

C. N. HODGES, PLAINTIFF AND APPELLANT, VS. MATIAS C. REY, ET AL., DEFENDANTS. PHILIPPINE NATIONAL BANK, DEFENDANT AND APPELLEE.*G.R. No. L-12554. February 28, 1961*

Ponente: DIZON, J.

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On September 21, 1938 Matias C. Rey obtained a loan from appellant C. N. Hodges in the sum of P3,000.00 payable on or before February 21, 1939, as evidence by the promissory note Exhibit "A". Three days thereafter Rey, by means of the letter Exhibit "B", authorized the Philippine National Bank (Iloilo Branch), hereinafter referred to as appellee, to pay his indebtedness to appellant out of whatever crop loan might be granted to him by said bank for the agricultural year 1939-40. On the same date appellee's acting manager sent the letter Exhibit "C" to appellant to "confirm (to) the arrangement mentioned" in the letter Exhibit "B".

The evidence discloses that on January 18, 1939 appellee granted Rey an agricultural line of P39,000.00 subject to several conditions, among them, that the amount of P10,000.00 would be retained by the bank to meet milling expenses and that "whatever balance unpaid of his 1938-39 agricultural line after liquidating all the sugar assigned to the bank, shall be charged against this 1939-40 agricultural line" (Exhibits 5, 5-A-5-D). According to the evidence in this connection Rey's agricultural line for the agricultural year 1938-39 had an unpaid balance of more than P55,000.00 (Exhibit 6), but this notwithstanding, on March 2, 1939, the acting manager of appellee authorized the payment to appellant Hodges of the sum of P2,000.00 on account of Rey's indebtedness, thus leaving an unpaid balance of P1,000.00. In 1952, in view of his unsuccessful attempts to collect this amount from Rey and appellee, he commenced the present action in the Municipal Court of Iloilo to collect the total sum of P1,161.00, with interest at the rate of 1% per month from March 2, 1939 until full payment, plus attorney's fees and costs of suit. After due trial said court rendered judgment dismissing the complaint against appellee, but sentencing Rey to pay appellant the sums prayed for in the latter's complaint. Rey did not appeal, but appellant did to the Court of First Instance of Iloilo where, after due trial, the decision appealed from dismissing the complaint, with costs, was rendered.

Upon the facts of the case and the law thereto applicable, we find this appeal to be without merits.

According to the evidence, appellee did not assume the obligation to pay Rey's indebtedness to appellant, neither as co-principal, nor as a surety or guarantor. Rey simply authorized appellee to pay the amount he owed appellant out of whatever crop loan or agricultural line appellee might grant him for the agricultural year 1939-40, and all that appellee did was to confirm or accept said "arrangement". It is true that the agricultural line that Rey expected was granted by appellee, but it was subject to several conditions, amongst them, that whatever Rey owed appellee in connection with the agricultural line granted him for the previous agricultural year would be charged against whatever agricultural line or crop loan would be granted to him for the agricultural year 1939-40. Inasmuch as, according to the evidence, he owed appellee more than P55,000.00 in that connection, it seems clear that, in

reality, there were no funds to the credit of Rey and in the possession of appellee that could be legitimately applied to the payment of Rey's obligation to appellant. Therefore, the action taken by appellee's acting manager in ordering the payment of the sum of P2,000.00 to appellant was not in accordance with the agricultural line agreement for the agricultural year 1939-40—for which mistake said acting manager was precisely reprimanded by his employer. That the error thus committed—to the advantage of appellant—cannot be construed as binding his principal to pay the remainder of Rey's obligation is too obvious to require argument.

In view of the foregoing, the decision appealed from is affirmed, with costs.

Bengzon, Padilla, Bautista Angelo, Labrador, Concepcion, Reyes, J. B. L., Barrera, and Paredes, JJ., concur.

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