

RICARDO L. MANALILI, PLAINTIFF AND APPELLANT, VS. GOVERNMENT SERVICE INSURANCE SYSTEM, RESPONDENT AND APPELLEE.

G.R. No. L-15874. September 19, 1961

Ponente: DE LEON, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/624e4a300221/>

DE LEON, J.:

Appellant Ricardo Manalili is a World War II USAFFE veteran and as such is a holder of a backpay certificate of indebtedness issued by the Treasurer of the Philippines under Republic Act No. 304 with a remaining face value of P8,007.29 after several partial redemptions by the Government. The certificate was supposed to have been completely redeemed by the Government on June 8, 1958.

On April 12, 1957 and again on December 16, 1957, appellant was, upon application, granted real estate loans by appellee Government Service Insurance System (hereinafter referred to as GSIS, for short) in the aggregate amount of P13,600.00, payable in monthly amortizations. The loans were secured with a mortgage on appellant's property situated in Tayug, Pangasinan, the mortgage contract providing, among other things, that "If the mortgagor shall at any time, fail or refuse to pay any of the amortizations on the indebtedness or the interest when due, or whatever other obligation herein agreed, then all the amortization and other obligations of the Mortgagor of any nature, shall become due, payable and defaulted and the Mortgagee may immediately foreclose this mortgage judicially or extra-judicially * * *."

As appellant failed to pay the monthly amortizations from December, 1957, despite repeated demands by the GSIS, the latter, on February 28, 1959, applied for the extra-judicial foreclosure of his mortgaged property.

To settle his obligations with the GSIS, appellant made representations to the Army Finance Service, the Executive Secretary and finally direct to the National Treasurer for the speedy release of his backpay check, but his efforts were to no avail. On April 10, 1959, he also wrote to Colonel Vicente Tiongson, a member of the GSIS Board of Trustees, requesting that his backpay certificate of indebtedness be applied in payment of his overdue unpaid amortizations, but the request was denied by the Board of Trustees on the same date.

In order to compel the GSIS to accept his backpay certificate of indebtedness, appellant on April 14, 1959 filed with the Court of First Instance of Pangasinan the present proceedings for mandamus.

Resisting the action, the GSIS alleged, in effect, that it cannot be compelled by mandamus to accept appellant's backpay certificate in payment of his obligations because his indebtedness to the GSIS was not subsisting at the time of the approval of Republic Act No. 304, otherwise known as the Backpay Law, as well as the Amendatory Act, Republic Act No. 897.

After the parties had submitted a stipulation of facts and filed their respective memorandum, the lower court on June 24, 1959 rendered decision dismissing appellant's complaint. Reconsideration of the decision having been denied, appellant appealed directly to this Court.

The pertinent provisions of section 2 of both Republic Act No. 304 and Republic Act No. 897, which were approved on June 18, 1948 and June 20, 1953, respectively, read:

"SEC. 2. The Treasurer of the Philippines shall, upon application, and within one year from the approval of this Act, and under such rules and regulations as may be promulgated by the Secretary of Finance, acknowledged and file requests for the recognition of the right to the salaries or wages as provided in section one hereof, and notice of such acknowledgement shall be issued to the applicant, which state the total amount of such salaries or wages due the applicant and certify that it shall be redeemed by the Government of the Philippines within ten years from the date of their issuance without interest: Provided, That upon application and subject to such rules and regulations as may be approved by the Secretary of Finance, a certificate of indebtedness may be issued by the Treasurer of the Philippines covering the whole or a part of the total salaries or wages the right to which has been duly acknowledged and recognized, provided that the face value of such certificate of indebtedness shall not exceed the amount that the applicant may need for the payment of (1) obligations subsisting at the time of the approval of this Act for which the applicant may directly be liable to the Government or to any of its branches or instrumentalities, or the corporations owned or controlled by the Government, or to any citizen of the Philippines, or to any association or corporation organized under the laws of the Philippines, who may be willing to accept the same for such settlement; * * * And provided, also, That investment funds of banks or other financial institutions owned or controlled by the Government shall, subject to availability of loanable funds, and any provisions of their charters, articles of incorporations, by-laws, or rules and regulations to the contrary notwithstanding, accept or discount at not more than two per centum per annum for ten years such certificate for the following purposes only: (1) the acquisition of real property for use as the applicant's home or (2) the building or construction or reconstruction of the residential house of the payee of such certificate. * * *." (Republic Act No. 304.)

"SEC. 2. Section two of the said Act (Republic Act 304) as amended by Republic Act Numbered Eight Hundred, is further amended to read:

" 'SEC. 2. * * * Provided, That upon application and subject to such rules and regulations as may be approved by the Secretary of Finance a certificate of indebtedness may be issued by the Treasurer of the Philippines covering the whole or a part of the total salaries or wages the right to which has been duly acknowledged and recognized, provided that the face value of such certificate of indebtedness shall not exceed the amount that the applicant may need for the payment of (1) obligations subsisting at the time of the approval of this amendatory Act for which the applicant may directly be liable to the Government or to any of its branches or instrumentalities, or the corporations owned or controlled by the Government, or to any citizen of the Philippines, or to any association or corporation organized under the laws of the Philippines, who may be willing to accept the same for such settlement. * * *." (Republic Act No. 897)

Under the provisions of section 2, Republic Act No. 304, this Court, in the case of *Diokno vs. Rehabilitation Finance Corporation* (91 Phil., 608; 48 Off. Gaz., p. 2717), has ruled that the acceptance or discount of backpay certificates in the payment of outstanding obligations to a government owned or controlled corporation is merely discretionary on the part of the latter and consequently cannot be compelled by mandamus. Speaking through Justice Labrador, this Court said:

"* * * we are of the opinion that the law in question (section 2 of the Backpay Law), insofar as the discount and acceptance of backpay certificates are concerned, should be interpreted to be directory merely, not mandatory, as claimed by plaintiff-appellant, the same to be construed as a directive for the Rehabilitation Finance Corporation to invest a reasonable portion of its funds for the discount of backpay certificates, from time to time and in its sound discretion, as circumstances and its resources may warrant.

"Having come to the conclusion that section 2 of the Backpay Law is directory merely, we now address ourselves to the propriety of the action, which the plaintiff-appellant labels as specific performance. As the action is not based on any contractual relation between the plaintiff-appellant and the defendant-appellee, it

may be one for specific performance; it is in effect predicated on a supposed legal duty imposed by law and is properly designated as a special civil action of mandamus, because the appellant seeks to compel the appellee to accept his backpay certificate in payment of his outstanding obligation. We are not impressed by the defense, technical in a sense, that the Rehabilitation Finance Corporation is not expressly authorized to accept certificates in payment of outstanding loans. There is no provision expressly authorizing this procedure or system; but neither is there one prohibiting it. We believe the legislature could not have intended to discriminate against those who have already built their houses, who have contracted obligations in so doing. We prefer to predicate our ruling that this special action does not lie on the ground that the duty imposed by the Backpay Law upon the appellee as to the acceptance or discount of backpay certificates is neither clear nor ministerial, but discretionary merely and that, mandamus does not issue to control the exercise of discretion of a public officer * * *.

"We must admit, however, that appellant's case is not entirely without any merit or justification; similar situations have already been favorably acted upon by the Congress, when it ordered that certificates be accepted in payment of outstanding obligations, and by the Rehabilitation Finance Corporation in its above-mentioned resolution. But we feel we are powerless to enforce his claim, as the acceptance and discount of backpay certificates has been placed within the sound discretion of the Rehabilitation Finance Corporation, and subject to the availability of loanable funds, and said discretion may not be reviewed or controlled by us. It is clear that his remedy must be available in other quarters, not in the court of justice." (Italics supplied.)

In the above cited case, plaintiff Diokno's indebtedness to the Rehabilitation Finance Corporation was incurred on January 27, 1950. He could not, therefore, avail himself of the provisions of section 2 of Republic Act No. 304, approved on June 18, 1948, because said section provides that the application for recognition of backpay must have been filed within one year after the approval of said Act, and the debt must be subsisting at the time of said approval.

The same construction, in effect, has been given to the provisions of section 2 of the Amendatory Act (Republic Act No. 897). Thus, in the case of Florentino et al. vs. Philippine National Bank (98 Phil., 959; 52 Off. Gaz., 2522), where petitioner Florentino incurred his debt to the Philippine National Bank on January 2, 1953, so that his obligation was subsisting when the Amendatory Act 897 was approved (on June 21, 1953), it was held that the bank had no option but to accept backpay certificates in payment of debt owed to it by the ex-USAFFE and guerilla holders of certificates. This ruling was reiterated in the case of Sabelino vs. Rehabilitation Finance Corporation (G. R. No. L-11790, September 30, 1958). Again, in the case of Philippine National Bank vs. Ereneta, et al. 106 Phil., 133; 57 Off. Gaz., [29] 5240), where the plaintiff bank refused to accept the backpay certificate of defendant Ramon Ereneta on the ground that its policy was to refuse acceptance of certificates of indebtedness in payment of the obligations subsisting at the time of approval of Republic Act No. 897, this Court held that the acceptance of such backpay certificates in payment of loans to government corporations is obligatory upon the appellee bank. Of course, added the Court, after the enactment of Republic Act No. 1576 dated June 16, 1956, which adds a new provision, section 9-a, to Republic Act No. 1300, otherwise known as the Revised Charter of the Philippine National Bank, the obligation imposed upon the bank has been removed. To the same effect is our latest ruling in the case of Buyco vs. Philippine National Bank (112 Phil., 588; 59 Off. Gaz. [11] 1737).

Conformably with the ruling in the above cited cases, particularly the case of Diokno vs. Rehabilitation Finance Corporation, *supra*, we are constrained to find and so hold that the provisions of the Backpay Law, Republic Act No. 304, as to herein appellee GSIS is merely directory or discretionary and not mandatory, appellant's indebtedness having been incurred only in April and December of 1957, that is, long after the approval of either Republic Act No. 304 or its Amendatory Act No. 897. Consequently, mandamus will not lie, the duty imposed upon the appellee GSIS as to the acceptance or discount of appellant's backpay certificate being neither clear nor

ministerial.

Appellant also claims in his brief that his obligation to appellee GSIS has been extinguished due to confusion or merger of rights, or compensated with what the Government of the Philippines owes him under his backpay certificate of indebtedness, which became due and demandable as of June 18, 1958. The claim, apparently, is predicated on the theory that the Government of the Philippines and the GSIS are one and identical and that a claim against one is necessarily a claim against the other. But while appellant may be considered a creditor to the Government insofar as his backpay claim is concerned, he does not enjoy the same standing as regards the GSIS, herein appellee. It can readily be gleaned from the GSIS charter that it is a private corporation with a personality separate and distinct from the Government. Indeed, this Court has had occasion to rule in the case of *Abad Santos vs. Auditor General* (79 Phil., 190) that "the Government Service Insurance System is not the government itself, but is a separate institution, with its existence, own personality, autonomous and independent." Under the circumstances, there can be no compensation, much less confusion or merger of rights, as to extinguish appellants outstanding obligations to the GSIS.

For all the foregoing considerations, the judgment appealed from is hereby affirmed, with costs against the appellant.

Bengzon, C. J., Padilla, Labrador, Reyes, J. B. L., Barrera, Paredes, Dizon, and Natividad, JJ., concur.

Bautista Angelo, J., on leave, took no part.

Concepcion, J., took no part.

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.