

DIOSDADO PIÑON, ET AL., PLAINTIFFS AND APPELLEES, VS. RAMON H. YANGA, DEFENDANT AND APPELLANT.*G.R. No. L-5532. May 13, 1953*

Ponente: MONTEMAYOR, J.

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In the year 1930, RAMON H. YANGA, was indebted to the spouses DIOSDADO PIÑON AND ROSARIO TIANA, in the sum of P1,500.00, payable within one (1) year. The loan was to bear interest at 12% a year and was secured by a mortgage on a piece of land with a house in Jolo. The parties agreed that Yanga was to pay the sum of P300.00 as attorney's fees in case an action in court was taken to collect the debt. Upon his failure to pay the indebtedness the creditors brought a court action against Yanga in October, 1940. During the hearing in March, 1941, the parties submitted an agreed statement of facts, Yanga acknowledging his indebtedness of P1,500.00; in return his creditors reduced the rate of interest from 12% to 6%, and condoned all interests due for the last two years, 1938 to 1940, at the same time renouncing their right to the P300.00 as attorney's fees. On the basis of this agreement, the Court of First Instance of Jolo rendered judgment in favor of the plaintiffs, sentencing the defendant to pay P1,500.00 with interest at 6% per annum from the date of the filing of the complaint. Thereafter, Yanga paid the interest due and requested plaintiffs to suspend the execution of the judgment as to the amount of the debt which request was granted. Then the war came and it seems that nothing was done either on the part of the plaintiffs to collect or on the part of the defendant to pay.

However, in June, 1944, the Japanese Navy paid Yanga for a parcel of land belonging to him which was converted into an air strip or landing field. Naturally, payment was made in Japanese Military notes. On June 28th of that year, accompanied by his son Johnny, Yange went to his creditors Diosdado and Rosario and offered to pay his debt at P1,500.00 including interest, in said military notes. The couple rejected the offer, saying that the notes had very much depreciated in value, but according to them they told him that if he insisted in paying them in that kind of money and so that he would not notify the Japanese authorities, they would accept payment but at the ratio of 18 centavos Philippine currency to P1.00 of Japanese military notes, which was the ratio then obtaining in Jolo. Yanga answered he would think it over and return the following day. The next day he told them that he was not disposed to make the payment at the ratio imposed by them.. After some talk Diosdado and Rosario, according to them, to avoid any trouble with the Japanese authorities, proposed to accept payment if it was three times the amount of the debt. Yanga again said that he would take the proposition under advisement and would return the following day. The day following, Yanga told his creditors that he was not agreeable to their proposition, and that all that he was willing to do was to pay 1-½ times the original debt including interest, otherwise, he would be constrained to advise the Japanese Navy people that the money with which they paid for his land did not have much value. The couple accepted payment rather reluctantly, according to them, under intimidation because of their fear of being reported to the Japanese Navy (Humbo) and the Kempeitai, and they executed a deed of cancellation of the mortgage. The amount actually paid to them was P1,797.50 representing the debt plus interest and the additional amount of P898.50 which is 50% of the entire debt plus interest or a total of P2,695.00, all in Japanese military notes.

After Liberation, in May 1945, Diosdado and Rosario tried to get from Yanga the deed of cancellation executed by them, offering as a consideration an amount in Japanese military notes more than what he had given or paid them in June, 1944. Upon his refusal, the couple in July of that year filed the present action to annul said deed of cancellation on the ground that it was executed under intimidation and duress, to compel Yanga to deliver to the Register of Deeds the certificate of title of the land mortgaged and to sentence the defendant to pay them the sum of P2,021.06 in Philippine currency which is the balance owed by him on June 30, 1944, with interest at the legal rate from that date and to pay the costs, at the same time, depositing in Court P2,695.50 in Japanese military notes.

Yanga in his answer made a general denial and because he was unable to get the services of an attorney at the time, because none were available, attended the hearing without the benefit of counsel and did not even present evidence to counteract that submitted by plaintiffs. After hearing, the court thru Judge P. Pecson, dismissed the case for lack of merit, holding that the payment made by Yanga in June, 1944, with Japanese military notes which were legal tender was valid, at the same time stating that it was not impressed by the claim of the plaintiffs of having been threatened or intimidated into accepting the payment. However, upon motion for reconsideration by the plaintiffs Judge P. Villalobos who was then acting in that court, in an order dated January 6, 1947, reversed the decision of Judge Pecson, declared the cancellation of the mortgage to be null and void and ordered the defendant to pay the balance of his original debt in Philippine currency. Yanga appealed from that order to the Court of Appeals, but that Tribunal in a resolution certified the appeal to this Court on the ground that only a question of law was involved, namely, whether payment of a pre-war debt made during the Japanese occupation in Japanese military notes was valid or not.

In justice to Judge Villalobos we may state that when he rendered his decision or order reversing the judgment of Judge Pecson and ruled that payment of a pre-war debt in the depreciated Japanese military notes was invalid, our decision in the case of *Haw Pia vs. China Banking Corporation* had not yet been promulgated. In the case of *La Orden de Padres Benedictinos de Filipinas vs. Philippine Trust Co.*, G.R. No. L-2020, December 29, 1949, we said:

"In view of the decision of this Court in the case of *Haw Pia vs. China Banking Corporation*, G.R. No. L-554 (45 Off. Gaz., No. 9, Supp. Sept. 1949, p. 229) in which it was ruled that payments made with Japanese war notes during the occupation of obligations contracted before the war, to the creditors or his legal representatives, and accepted by them, are valid and release the said obligations, there no longer is any doubt as to the validity of similar payments."

In the case of *Larraga v. Bañez*, 47 O.G. p. 696, we held valid the payment of a debt in Japanese military notes and the consequent cancellation of the mortgage executed to guarantee its payment notwithstanding the reluctance of the mortgagor to accept payment.

It is, therefore, clear that the payment made by Yanga of his debt in military notes in June, 1944, extinguished his obligation. Like Judge Pecson who presided over the trial court we are not impressed by the claim of the plaintiffs-appellees that they accepted payment and executed the deed of cancellation of the mortgage because of intimidation and duress. In the first place, the debt was then payable and Yanga had every right to extinguish his obligation by payment in Japanese military notes which we have repeatedly held to be legal tender and sufficient to pay a debt. There might have been a little pressure to make them accept payment but not enough to constitute intimidation or duress. It will be recalled that on two successive days plaintiffs-appellees flatly refused to accept payment in the depreciated Japanese military notes and yet Yanga did not report their refusal to the Japanese military notes and yet Yanga did not report their refusal to the Japanese authorities. On the third day far from insisting in making payment in the exact amount of his debt, he agreed to pay and in fact paid one and a half (1-½)

times said amount and intimated that if they did not accept he would report the matter to the Japanese Navy people not exactly to have them punish his creditors but rather to call the attention of the Japanese Navy purchasers that the money with which they bought his land apparently did not have much value and was not acceptable to his creditors. It is possible that his intention was to have said Japanese Navy authorities pay him in currency which was accepted everywhere and in the open market.

In view of the foregoing, the order appealed from is hereby reversed and the decision of Judge Pecson dismissing the complaint is hereby affirmed. No pronouncement as to costs.

Paras, C. J., Feria, Pablo, Bengzon, Reyes, Jugo, and Bautista Angelo, JJ., concur.

Padilla and Labrador, JJ., no part.

Tuason, J., reserves his vote.

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