

**\*\*Title:\*\***

Asia Banking Corporation v. Nable Jose and Lichauco & Co., Inc., [51 Phil. 763 (1928)]

**\*\*Facts:\*\***

Asia Banking Corporation, a New York-incorporated foreign bank operating in Manila, filed a legal case against Asuncion Nable Jose and Lichauco & Co., Inc., a domestic corporation. On December 17, 1921, Lichauco Corp., indebted to Asia Banking Corporation in the amount of P146,242.11, secured this debt by agreeing to deliver 37.5% of all sugar produced on their haciendas, Sevitanan and Sapangbalen. Subsequently, on January 16, 1922, Lichauco Corp., due to its financial distress and alleged collusion with Jose, executed a deed purporting to transfer parts of these haciendas to Jose for a consideration of P70,000, which had allegedly been paid to Lichauco Corp. from a loan obtained by Jose from the Philippine Sugar Estates Development Co., Ltd.

Lichauco Corp. failed to deliver the sugar as agreed, prompting Asia Banking Corporation to sue and obtain a judgment for P146,242.11. Lichauco Corp.'s assets were levied upon and sold in a sheriff's sale, and Asia Banking Corp. acquired them for P70,000 but could not register the deed due to Jose's prior registration.

Jose filed a third-party claim arguing ownership of the land through a valid transaction with Lichauco Corp. and claimed damages of P370,000 due to a failed sale contract of P440,000. The lower court absolved Jose of all allegations, upheld her title, but denied her damages, prompting the Bank to appeal.

**\*\*Issues:\*\***

1. Whether the directors or officers of Lichauco & Co., Inc. had the authority to convey the property to Asuncion Nable Jose.
2. Whether the deed executed on January 16, 1922, validly conveyed the haciendas to Jose as against Lichauco Corp.'s creditors.
3. Whether the transactions involving Lichauco Corp. and Jose were fraudulent, simulated, and meant to defraud creditors.
4. Whether the consideration for the conveyance was grossly inadequate, thus rendering it fraudulent.
5. Whether the trial court erred in rendering judgment in favor of the defendants.

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

1. **\*\*Authority of Directors:\*\*** The Supreme Court did not find conclusive evidence that

directors or officers exceeded their authority under the by-laws. However, the actual transaction's legitimacy was still in question due to the implications of insolvency and fraudulent intent.

2. **Validity of Deed:** The Court found that although the deed was executed and recorded, the gross inadequacy of consideration and the state of insolvency of Lichauco Corp. indicated fraudulent circumstances.

3. **Fraudulence:** The series of transactions were indicative of a conspiracy to defraud creditors. The timing, nature, and inadequacy of consideration coupled with familial relationships supported this conclusion.

4. **Inadequate Consideration:** The Court found the consideration of P70,000 grossly inadequate compared to the actual value of the properties, estimated between P250,000 to P600,000. This disparity was a badge of fraud making the conveyance voidable under creditor rights principles.

5. **Judgment for Plaintiff:** The Court held that the Bank should have a lien amounting to the true value of P34,000 from Jose. Payment of this sum by the Bank would entitle them to ownership of the haciendas, effectively nullifying Jose's prior deed. The Bank was entitled to have the sheriff's deed registered, and Jose's deed annulled.

**Doctrine:**

1. Grossly inadequate consideration of a deed in a case of insolvency serves as a badge of fraud, making the conveyance voidable against creditors.
2. Payments made by an insolvent debtor toward unenforceable obligations at the time of transaction are rescindable under Article 1292 of the Civil Code.

**Class Notes:**

- **Inadequate Consideration:** Consideration as gross disparity might signify fraud. (Ruling Case Law, Vol. 12)
- **Insolvency Payments:** Under Civil Code Art. 1292, payments made by insolvent entities can be rescinded if obligations weren't enforceable at payment time.
- **Conveyance and Fraud:** Transfers made under pretense or through familial collusion can be nullified against creditors' interests.

**Historical Background:**

The case occurred in the 1920s during a period when the Philippines was under American

sovereignty, and business dealings involving local and foreign entities were commonplace. The legal principles applied were grounded in both the traditional equity tenets and the Spanish-influenced Civil Code provisions, illustrating the legal and economic complexity of the era, notably around creditor rights and insolvency laws.