

Title: **Board of Liquidators vs. Exequiel Floro, et al.**

Facts

Background Formation and Agreements:

1. The Board of Liquidators (the Board) was created under Executive Order No. 372 (November 24, 1950), succeeding the Surplus Property Liquidating Committee via Executive Order No. 377 (December 1, 1950).
2. On June 14, 1952, Melecio Malabanan entered into a contract with the Board to salvage surplus properties submerged in the waters of Mindoro, La Union, and Batangas.
3. The contract mandated Malabanan to start operations within 30 days, active for one year, extendable up to a total of six months.

Contract Extensions and Operations:

4. Malabanan requested a one-year extension for the areas of Mindoro and Batangas on June 10, 1953, granted by the Board until November 30, 1953.
5. Another extension for Occidental Mindoro until August 31, 1954, was granted following Malabanan's request on November 18, 1953.
6. Malabanan reported the recovery of 13,107 pieces of steel matting by July 26, 1954.

Subsequent Agreement and Financial Advance:

7. On March 31, 1954, Malabanan entered into a financial agreement with Exequiel Floro, wherein Floro provided advances up to P25,000, secured by the steel matting recovered by Malabanan.

Insolvency and Sale Issues:

8. Malabanan, unable to repay the advances, resulted in Floro selling 11,047 pieces to Eulalio Legaspi for P24,303.40 on August 4, 1954.
9. Malabanan filed for voluntary insolvency on August 21, 1954, listing the Board and Floro as creditors and detailing 11,167 pieces of steel matting valued at P33,501.

Board's Legal Objections:

10. The Board filed a petition to exclude the steel matting from the insolvency inventory and sought accountability for 1,940 missing pieces.
11. Exequiel Floro opposed the petition, citing ownership transfer to Legaspi via the sale.

Issues

1. Whether Malabanan acquired ownership of the steel matting under the salvage contract.

2. Validity of the sale of steel matting by Floro to Legaspi regarding the Insolvency Law.
3. Impact of the lapse and absence of bond renewal on the enforceability of the contract extensions.
4. The legal standing for proceedings against the alleged fraudulent transfer under the Insolvency Law.

Court's Decision

Ownership of Steel Matting:

1. The Supreme Court ruled that ownership was transferred to Malabanan upon recovery from the seabed, as per the terms of the salvage contract. The provisions of the contract showed no reservation of title by the Board.

Contract Bond Validity:

2. The expiry of Malabanan's bond did not invalidate the contract. The contract's authority remained as the bond served merely as a guarantee for contractual compliance. The Board waived bond renewal by extending the contract twice without including a bond renewal stipulation.

Legality of the Sale to Legaspi:

3. The issue of fraudulent transfer under Section 70 of the Insolvency Law was deemed premature for adjudication without formal proceedings by the insolvency assignee. The court acknowledged that only the insolvency assignee could pursue such claims, preventing multiplicity of lawsuits and conflicting judgments among creditors.

Doctrine

- ****Traditio Longa Manu (Article 1499, Civil Code):**** Delivery of movable property can be made through mere consent if physical transfer isn't possible at the time.
- ****Impact of Bond Expiry:**** Bond expiration does not nullify the underlying contract if the bond's purpose is to guarantee compliance and can be waived by the beneficiary.
- ****Novation Non-presumption (Article 1292, Civil Code):**** Intent to novate must be explicit or the new terms must be incompatible with the old contract.
- ****Fraudulent Transfer in Insolvency Proceedings:**** Determination of fraudulent transfers must be prosecuted by the insolvency assignee, safeguarding unified creditor representation.

Class Notes

- ****Ownership Transfer (Article 1478 & 1498, Civil Code):**** Ownership can transfer without

payment if no clear reservation of title exists in written agreements.

- ****Public Instrument Execution:**** Not equivalent to delivery unless written intentions of parties suggest otherwise.
- ****Insolvency Transfers (Section 36, No. 8, Insolvency Act):**** Fraudulent actions against insolvency claims to be addressed by the assignee to consolidate creditor interests.

Historical Background

In the early 1950s, the Philippine government was managing surplus properties resulting from World War II. The creation of the Board of Liquidators was part of post-war efforts to organize and dispose of these assets. Contracts like Malabanan's for salvaging submerged properties were typical arrangements to handle the disposal of leftover wartime materials, indicating ongoing economic stabilization and asset recovery strategies. This case reflects complexities in such transactions, particularly around property rights, government contracts, and insolvency proceedings during reconstruction periods.