

**REPUBLIC OF THE PHILIPPINES, PLAINTIFF AND APPELLANT. VS.
PHILIPPINE NATIONAL BANK, ET AL., DEFENDANTS, THE FIRST
NATIONAL CITY BANK OF NEW YORK, DEFENDANT AND APPELLEE.**

G.R. No. L-16106. December 30, 1961

Ponente: BAUTISTA ANGELO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/39e8ce62bf44/>

BAUTISTA ANGELO, J.:

The Republic of the Philippines filed on September 25, 1957 before the Court of First Instance of Manila a complaint for escheat of certain unclaimed bank deposits balances under the provisions of Act No. 3936 against several banks, among them the First National City Bank of New York. It is alleged that pursuant to Section 2 of said Act defendant banks forwarded to the Treasurer of the Philippines a statement under oath of their respective managing officials of all the credits and deposits held by them in favor of persons known to be dead or who have not made further deposits or withdrawals during the period of 10 years or more. Wherefore, it is prayed that said credits and deposits be escheated to the Republic of the Philippines by ordering defendant banks to deposit them to its credit with the Treasurer of the Philippines.

In its answer-the First National City Bank of New York claims that, while it admits that various savings deposits, pre-war inactive accounts, and sundry accounts contained in its report submitted to the Treasurer of the Philippines pursuant to Act No. 3936, totalling more than P100,000.00, which remained dormant for totalling more than 10 years or more, are subject to escheat, however, it has inadvertently included in said report, certain items in which, properly speaking, are not credits or deposits within the contemplation of Act No. 3936. Hence, it prayed that said items be not included in the claim of plaintiff.

After hearing the court a quo rendered judgment holding that cashier's or manager's checks and demand drafts as those which defendant wants excluded from the complaint come within the purview of Act No. 3936, but not the telegraphic transfer payment orders which are of different category. Consequently, the complaint was dismissed with regard to the latter. But, after a motion to reconsider was filed by defendant, the court a quo changed its view and held that even said demand drafts do not come within the purview of said Act and so amended its decision accordingly. Plaintiff has appealed.

Section 1. Act No. 3936, provides:

"SECTION 1. 'Unclaimed balances' within the meaning of this Act shall include credits or deposits of moneys' bullion s security or other evidence of indebtedness of, any kind, and interest thereon with banks, as hereinafter defined, in favor of any person unheard from for a period of ten years or more. Such unclaimed balances, together with the increase and proceeds thereof, shall be deposited with the Insular Treasurer , to the credit of the Government of the Philippine Islands to be used as the Philippine Legislature may direct."

It would appear that the terms "unclaimed balances" that are subject to escheat include credits or deposits of money, or other evidence of indebtedness of any kind, with banks, in favor of any person unheard from for a period of 10 years or more. And as correctly stated by the trial court, the term "credit" in its usual meaning is a

sum credited on the books of a company to a person who appears, to be entitled to. it. It presupposes a creditor-debtor, relationship, and may be said to imply ability, by reason of property or estates, to make a promised payment (In Re Ford, 14 F. 2d 848, 849). It is the correlative to debt or indebtedness, and that which is due to any person as distinguished from that which he owes (Mountain Motor Car Co. vs. Solof, 124 S. E., 824, 825; Eric vs. Walsh, 61 Atl. 2d 1, 4; See also Libby vs. Hopkins, 104 U.S. 303, 309; Prudential Insurance Co. of America vs. Nelson, 101 F. 2d, 441, 443; Barnes vs. Treat, 7 Mass. 271, 274). The same is true with the term "deposits" in banks where the relationship created between the depositor and the bank is that of creditor and debtor (Article 1980, Civil Code; Gullas vs. National Bank, 62 Phil., 519; Gopoco Grocery, et al. vs. Pacific Coast Biscuit Co., et al., 65 Phil., 443).

The questions that now arise are: Do demand drafts and telegraphic orders come within the meaning of the term "credits" or "deposits" employed in the law? Can their import be considered as a sum credited on the books of the bank to a person who appears to be entitled to it? Do they create a creditor-debtor relationship between the drawee and the payee?

The answer to these questions require a digression into the legal meaning of said banking terminologies.

To begin with, we may say that a demand draft is a bill of exchange payable on demand (Arnd vs. Aylesworth, 145 Iowa 185; Ward vs. City Trust Company, 102 N.Y.S. 50; Bank of Republic vs. Republic State Bank, 42 S.W. 2d, 27). Considered as a bill of exchange, a draft is said to be like the former, an open letter of request from, and an order by, one person on another to pay a sum of money therein mentioned to a third person, on demand or at a future time therein specified (13 Words and Phrases, 371). As a matter of fact, the term "draft" is often used and is the common term, for all bills of exchange. And the words "draft" and "bill of exchange" are used indiscriminately (Ennis vs. Coshoctan Nat. Bank, 108 S.E., 811; Hinnemann vs. Rosenback, 39 N.Y. 98, 100, 101; Wilson vs. Buchenau, 43 Supp. 272, 275).

On the other hand, a bill of exchange within the meaning of our Negotiable Instrument Law (Act No. 2031) does not operate as an assignment of funds in the hands of the drawee who is not liable on the instrument until he accepts it. This is the clear import of Section 127. It says: "A bill of exchange of itself, does not operate as an assignment of the funds in the hands of the drawee available for the payment thereon and the drawee is not liable, on the bill unless and until he accepts the same." In other words, in order that a drawee may be liable on the draft and then become obligated to the payee it is necessary that he first accepts the same. In fact, our law requires that with regard to drafts or bills of exchange there is need that they be presented either for acceptance or for payment within a reasonable time after their issuance or after their last negotiation thereof as the case may be (Section 71, Act 2031). Failure to make such presentment will discharge the drawer from liability or to the extent of the loss caused by the delay (Section 186, Ibid.).

Since it is admitted that the demand drafts herein involved have not been presented either for acceptance or for payment, the inevitable consequence is that the appellee bank never had any chance of accepting or rejecting them. Verily, appellee bank never became a debtor of the payee concerned and as such the aforesaid drafts cannot be considered as credits subject to escheat within the meaning of the law.

But a demand draft is very different from a cashier's or manager's check, contrary to appellant's pretense for it has been held that the latter is a primary obligation of the bank which issues it and constitutes its written promise to pay upon demand. Thus, a cashier's check has been clearly characterized In Re Bank of the United States, 277 N.Y.S. 96, 100, as follows:

"A cashier's check issued by a bank, however, is not an ordinary draft. The latter is a bill of exchange payable on demand. It is an order upon a third party purporting to be drawn upon a deposit of funds. Drinkall vs.

Movious State Bank, 11 N.D. 10, 88 N.W. 724, 57 L.R.A. 341, 95 Am. St. Rep. 693; State vs. Tyler County State Bank (Tex. Com. App.) 277 S.W. 625, 42 A.L.R. 1347. A cashier's check is of a very different character. It is the primary obligation of the bank which issues it (Nissenbaum vs. State, 38 Ga. App. 253, 143 S.E. 776) and constitutes its written promise to pay upon demand (Steinmetz vs. Schultz, 59 S.D. 603, 241 N.W. 734). *

* *"

The following definitions cited by appellant also confirm this view:

"A cashier's check is a check of the bank's cashier on his or another bank. It is in effect a bill of exchange drawn by a bank on itself and accepted in advance by the act of its issuance" (10 C.J.S. 409).

"A cashier's check issued a depositor is the substantial on request of equivalent of a certified check and the deposit represented by the check passes to the credit of the checkholder, who is thereafter a depositor to that amount" (Lummus Cotton Gin Co. vs. Walker 70 So. 715, 201Ala. 189).

"A cashier's check, being merely a bill of exchange drawn by a bank on itself, and accepted in advance by the act of its issuance, is not subject to countermand by the payee after indorsement, and has the same legal effects as a certificate of deposit or a certified check" (Walker vs. Sellers, 77 So. 715, 201 Ala. 189).

A demand draft is not therefore of the same category as a cashier's check which should come within the purview of the law.

The case, however, is different with regard to a telegraphic payment order. It is said that as the transaction is for the establishment of a telegraphic or cable transfer, the agreement to remit creates a contractual obligation and has been termed a purchase and sale transaction (9 C. J. S. 368). The purchaser of a telegraphic transfer upon making payment completes the transaction insofar as he is concerned, though insofar as the remitting bank is concerned the contract is executory until the credit is established (Ibid). We agree with the following comment of the Solicitor General: "This Is so because the drawer bank was already paid the value of the telegraphic transfer payment order¹. In the particular cases under consideration it appears that the books of the defendant bank that the amounts represented by the telegraphic payment orders appear in the names of the respective payees. If the latter choose to demand payment of their telegraphic transfers at the time the same was (were) received by the defendant bank, there could be no question that this bank would have to pay them. Now, the question is, if the payees decide to have their money remain for; sometime in the defendant bank, can the latter maintain that the ownership of said telegraphic payment orders is now with the drawer bank? The latter, was already paid the value of the telegraphic payment orders otherwise it would not have transmitted the same to the defendant bank. Hence, it is absurd to say that the drawer banks are still the owners of said telegraphic payment orders."

Wherefore, the decision of the trial court is hereby modified in the sense that the items specifically referred to and listed under paragraph 3 of appellee bank's answer representing telegraphic transfer payment orders should be escheated in favor of the Republic of the Philippines. No costs.

Reyes, J.B.L., Barrera, Paredes, Dizon, and De Leon, JJ., concur.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.