

**IN THE MATTER OF THE TESTATE ESTATE OF THE DECEASED
GERMAN GASTON. VICTORIA VDA. DE GASTON, ADMINISTRATRIX
AND APPELLEE, VS. REPUBLIC OF THE PHILIPPINES, CLAIMANT AND
APPELLANT.**

G.R. No. L-20320. March 30, 1967

Ponente: DIZON, J.

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DIZON, J.:

It appears that on February 1, 1962 appellant filed in the Court of First Instance of Occidental Negros a money claim against the Testate Estate of the deceased German Gaston (Special Pro-ceeding No. 6226) praying that the Administratrix, Victoria Vda. de Gaston, be ordered to pay the amount of P4,889.91, with in-terest thereon as of December 31, 1960 at the rate of 6%, per annum compounded quarterly from January 1961 until the amount is fully paid. The claim alleged that from March 30 to December 1, 1943, the deceased German Gaston obtained five separate loans amounting to '2,500.00 from the former Bank of Taiwan, Ltd., with the interest at the rate of six per centum (6%) per annum, com-pounded quarterly, evidenced by five (5) promissory notes executed, signed and delivered by him to said Bank, copies of which were at-tached to the claim as Annexes "A", "B", "C", "D", and "E" there-of; that as security, the debtor executed in favor of said Bank a chattel mortgage on the standing crops growing on the lands leased to him (deceased), more particularly described as Lots No. 655, 1074-C 916 of the Cadastral Survey of Bacolod and Silay, Negros Occidental, exclusively belonging to Enriqueta Lacson known as Hacienda Vesta Alegre and Marigasa, which instrument was registered on May 8, 1943 with the Office of the Register of Deeds of Negros Occidental (Annex "F"); that said account comprising several loans amounting to P4,880.91 including interest (reduced under the Ballantyne Schedule to P1,758.44) were among the properties/assets of the Bank of Taiwan, Ltd. sequestered by virtue of Vesting Order No. P-4 dated January 21, 1946 and subsequently transferred to the Republic of the Philippines on July 20, 1954 pursuant to the Transfer Agree-ments of 1954 and 1957 between the United States and the Philip-pines; that said assets were being administered by the Board of Liquidators, Office of the President; and that during his life-time, despite repeated demands, German Gaston failed to pay the principal obligation and the interest due thereon.

The administratrix filed on June 11, 1962 an opposition to the claim on the ground that the same was barred by the Statute of Limitations, appellant having filed its claim 14 years after accrual of the cause of action. Ten days later, appellant filed its reply to the opposition claiming that the Statute of Limitations does not run against the right of action of the Philippine Government and that, moreover, the Moratorium Law (Executive Order Nos. 25 & 32, promulgated on November 18, 1944 and June 18, 1949, respectively) interrupted the running of the period of prescription.

In its order of July 19, 1962, the Court sustained the administratrix's opposition and disapproved the claim of the appellant. Thereupon the Government interposed the present appeal.

The first of the promissory notes in question was executed on April 30, 1943, the second on May 17, the third on

June 11, the fourth on July 14, and the fifth and last on December 1st, all of the year 1943, but all of them bear no specific date of maturity (Record on Appeal, pp. 7-10). Because of this last circumstance, appellee claimed and the lower court adopted the view that they are demand notes; that they became due and demandable immediately after delivery, and that, therefore, the period within which action thereon could be brought started running immediately upon their execution. We find this to be untenable.

There is no question that the five promissory notes in question evidence crop loans granted by the Taiwan Bank to the deceased German Gaston to be used during the agricultural year 1943-1944 for plowing, purchasing seeds, planting, cultivation, harvesting, marketing, transportation etc. as provided for in the chattel mortgage contract executed to secure their payment. Said contract further provided that should the mortgagor use the loans granted or any part thereof for purposes other than those thus specified, or fails or neglects to comply with any or all of the conditions set forth in the contract, the mortgagee may consider the loans immediately due, demandable and payable. These circumstances clearly indicate that, provided the mortgagor did not violate any of the terms and conditions set forth in the chattel mortgage contract, the loans could be considered as maturing and becoming payable only upon the expiration of the 1943-1944 agricultural year. Indeed, the theory of the lower court and of appellee to the effect that the loans were immediately demandable and payable upon the execution of the promissory notes appear to be absurd and incompatible with the undisputed fact that the money borrowed by Gaston was to be spent for plowing, purchase of seeds, etc., to be done in the course of the aforesaid agricultural year 1943-1944.

It is, therefore, our conclusion that the promissory notes in question became due and demandable only at the end of the aforesaid agricultural year - more or less around the month of April 1944.

From April 1944 to the date when the claim was filed, - February 1, 1962 - We have a period of approximately seventeen (17) years and ten (10) months. From this period must be deducted the period during which the moratorium on monetary obligations contracted before and during the last World War was in force, because it is already settled law in this jurisdiction that during that time the period of prescription affecting monetary obligations covered by its provisions was suspended. In this connection, We have already held in *Manila Motor Company Inc. vs. R. F. Fernandez* 52 O. G. No. 16 p. 6884 and in *Republic vs. Heirs of Cresencio B. Martir*, promulgated in the month of February 1967, that the moratorium applicable to monetary obligations contracted before and during the last World War started from November 18, 1944, when Executive Order No. 25 was issued, and lasted until May 18, 1953, when the moratorium was declared unconstitutional in *Rutter vs. Esteban*, G. R. No. L-3708, or for a period of eight (8) years and six (6) months.

It is obvious from the foregoing that when appellant's claim was filed on February 1, 1962, only nine (9) years and four (4) months, more or less, had expired and that, therefore, the claim was filed within the corresponding prescriptive period of ten years.

In view of all the foregoing, We deem it unnecessary to discuss in detail the other issues raised in this appeal.

WHEREFORE, the decision appealed from is reversed and set aside, and the present case is remanded below for further proceedings. With costs.

Concepcion, C.J., Reyes, Regala, Makalintal, Bengzon, Zaldivar, Sanchez, and Castro, JJ., concur.

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