

### **Olizon v. Central Bank of the Philippines**

#### Title:

**Francisco S. Olizon v. Central Bank of the Philippines, 120 Phil. 355 (1964)**

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#### Facts:

1. **Payment of Taxes**: On March 21, 1952, December 4, 1952, November 25, 1953, and January 4, 1955, Francisco S. Olizon paid the Central Bank of the Philippines P3,186.24, P840.65, P2,488.98, and P2,734.53 respectively, under Central Bank official receipts.
2. **Illegal Levy**: These payments were collected under Monetary Board Resolution No. 286, dated May 3, 1951, which was later admitted by the Central Bank to be illegal.
3. **Refund Request**: On March 10, 1958, Olizon requested a refund of the amounts paid, supported by Philippine National Bank's statement, citing various Supreme Court rulings. The Central Bank refused the request, asserting that the claim was time-barred.
4. **Suit in Lower Court**: Olizon filed a lawsuit in the Court of First Instance of Manila (Case No. 40215), seeking a refund for the illegal tax payments. The Central Bank argued that the claim was time-barred, applying a five-year prescriptive period.
5. **Lower Court's Decision**: The trial court ruled that the prescriptive period was ten years under Article 1144 of the Civil Code, because the obligation to refund was created by law. Consequently, the court ordered the Central Bank to refund Olizon P9,713.94 plus interest, cost, and attorney's fees.
6. **Appeal**: The Central Bank appealed to the Supreme Court, asserting a five-year prescriptive period but later conceded a six-year period, given the ruling in *Belman Cia, Inc. vs. Central Bank* (108 Phil., 478).

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#### Issues:

1. **Prescription Period**: Whether the prescriptive period for filing a claim for a refund of illegally collected taxes should be five, six, or ten years.
2. **Validity of Counterclaims**: Whether a counterclaim for unpaid taxes by Olizon against

the refund claim could be raised at the stage of appeal.

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#### #### Court's Decision:

##### 1. **Prescription Period**:

- **Court's Analysis**: The Central Bank initially claimed a five-year prescription period under Article 1149 of the Civil Code. The lower court ruled a ten-year period under Article 1144.

- **Supreme Court's Ruling**: The Supreme Court agreed with the lower court that the correct period is six years, as established in *Belman Cia, Inc. vs. Central Bank*. Therefore, Olizon's claim was within the prescriptive period.

##### 2. **Counterclaims**:

- **Court's Analysis**: The Central Bank first invoked an argument during the appeal about offsetting a supposed liability of Olizon for unpaid taxes against the refund claim.

- **Supreme Court's Ruling**: The Supreme Court ruled this counterclaim should have been raised timely in lower court through appropriate procedural means for full consideration and fair trial.

3. **Final Decision**: The Supreme Court affirmed the lower court's decision, requiring the Central Bank to refund P9,713.94 to Olizon.

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#### #### Doctrine:

- **Prescription Period for Quasi-Contracts**: The action for a refund based on *solutio indebiti* (an obligation arising from a payment made by mistake) prescribes in six years as per Article 1145 of the Civil Code.

- **Raising Counterclaims**: Counterclaims should be timely raised in accordance with procedural rules to ensure fair adjudication.

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#### #### Class Notes:

##### - **Prescription Periods**:

- Article 1144 (Obligation created by law): 10 years

- Article 1145 (Quasi-contracts): 6 years

- Article 1149 (Claims not specifically prescribed): 5 years
- **Quasi-Contracts**:
  - Obligation arising from a mistaken payment classified as solutio indebiti
  - Prescriptive period for quasi-contractual obligations is 6 years
- **Procedural Fairness**:
  - Counterclaims must be raised timely to protect procedural fairness and rights of both parties
  - Raising new issues or claims at the appeal stage is generally not permissible

##### Historical Background:

- **Context of Tax Collection**: The case arose in the early 1950s amidst the enforcement of new tax measures by the Central Bank, reflecting an era when the Philippine government was actively regulating foreign exchange and related tax measures.
- **Legislative Context**: The use of monetary regulations, such as the Central Bank's Monetary Board Resolutions and their legal scrutiny through judicial review, represents the evolving landscape of fiscal and economic governance in post-war Philippines.

This brief provides a comprehensive overview of the key aspects of the *Olizon v. Central Bank* case, consolidating critical legal principles and preserving the doctrinal learnings significant for legal education.