:**** Terms benefit both parties unless otherwise specified (Art. 1128, Civil Code).

****Historical Background:****

This case unfolds in early 20th-century Philippines, a period marked by evolving commercial practices and stringent interpretation of civil obligations. At the time, such legal precedents helped solidify trust in contractual agreements amidst rising economic transactions, reflecting stringent adherence and protection of contractual terms and their judicial enforcement.