

PHILIPPINE TRUST COMPANY, PETITIONER, VS. LUIS MA. ARANETA ET AL., RESPONDENTS.

G.R. No. L-2734. March 17, 1949

Ponente: FERIA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/76c6c2812501/>

FERIA, J.:

This is an appeal by certiorari filed by the petitioner Philippine Trust Co. a banking corporation from the decision of the Court of Appeals, which affirms the judgment of the Court of First Instance of Manila.

Before the occupation of Manila by the Japanese military forces, the respondent and appellee Luis Ma. Araneta was indebted to the petitioner and appellant in the sum of P4,000, and as a collateral therefor, said respondent pledged the certificates of stock listed in the decision of the Court of First Instance. The balance of P3,683.60 was, upon demand of the appellant, paid by the appellee on May 2, 1944, in Japanese military notes, but the certificates of stocks pledged could not then be released, because according to the appellant, at the outbreak of the war, they were turned over to the American authorities and sent to the United States for safekeeping. After liberation, appellee demanded from the petitioner the return of the certificates of stocks, but the petitioner refused to do so, on the ground that the payment in Japanese war notes was not valid.

A complaint was filed with the Court of First Instance of Manila by the appellee against the appellant to recover the certificates of stock in question, and the latter set up as defense that it accepted the payment of the appellee's obligation under duress, and therefore the payment was not valid. The Court of First Instance rendered judgment in favor of the appellee on the ground that the payment was voluntarily made and accepted, and therefore it was valid and extinguished the appellee's obligation to the appellant, and ordered the latter to return to the former the certificates of stock listed in the decision. On appeal from the decision of the lower court to the Court of Appeals the decision was affirmed.

The appellant admits that, as testified to by the then acting president of the petitioner during the Japanese occupation, "neither the appellee nor the Japanese military authorities exercised any duress on the appellee Bank to accept the payment." But the appellant contends that there was a collective and general duress exercised by the Japanese military occupant, because the latter ordered that the war-notes may be used in making payments of all kinds, and any attempt to interfere with the circulation of said notes, such as rejection of payment with said notes will be considered as hostile and will be punished severely (Proclamation dated January 3, 1942), and also ordered the reopening of such banking institution (not enemy banks) as may be notified in the City of Manila, one of them the appellant (Proclamation of January 23, 1942).

The question whether or not said orders constituted a collective and general duress and invalidated the payment made by the appellee to the appellant is a question of law, and not of fact, and for that reason the petitioner asks that the present appeal by certiorari be allowed, under Rule 46 of the Rules of Court which provides that questions of law may be raised in an appeal by certiorari from a judgment of the Court of Appeals.

But even though such a question be raised the Supreme Court has, according to said rule, discretion to dismiss the

petition if the Court of Appeals has decided a question in accord, with law or the applicable decision of this Supreme Court. As the judgment of the Court of Appeals in so far as it affirms the decision of the Court of First Instance which upholds the validity of the payment under consideration is in accord with the decisions of this Court in the cases of *Laurel vs. Misa* (77 Phil., 856), and *Haw Pia vs. China Banking Corporation*, (80 Phil., 604), the appeal by certiorari must be dismissed.

In the case of *A. Laurel vs. Misa*, this Court held:

"Considering that, although the military occupant is enjoined to respect or continue in force, unless absolutely prevented by the circumstances, those laws that enforce public order and regulate the social and commercial life of the country, he has, nevertheless, all the powers of a de facto government and may, at his pleasure, either change the existing laws or make new ones when the exigencies of the military service demand such action, that is, when it is necessary for the occupier to do so for the control, of the country and the protection of his army, subject to the restrictions or limitations imposed by the Hague Regulations, the usages established by civilized nations, the laws of humanity and the requirements of public conscience (*Peralta vs. Director of Prisons*, supra; 1940 U. S. Rules of Land Warfare, 76, 77); and that, consequently, all acts of the military occupant dictated within these limitations are obligatory upon the inhabitants of the territory, who are bound to obey them, and the laws of the legitimate government which have not been adopted, as well as those which, though continued in force, are in conflict with such laws and orders of the occupier, shall be considered as suspended or not in force and binding upon said inhabitants;" (*Laurel vs. Misa*, G. R. No. L-409,[1] pp. 3-4, minute resolution.)

And in the case of *Haw Pia vs. China Banking Corporation* we held that, under the rules of Public International Law, the right of the military occupant, in the exercise of his governmental power, to order the liquidation of enemy banks and the reopening of others in the occupied enemy territory, as well as to issue military currency as legal tender, has never been seriously questioned.

In view of the foregoing, it is evident that the payment made by the respondent-appellee and accepted by the petitioner and appellant during the Japanese occupation in compliance with the said orders of the Japanese military occupant, can not be considered as made under a collective and general duress, because an act done pursuant to the laws or orders of competent authorities can never be regarded as executed involuntarily, or under duress or illegitimate constraint or compulsion that invalidates the act.

Wherefore, the petition for certiorari is denied and the appeal dismissed.

Moran, C.J., Paras, Pablo, Bengzon, Briones, and Reyes, JJ., concur.

[1] 77 Phil., 856.

CONCURRING

PERFECTO, J.:

We concur in the resolution dismissing the petition.

Upon the facts in this case, we do not believe in the existence of the collective and general duress upon which the petition is premised. As stated in the resolution, neither the appellee nor the Japanese military authorities exercised any duress on petitioner to accept the payment in controversy.

DISSENTING

TUASON, J.:

I vote to give this appeal due course. It is extremely unfair and unjust to the immediate parties and to prospective parties in numerous cases of this nature, for this Court to dismiss this appeal without the benefit of a full argument and without full deliberation in the light of all the evidence.

This case is of very far-reaching importance. This Court's action, arrived at on the basis of the findings of the Court of Appeals alone, might be taken as deciding, if it does not indeed actually decide, hundreds of cases of payment of pre-war obligations to banks in Japanese war notes. It is a matter of general knowledge that almost if not quite all such obligations were liquidated under circumstances which constituted menacing if indirect threats of severe punishment. It is also a matter of general knowledge that these payments if approved would spell the complete bankruptcy of the payees. Under all legal precepts and standards of morality and decency, the said payments are indefensible. I refuse to be a party to the sanctioning of this mass depredation. More it is a pity, because still more numerous 'debts in favor of private individuals, who can ill afford to lose what to many of them represent life savings, will be adversely affected.

I maintain that Japanese war notes were not legal tender and could not be made so by military orders. Accordingly, acceptance of payment in that money under compulsion did not operate to satisfy the debt except to the extent the creditor was benefited thereby.

The petitioner pleaded "general and collective duress." This plea should not be dismissed with a shrug of the shoulder. The point was not touched in the appealed decision, and because of its direct bearing on other payments involving millions, it is the duty of this Court to give it respectful consideration. Such duress was real and imminent. The very order of the Japanese High Command for the banks to open was an implied order to accept payments in Mickey Mouse notes. And working as they did under the noses of Japanese officers in or out of uniform, the 'bank officials had no way of turning down the payments without seriously risking their life or liberty. Had there been no threat, express or implied, it is inconceivable that the banks would have allowed outstanding pre-war obligations to be paid off, without at least a protest on their part, in money which in the latter part of 1944 had very slight value and in a few months more, as they knew, would be absolutely worthless.

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.