

****Title: American Bank vs. Macondray & Co. and V. S. Wolff****

****Facts:****

1. ****Initiation of the Dispute:****

- On August 12, 1902, V. S. Wolff drew a bill of exchange in Manila, Philippines, instructing "F. H. Taylor & Co." in Louisville, Kentucky, to pay \$300 at sight to Wolff's order. Wolff endorsed it for identification.
- Macondray & Co. adds a statement: "The signature is O.K. Payment guaranteed. Protest, demand, and notice of nonpayment waived."

2. ****Chronology of Endorsements:****

- The American Bank in Manila endorsed the bill to the First National Bank of San Francisco.
- Subsequently, the First National Bank of San Francisco endorsed it to the Third National Bank.

3. ****Dishonor and Protest:****

- The bill couldn't be honored due to the inability to locate F. H. Taylor & Co., as documented by Notary Public C. W. Dieruff in Louisville on September 25, 1902.
- Dieruff officially protested due to non-payment and informed all concerned parties.

4. ****Plaintiff's Claim:****

- American Bank filed a suit asserting that Macondray & Co. guaranteed payment, claiming their endorsement signified a guarantee of the drawer's signature.

****Procedural Posture:****

- The initial complaint was filed by American Bank against Macondray & Co. as indorser and V. S. Wolff as the drawer for the unpaid bill.
- Lower court ruled in favor of American Bank.
- Defendants appealed to the Supreme Court of the Philippines.

****Issues:****

1. Whether Macondray & Co.'s endorsement guaranteed payment of the bill of exchange as alleged by American Bank.
2. Whether the alteration in the endorsement or the nature of the endorsement relieved Macondray & Co. of any liability.

****Court's Decision:****

1. ****Endorsement Nature:****

- The Supreme Court concluded that Macondray & Co.'s endorsement was solely for the purpose of identification, confirming the authenticity of V.S. Wolff's signature. It did not convey liability for payment.

2. ****Liability of Endorsers:****

- The Court highlighted that any material alteration in a contractual instrument without the obligor's consent negates liability. However, importantly, Macondray & Co. never assumed liability due to their specific endorsement language intended only for signature verification.

3. ****Reversal of Lower Court's Decision:****

- The judgment of the lower court was reversed, relieving Macondray & Co. of any payment liability. Costs of proceedings were charged to American Bank.

****Doctrine:****

- An indorsement that verifies the authenticity of a signature by itself does not constitute a financial guarantee or acceptance of payment liability unless explicitly stated.
- Material alteration of the terms in an instrument needs obligor consent to bind them to any liability.

****Class Notes:****

- ****Key Elements in Negotiable Instruments:****

- Identification Endorsement: An assurance of signature authenticity, not assumption of payment liability.
- Material Alteration: Changes to a contract that can void obligations without obligor consent.

- ****Relevant Provisions:****

- Civil Code relation to obligations and alteration.
- Negotiable Instruments Law: Identification of liability and endorsements.

****Historical Background:****

- This early 20th-century case elucidates commercial exchange practices during a time when international business transactions were common and reliant on trust and

endorsements, before modern electronic verification mechanisms were available.