

REPUBLIC OF THE PHILIPPINES, PLAINTIFF-APPELLEE, VS. JULIO HERIDA, DEFENDANT-APPELLANT.

G.R. No. L-34486. December 27, 1982

Ponente: RELOVA, J.

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RELOVA, J.:

This case was certified to Us by the Court of Appeals on the ground that the issue in the decision sought to be reviewed involves purely a question of law. The decision of the lower court, dated February 27, 1962, reads:

"When this case was called for hearing, the defendant and his counsel failed to appear despite the fact that counsel was duly notified. Counsel for the plaintiff prayed that he be allowed to present his evidence in the absence of the defendant which was granted.

"It appears that from May 10, 1943, defendant Julio Herida issued a promissory note in favor of the Bank of Taiwan, Ltd. the sum of P750.00 payable on May 10, 1944; on June 8, 1943, defendant issued again another promissory note for the amount of P750.00 payable on June 8, 1944; on June 10, 1943, defendant issued again another promissory note for the amount of P280.00 payable on June 10, 1944. All the promissory notes bear interest at the rate of 6% per annum compounded quarterly (Exhibits A, B and C). To secure the prompt and full payment of the loans, defendant Julio Herida executed two real estate mortgages affecting six parcels of land, namely: Lots Nos. 305, 502, 259, 303 and 235, all of the cadastral survey of Murcia and Lot No. 1085 of the cadastral survey of Talisay, covered by Transfer Certificates of Title Nos. 26613, 26612, 26611, 26614, 26615 and 28079, respectively. (Exhibits D, E, and F). Said mortgages were duly registered in the Office of the Register of Deeds of Negros Occidental as shown by the annotations found in said contracts, Exhibits D-1, E-1, and F-1, respectively. The contract further provides that upon failure of the mortgagor to comply with the terms and conditions stipulated in the contract, defendant will pay 10% of the total indebtedness but not less than P200.00 as attorney's fees and to pay the costs (Exhibits G-1 and H-1). Statement of account of the defendant was prepared on August 2, 1961, showing the total amount of P1,392.30 as reduced to peso equivalent under Ballantine schedule of value, plus interest in the sum of P2,327.25 or a total of P3,720.55 (Exhibit H). Another statement of account was issued as of December 31, 1960, showing a balance of P3,948.83 (Exhibit H-1). On September 22, 1954, the plaintiff addressed a letter to the defendant Julio Herida demanding payment of his account due (Exhibit I), which letter was sent by registered mail on September 30, 1954, (Exhibit I-1). Despite the said demand, defendant failed and refused to pay the above-mentioned amount.

"WHEREFORE, judgment is hereby rendered, ordering the defendant Julio Herida to pay the plaintiff, Republic of the Philippines, the sum of P3,948.83 plus 6% interest, compounded quarterly, from December 31, 1960 up to complete payment. Defendant is further ordered to pay attorney's fees in the sum equivalent to 10% of the amount due and to pay the costs. Ninety days after the decision has become final and defendant fails to pay the judgment amount, the mortgage properties shall be sold at public auction in accordance with law and the proceeds thereof shall be applied to the liquidation of the judgment amount plus expenses."

The reason this action was filed by the Republic of the Philippines and not by the Bank of Taiwan, Ltd. from which the loans were obtained by the defendant, is alleged in the complaint as follows:

"x x x x x x x x"

"6. That pursuant to the Transfer Agreement dated July 20, 1954, as supplemented by Transfer Agreement, dated June 15, 1957, the Attorney General of the United States, as successor of the Philippine Alien Property Administration, the agency which took over the functions and authority of the Alien Property Custodian, transferred, conveyed and assigned in favor of the Government of the Republic of the Philippines, all the rights, title and interest of the United States Government in and to the property mentioned in the preceding paragraph;

"7. That among the assets of the Bank of Taiwan, Ltd., which by virtue of the aforesaid Vesting Order No. P-4 were vested in the government of the United States and in pursuance of the above-mentioned Transfer Agreement were transferred to the Government of the Republic of the Philippines, are the loans secured by the said mortgages referred to in paragraph 3 hereof, which are among others, now Administered by the Board of Liquidators, a government agency under the Office of the President, created under Executive Order No. 372, dated November 24, 1950, and in accordance with Republic Acts Nos. 477 and 8, and other pertinent laws in connection with said Executive Order No. 372;

"x x x x x x x x"

Dissatisfied with the decision of the lower court, the defendant appealed, setting forth the following assignment of errors:

1. The lower court erred in not taking into consideration that the cause of action of the plaintiff against the defendant was already barred by the statute of limitations.
2. The lower court erred in not taking into consideration that the chattel upon which the chattel mortgage of standing crops were executed was totally destroyed by "caso fortuito."
3. The lower court erred in ordering the defendant Julio Herida to pay the plaintiff, Republic of the Philippines, the sum of P3,948.83 plus 6% interest, compounded quarterly, from December 31, 1960 up to complete payment.

The question presented is whether or not the moratorium laws, to wit: Executive Order No. 25 of November 10, 1944; Executive Order No. 32 of 1945, amending the former; and, Act No. 342 are applicable to the loans at bar. Appellant contends that:

"From 1948 to November 27, 1961 almost thirteen (13) years had expired and as such the right of the Republic of the Philippines to bring the present action against the defendant has already prescribed in accordance with the above cited Art. 1144, New Civil Code. Before Nov. 27, 1961, the nature of the indebtedness of the defendant is a property of patrimonial in character as it relates to the Philippine Government. As such it is subject to prescription. All things are susceptible of prescription, unless otherwise provided. Property of the State or any of its subdivisions not patrimonial in character shall not be the object of prescription. (Art. 1113, New Civil Code.)"

On the other hand, appellee maintains that the above cited moratorium laws suspended temporarily the enforcement of the payment of all debts and other monetary obligations payable within the Philippines, except those contracted in areas after they have been declared liberated and, therefore, the present action was not barred by the statute of limitations when the complaint was filed on November 27, 1961. Appellee further explains that:

"x x x For purposes of prescription, the period during which a law is in force is excluded from the computation of the prescriptive period (P.N.B. vs. Oseña, et al., January 31, 1958).

"Since the moratorium laws were declared unconstitutional only on May 18, 1953, the ten-year period within which to bring the action against the appellant began the next day or, to be precise, on May 19, 1953.

Appellee's cause of action will, therefore, prescribe only on May 19, 1963. The complaint in this case was filed on November 27, 1961. Consequently, the ten-year period within which to bring the action has not yet prescribed."

The appeal must be dismissed. The promissory notes executed by the appellant in favor of the Bank of Taiwan, Ltd. were due for payment on May 10, 1944, June 8, 1944 and June 10, 1944, respectively. Ordinarily, the counting of the prescriptive period should be reckoned from said dates when appellant's debts became due and demandable. However, the moratorium decrees supervene suspending the enforcement of payments of all debts and other monetary obligations contracted during the war, although in the case of *Royal L. Rutter vs. Placido J. Esteban*, 93 Phil. 68, the moratorium laws (Executive Orders Nos. 25 and 32 and Republic Act No. 342) were declared unconstitutional:

"The continued operation and enforcement of Republic Act No. 342 at the present time is unreasonable and oppressive, and should not be prolonged a minute longer, and, therefore, the same is declared null and void and without effect. And what is said here with respect to said Act holds true as regards Executive Orders Nos. 25 and 32, perhaps with greater force and reason as to the latter, considering that said Orders contain no limitation whatsoever in point of time as regards the suspension of the enforcement and effectivity of monetary obligations. And there is need to make this pronouncement in view of the revival clause embodied in said Act if and when it is declared unconstitutional or invalid."

Nonetheless, said laws were in effect from the time of their respective promulgations until May 18, 1953. As a consequence, before they were declared unconstitutional, they suspended the running of the prescriptive period during their effectivity. Thus, the 10-year period within which to institute the action against herein appellant began the day after the moratorium laws were declared unconstitutional or, to be precise, on May 19, 1953. Appellee's cause of action will therefore prescribe only on May 19, 1963. The complaint in this case was filed in November 1961, which is within the 10-year period and, therefore, the action has not yet prescribed.

ACCORDINGLY, the decision, dated February 27, 1962 of the court a quo is hereby AFFIRMED in toto. With costs against the defendant-appellant.

SO ORDERED.

Teehankee, (Chairman), Melencio-Herrera, Plana, Vasquez, and Gutierrez, Jr., JJ., concur.

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