

****Title:** Clara Tambunting de Legarda et al. v. Victoria Desbarats Mialhe (Substitute for William J. B. Burke)******

****Facts:****

On February 17, 1926, Clara Tambunting de Legarda, with the consent of her husband Vicente L. Legarda, entered into a mortgage agreement with William J. B. Burke to secure a loan amounting to P75,000. This mortgage was renewed several times, most recently on March 16, 1940, when the defendant granted plaintiff an extension for three years to repay the remaining P70,000 balance with an interest rate reduced from 9% to 7% per annum. The agreement also gave Burke the option to demand repayment in either Philippine currency or English currency at the rate of two shillings per one peso.

During the Japanese occupation, plaintiff attempted to pay her mortgage indebtedness in Japanese military notes, but Burke refused to accept the payment due to the worthlessness of the notes and potential jeopardy to his safety. On May 26, 1944, an agreement was allegedly made, condoning the interest until the war ended, with an understanding that payment would be made post-war.

On June 3, 1944, plaintiffs lodged P75,920.83 in Japanese notes with the Court Clerk to discharge their mortgage. Despite this, Burke contended that the plaintiffs' actions, including the payment in worthless Japanese notes and misrepresentations, should invalidate the claim.

Procedural Posture:

1. ****Initial Filing and Decision:**** Plaintiffs filed a complaint on June 3, 1944, against Burke alleging unjust refusal to accept payment. On January 14, 1945, the court ruled initially in favor of the plaintiffs but did not act on Burke's motion for a new trial due to the wartime circumstances.
2. ****Post-war Proceedings:**** On October 10, 1945, plaintiffs sought case reconstitution. On December 24, 1945, the lower court rejected Burke's supplemental answer, leading Burke to appeal.
3. ****Supreme Court Decision on Appeal:**** The Supreme Court allowed the supplemental answer requiring a trial de novo.
4. ****Final Judgment in Lower Court:**** On August 5, 1949, the lower court favored Burke, dismissing the complaint and ordering plaintiffs to pay P70,000 plus interest and costs.

****Issues:****

1. Whether there existed an enforceable agreement that interest would be condoned until the end of the war and payment would be made post-war.
2. Whether the payment by plaintiffs through Japanese military notes was valid.
3. The legal effect of consignation made via a certified check during wartime conditions.

Court's Decision:

1. **Existence of Agreement:** The Supreme Court found credible the defendant's version backed by substantial testimonial evidence from Antonio Carrasco and Burke. They held that there was a legitimate agreement to defer payment and condone interest until post-war.
2. **Payment in Japanese Military Notes:** They deemed the tender of payment ineffective, noting the Civil Code's requirement that obligations must be paid in the stipulated specie or its equivalent in legal tender. Japanese military notes did not meet these requirements.
3. **Consignation by Certified Check:** The Court ruled consignation ineffective because it was not made in legal tender. DEPITE being legally permissible at the time, it failed to meet statutory standards of payment forms as set by the Civil Code.

Doctrine:

1. **Legal Tender:** Payment of debts must be made in the specified currency or equivalent legal tender as per Art. 1170 and related provisions of the Civil Code.
2. **Consignation Requirements:** Consignation must be executed strictly adhering to stipulated legal forms to discharge an obligation (Art. 1127).
3. **Impact of Wartime Conditions:** The law remains stringent on forms of payment even under extraordinary wartime conditions.

Class Notes:

- **Contract Renewal and Debt Extension:** Bound by Civil Code, contractual renewals and debt extensions should respect specified terms.
- **Legal Tender Definition:** Art. 1170 dictates payments must be in specie or its legally recognized equivalent.
- **Consignation:** As per Civil Code (Art. 1127), must be in a legally acceptable form (not promissory notes or checks without specific acceptance).
- **Historical Precedents:** Case demonstrates law's firm stance on money forms, even during upheavals.

Historical Background:

Set against the backdrop of Japanese occupation during World War II, this case illustrates

legal complexities arising when political upheaval impacts contractual obligations. The use of Japanese military notes, the resulting economic disarray, and legal interpretations reflect judicial challenges during historic crises. The decision reinforced stringent adherence to payment forms amidst disruptive currency regimes.