

GEORGE W. BATCHELDER, DOING BUSINESS UNDER THE NAME AND STYLE OF BATCHELDER EQUIPMENT, PLAINTIFF AND APPELLANT VS. THE CENTRAL BANK OF THE PHILIPPINES, DEFENDANT AND APPELLANT.

G.R. No. L-25071. July 29, 1972

Ponente: FERNANDO, J.

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FERNANDO, J.:

An ably-written motion for the reconsideration of our decision of March 29, 1972 was submitted by plaintiff-appellant through its counsel, Delegate Mauro Baradi. It is based primarily on this contention: "Said decision failed to consider that if there was, no contract obligating the defendant to resell US\$154,094.56 to plaintiff at the exchange rate of P2.00375 to US\$1.00, the judgment of the lower court can and should nevertheless be sustained on the basis of there being such an obligation arising from law." [1] It is clear therefore that there is a retreat from the untenable position taken by it, both in the lower court and here on appeal, that there was a contract between it and defendant Central Bank of the Philippines that gave rise to such a duty on the part of the latter. This time, it would predicate its alleged right to the exchange rate of P2.00375 to US\$1.00 to an obligation of defendant Central Bank arising from law. This point, while strongly pressed in a pleading that is not without its plausibility, loses sight of the ratio decidendi of our decision of March 29, 1972 that the Central Bank acted not as a juridical person with power to enter into contracts but as a regulatory agency entrusted with the delicate function of managing the currency. It is far-fetched to assume that such an administrative body by the issuance of the circulars in question did transform itself into just another party to a juridical relation, called upon to satisfy a credit. As will be more fully explained, the motion for reconsideration cannot suffice to call for a reversal of our judgment. Our decision of March 29, 1972 therefore stands.

Plaintiff-appellant would sustain its principal contention thus: "'Laws), as used in the Civil Code, include administrative orders and regulations 'not contrary to the laws or the Constitution.' Thus, in his *Outlines on Civil Law*, a distinguished member of this Court, *Justice* Jose B. L. Reyes (with Judge Ricardo Puno as co-author), in outlining the 'sources from which the rule of law applicable to a given controversy is to be found', states: '* * *B. Statute (laws) applicable to the point in controversy. The word includes enactments by the legislative authority, original or delegated (executive or administrative orders or regulations). But the latter shall be valid only when they are not contrary to the laws or the Constitution.' In *People vs. Que Po Lay*, this Honorable Court held: '* * * It is true that Circular No. 20 of the Central Bank is not a statute or law but being issued for the implementation of the law authorizing its issuance, it has the force and effect of law according to settled jurisprudence. (See *U.S. vs. Tupasi Molina*, 29 Phil., 119 and authorities cited therein).. [Italics supplied]. The various resolutions and memoranda issued by the defendant, having 'the force and effect of law,' if not themselves laws, therefore can be the sources of obligations." [2]

It is, of course, true that obligations arise from 1) law; 2) contracts; 3) quasi-contracts; 4) acts or omissions punished by law and 5) quasi-delicts. [3] One of the sources of an obligation then is law. A legal norm could so

require that a particular party be chargeable with a prestation or undertaking to give or to deliver or to do or to render some service. It is an indispensable requisite though that such a provision thus in fact exists. There must be a showing to that effect. As early as 1909 in *Pelayo vs. Lauron*,^[4] this Court through Justice Torres, categorically declared: "Obligations arising from law are not presumed." ^[5] For in the language of Justice Street in *Leung Ben vs. O'Brien*, ^[6] a 1918 decision, such an obligation is "a creation of the positive law." ^[7] They are ordinarily traceable to code or statute. ^[8] It is true though, as noted in the motion for reconsideration, following *People vs. Que Po Lay*, ^[9] that a Central Bank circular may have the force and effect of law, especially so when issued in pursuance of its quasi-legislative power. That of itself, however, is no justification to conclude that it has thereby assumed an obligation. To be impressed with such a character, however, it must be categorically demonstrated that the very administrative agency, which is the source of such regulation, would place such a burden on itself.

Here certainly, it cannot be so plausibly maintained. As was noted in the decision sought to be reconsidered after a recital of the statutory objectives of defendant Central Bank to maintain monetary stability as well as to preserve the international value of the peso: "It would be then to set at naught fundamental concepts in administrative law that accord due recognition to the vesting of quasi-legislative and quasi-judicial power in administrative law for the purpose of attaining statutory objectives, especially now that government is saddled with greater responsibilities due to the complex situation of the modern era, if the lower court is to be upheld. For if such be the case then, by the judiciary failing to exercise due care in its oversight of an administrative agency, substituting its own discretion for what usually is the more expert appraisal of such an instrumentality, there may even be a frustration if not a nullification of the objective of the law." ^[10] The assertion that there is such a self-imposed obligation on the part of defendant Central Bank is thus lacking in persuasiveness. ^[11]

With the above disposition of the principal contention, the two other points of the motion for reconsideration that there was in fact such compliance with the rules and regulations of defendant Central Bank and that he has acquired a vested right, likewise fall to the ground. It is not to be lost sight of that all the while defendant Central Bank precisely had denied that there was such a compliance, indicating in what respect such deficiency was incurred. No reliance could be placed on the lower court decision reversed by us based on the assumption that there was a contract between plaintiff and defendant. Commendably, plaintiff-appellant in this motion for reconsideration appears to be of the same mind. Necessarily any claim that a vested right has accrued is likewise untenable. It cannot be said then that our decision of March 29, 1972 should be overturned.

Wherefore, the motion for reconsideration is denied.

Concepcion, C. J., Reyes, J. B. L., Makalintat, Zaldivar, Castro, Teehankee, Barredo, Makasiar, Antonio and Esguerra, JJ., concur.

[1] Motion for reconsideration denied.

[2] *Ibid.* pp. 2-3.

[3] Art. 1157, Civil Code.

[4] 12 Phil. 453 (1909).

[5] *Ibid.* p. 455.

[6] 38 Phil 182 (1918).

[7] Ibid, p. 195.

[8] Cf. Pelayo vs. Lauron, 12 Phil. 453 (1909).

[9] 94 Phil. 640 (1954).

[10] Decision of March 29, 1972.

[11] Cf. Martinez vs. Martinez, 1 Phil. 647 (1903); Perez vs. Pomar, 2 Phil. 682 (1903); Pelayo vs. Uuron, 12 Phil. 453 (1909); Santos vs. Manarang, 27 Phil. 209 (1914); Leung Bun vs. O'Brien, 38 Phil. 182 (1918); Salgado vs. Ramos, 64 Phil. 724 (1937); Asturias Sugar Central vs. Montinola, 69 Phil. 72S (1940); Lu Chu Sing vs. Lu Tiong Gui, 76 Phil. 669 (1946); Haw Pia vs. China Bunking Corp., 80 Phil. 604 (1948); Regnera vs. Tanodia, 81 Phil. 404 (1948); Lim vs. Register of Deeds, 82 Phil. 789 (1949); Paez vs. Magno, 83 Phil. 403 (1949); Everett Steamship Corp. vs. Bank of the Philippine Islands, 84 Phil. 202 (1949); Gibbs vs. Rodriguez, 84 Phil. 230 (1949); Gomez vs. Fobia, 84 Phil. 269 (1949); Larraga vs. Banez, 84 Phil. 354 (1949); Del Rosario vs. Sandico, 85 Phil. 170 (1949); Andres vs. Court of Appeals, 85 Phil. 192 (1949); Orden de Padres Benedictinus vs. Phil. Trust Co., 85 Phil. 217 (1949); Belarmino vs. De Mesa, 85 Phil. 344 (1950); Cuaycong vs. Ruiz, 86 Phil. 170 (1950); Cuaycong vs. Mialhe, 88 Phil. 637 (1951); Ocampo vs. Poteiwiano, 89 Phil. 159 (1951); Pacific Commercial Co. vs. Co Tian Gee, 90 Phil. 439 (1951); David Winship vs. Phil. Trust Co., 90 Phil. 744 (1952); Valenzuela vs. Bakani, 93 Phil. 672 (1953); Rehabilitation Finance Corp. vs. Court of Appeals, 94 Phil. 984 (1954); David vs. Cabigao, 96 Phil. 163 (1954); Bautista vs. The Auditor General, 97 Phil. 244 (1955); Shotwell vs. Lazatin, 97 Phil. 77 (1955); Stenberg vs. Solomon, 102 Phil. 995 (1958); De Villa vs. Fabricante, 105 Phil. 672 (1959); New Manila Lumber Co. vs. Republic of the Philippines, 107 Phil. 824 (1960).

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