

PLARIDEL SURETY & INSURANCE COMPANY, PETITIONER, VS. ARTEX DEVELOPMENT COMPANY, INC., AND HON. JESUS P. MORFE, PRESIDING JUDGE, BRANCH XIII, COURT OF FIRST INSTANCE OF MANILA, R...

G.R. No. L-30554. February 28, 1983

Ponente: GUTIERREZ, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/3b9fc8774d90/>

GUTIERREZ, JR., J.:

This is a petition for review on certiorari of the orders of the respondent judge dismissing the complaint in Civil Case No. 73904 and denying a motion for reconsideration of the dismissal order.

The petitioner filed with the Court of First Instance of Manila a complaint for a sum of money against respondent Artex Development Co. Inc., wherein it prayed that judgment be rendered in its favor as follows:

- a) Ordering the respondent (defendant) Artex Development Co. Inc. to pay plaintiff the sum of P20,570.24, plus interest thereon at the rate of 12% per annum computed monthly and automatically accumulated to the outstanding capital and shall bear the same interests as said capital until fully paid;
- b) Ordering the defendant to pay plaintiff, the sum equivalent to 15% per centum of the amount due as and for attorneys fees; and
- c) For costs of suit."

The action was brought by the petitioner to recover from the respondent company P20,570.24 worth of renewal premiums and costs of documentary stamps on various surety bonds posted by petitioner Plaridel Surety and Insurance Co., in behalf of respondent Artex Development Co. Inc., as principal in favor of the Republic of the Philippines through the Bureau of Customs and the Board of Industries.

These surety bonds were posted pursuant to Republic Act No. 4086 and its implementing Rules and Regulations No. 1-64 particularly paragraph 9, which provides:

"Par. 9. Withdrawal Under Bond. — Persons or firms who or which have pending applications for tax exemption privileges under the Act and whose imported raw materials, chemicals, dyestuffs and spare parts are actually within the Bureau of Customs jurisdiction, may withdraw such raw materials chemicals, dyestuffs and spare parts from the customs house upon the posting of a bond equivalent to the customs duties and taxes due thereon in accordance with the rules and regulations of the Department of Finance and the Bureau of Customs."

Consequently, the respondent withdrew from the Bureau of Customs' custody shipments of imported raw materials, chemicals, dyestuffs, and spare parts which were then subject to customs duties, special import taxes, sales and/or compensating taxes because the respondent's applications for tax exemption of these items were not then approved by the Board of Industries.

In consideration of the obligation assumed by the petitioner, the private respondent agreed to pay the premiums and cost of documentary stamps due thereon as per stipulations contained in the separate agreement of counter guaranty:

"(a) PREMIUM- To pay to the Surety Company at its principal offices in the sum of . . . in advance as premiums of same for each period of (12) mos. beginning March 1965 or fraction thereof, to be computed from this date until said bonds and its renewals, extensions or substitutions be cancelled in full by the person or entity guaranteed thereby, or by a court of competent jurisdiction."

It is an admitted fact that the premiums due and costs of documentary stamps for the first year duration of the undertaking under these surety bonds, which was from March 1965 to March 1966, were paid in accordance with the agreements of counter guaranty.

On December 19, 1966, respondent Artex Development Co. Inc., was granted tax exemption by the Board of Industries (BOI Certificate No. 22). Thereafter, the respondent stopped paying premiums and costs of documentary stamps to the petitioner.

On September 11, 1968, the private respondent filed its motion to dismiss petitioner's complaint on the ground that it states no cause of action and/or that the claim or demand set forth therein has been extinguished. The petitioner filed its opposition to the motion to dismiss followed by the respondent's filing its reply to the opposition.

Acting on the motion to dismiss, the respondent judge issued one of the assailed orders which reads as follows:

"After careful consideration of defendant's motion to dismiss, dated 9 September, 1968, plaintiff's opposition thereto, dated September 12, 1968, and movant's closing written arguments (Reply to Opposition, dated 20 September 1968), this Court finds said motion to dismiss to be well taken.

"WHEREFORE, said motion to dismiss, dated 9 September, 1968, is hereby granted, and plaintiff's action or complaint is hereby dismissed, without pronouncement as to costs."

The respondent judge later issued the other assailed order denying petitioner's motion for reconsideration.

The private respondent contends that the grant of tax exemption by the Board of Industries on December 19, 1966 rendered null and void and extinguished the surety bonds and agreement of counter guaranty. It argues that guaranty and suretyship are accessory to and dependent upon the principal obligation guaranteed or secured by them and cannot exist without a valid obligation. Therefore, as a necessary consequence, the obligation of defendant to pay premiums and cost of documentary stamps allegedly due on the extinguished agreements of counter guaranty has likewise been rendered of no force and effect.

Petitioner, on the other hand, maintains that, granting arguendo that the grant of tax exemption in favor of respondent corporation had the effect of releasing the surety bonds involved, still the petitioner had the valid and subsisting right to claim unpaid renewal premiums and costs of documentary stamps that had accrued in its favor prior to the grant of tax exemptions. Petitioner maintains that it had renewed the surety bonds in March 1966, more or less eight months before the application for tax exemption was granted by the Board of Industries.

With respect to accrued premiums and costs of documentary stamps on renewals of the surety bonds made after the grant of tax exemptions to the respondent corporation, the petitioner maintains that the surety bonds which were renewed subsequent thereto should continue in full force and effect until the Chairman of the Board of Industries shall order their cancellation.

Petitioner submits that the mere grant of tax exemptions would not discharge the surety bonds because it is

possible that the grantee may have violated some of the terms and conditions imposed by the Board of Industries in connection with authority granted to it to withdraw the items from customs' custody under bond.

We agree with the private respondents. We note that Condition No. 2 of the original surety bonds reads:

2. That in case the application of respondent Artex Development Co. Inc. for tax exemption) is approved by the Board of Industries, then this bond shall be null and void and of no force and effect.

The petitioner could not possibly be liable for any violation under the original surety bonds which were already void and of no force and effect. Suretyship cannot exist without a valid obligation. (*Municipality of Gasan v. Marasigan, et al.*, 63 Phil. 510). As stated in *Visayan Surety and Insurance Corporation v. Laperal* (69 Phil. 688):

"Segun el articulo 1822 del Codigo Civil la fianza es un contrato accesorio y la responsabilidad que contrae el fiador es subsidiaria. Por ella el fiador se obliga a pagar o a cumplir por un tercero, solamente en el caso de no hacerlo este. Explicando la naturaleza y efectos de la fianza, Manresa en sus comentarios al Codigo Civil, Tomo XII, paginas 137, 138 y 140, dice:

"Dos son las acepciones que en el tecnicismo juridico tiene la palabra fianza: uno, lato, amplio y extenso, que comprende, dentro de sus terminos, todos los contratos de garantia; y otro, restringido y estricto, que es lo que constituye la fianza propiamente dicha. En ambos sentidos, denota el aseguramiento por medios subsidiarios de una obligacion principal, que es la característica de su esencia, pues sin dicha obligacion principal no se concibe la existencia de la fianza, y por eso es siempre un contrato accesorio, dependiente de otro, para cuya seguridad se constituye."

"En este concepto puede definirse la fianza, diciendo que es un contrato mediante el cual uno de los contratantes da su garantia personal para asegurar el cumplimiento de una obligacion contraida por otra distinta persona, comprometiendose a cumplirla por ella, si esta no lo hiciere en el tiempo y en la forma en que se obligo a llevarla a efecto."

"Recordando las indicaciones consignadas en la introduccion al presente titulo, facil es precisar la naturaleza y aun la extension de la fianza en el concepto en que ha de ser objeto de nuestro estudio. En cuanto a la primera, tres son los caracteres que la distinguen y diferencian, determinado la razon de su especialidad, drivada del objeto mismo de dicho contrato. Esos caracteres, son: 1.º, la cualidad accesorio y subsidiaria de la obligacion contraida; 2.º, la condicion unilateral de la misma, y 3.º la circunstancia de haber ser el fiador persona distinta del principal obligado."

"Es accesorio la obligacion contraida, porque careceria de objeto sin otro principal cuyo cumplimiento asegure y garantice, hasta el punto de que sin esta no se concibe su existencia. Ha de vivir, pues, unida a la convencion a que debe su nacimiento y no puede asumir los caracteres de una obligacion principal, independiente y con vida propia. . . ."

Insofar as the complaint seeks recovery of the payment for one year renewed premiums and costs of documentary stamps from March 1966 to March 1967, petitioner cannot recover for the simple reason that private respondent had already paid them in advance. Petitioner never disputed the payment made by private respondent. Consequently, whatever obligation of private respondent to remit premiums and costs of documentary stamps from March 1966 to March 1967 had already been extinguished.

As to the alleged obligation to remit the premiums for the period March 1967 to March 1969, the purported renewals were without any consideration at all. Petitioner incurred no risk from the time respondent's tax exemption application was approved. Any renewals were void from the beginning because the cause or object of said renewals did not exist at the time of the purported transaction (Arts. 1409, 1352, and 1353, Civil Code).

The lower court correctly ruled that "upon approval of defendant's (respondent's) application for tax exemption on December 19, 1966, any purported renewal of the original bond after that was, therefore, without consideration and will not warrant the collection of premiums and the payment of cost of documentary stamps."

We also see no need for a formal release of the surety bonds by the Board of Industries or the Bureau of Customs. By express stipulation of the parties themselves, the surety bonds became null and void upon the grant of tax exemption.

The complaint was correctly dismissed by the respondent judge.

WHEREFORE, the petition for review on certiorari is dismissed for lack of merit. The questioned orders of the respondent judge are affirmed. Costs against the petitioner.

SO ORDERED.

Teehankee (Chairman), Melencio-Herrera, Plana, Vasquez and Relova, 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.