

THE CHARTERED BANK, PETITIONER, VS. NATIONAL GOVERNMENT AUDITING OFFICE, DEPARTMENT OF PUBLIC WORKS; COMMUNICATIONS AND BUREAU OF POSTS, RESPONDENTS.

G.R. No. L-38513. March 31, 1987

Ponente: PARAS, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/8d7044efa115/>

PARAS, J.:

This is a petition for review on certiorari of the August 27, 1974 decision of the Government Auditing Office affirming the January 23, 1974 decision of the Postmaster General.

Petitioner Chartered Bank, through its Iloilo City Branch, was accepting postal money orders from the general public since 1946. The accepted postal money orders were then presented to the Iloilo City Post Office for payment. During the occasions when the available cash in the Post Office was less than the value of the postal money orders, the Iloilo Post Office issued receipts acknowledging the remaining balance.

However, on May 8, 1968, the Bureau of Posts issued an unnumbered circular principally addressed to its officers and employees and a "Memorandum of Understanding Covering Cashing and Clearing of Money Orders", effective October 1, 1968, addressed to several entities including members of the Bankers Association of the Philippines, both involving the installation of a new postal money order system which requires that all commercial banks, regardless of location, must clear all postal money orders they have received and paid with the Central Bank at Manila. (Comment, Rollo, pp. 39-42).

All these notwithstanding, petitioner continued its transactions with the Post Office under the old practice through the latter's Acting Cashier Eulogio Primalion beyond October 1, 1968 when the new postal money order system came into effect, until July 6, 1970 when petitioner bank noticed that "payment for money orders totalling P161,221.47 as of 3 July, 1970 had not yet been received by us", as stated in its letter of the same date (Annex "D", Rollo, p. 17-A). Not having received any payment or reply, petitioner wrote another letter dated July 14, 1970 (Ibid., p. 18), to which Acting Postmaster Ernesto Cabanas finally replied in a letter dated July 28, 1970 (Ibid., p. 19) informing petitioner that he "is not aware that said amount is still carried as an obligation of the Iloilo Post Office"; citing Bureau of Posts Circular (Unnumbered) dated May 8, 1968 paragraph "C" to support his stand that officially, no commercial bank could present postal money orders to post offices for payment. Consequently, Postmaster Cabanas declared "that your bank has been dealing direct with our cashier without the knowledge nor consent of the undersigned". (Rollo, p. 42). He assured petitioner however, that he would take up the matter with the higher postal authorities.

After two follow-up letters by the petitioner (Ibid., pp. 20 and 21), Postal Superintendent Julian D. Espiritu, in a letter dated November 4, 1970 (Ibid., p. 22), informed the petitioner that he had referred the matter to the Postmaster General and that follow-ups should be made in the Bureau of Posts, Manila.

Pedro P. Gambalan, Officer-in-Charge of the Post Office in his letter dated March 11, 1972 (Ibid., pp. 23-24) stated in brief that the arrangements made by the Branch Manager of petitioner at Iloilo City with the cashier at

the Iloilo City Post Office partake of the nature of a private arrangement not sanctioned by the Post Office. Such being the case, any claim for settlement of any unpaid money orders should be directed against the said Cashier. As an unauthorized transaction, it would necessitate the approval of the Auditor General.

Accordingly, petitioner filed a letter petition with the Auditor General relative thereto.

The Acting Postmaster General's view which was the same as above-cited was expressed in his 7th Indorsement dated January 23, 1974 which was reiterated by the Acting Chairman of the Commission on Audit in a letter dated February 27, 1974 (Ibid., p. 14) which letter reads:

"In reply to your letter dated May 8, 1972, claiming in effect the sum of P81,200.00 plus legal interest of 6% per annum effective July 6, 1970 which represents unpaid postal money orders issued by the Iloilo City Post Office, please find enclosed a copy of the 7th Indorsement dated January 23, 1974 of the Acting Postmaster General, which is self-explanatory.

"In view hereof, this Commission finds no legal basis for allowing payment of your aforementioned claim."

Hence this petition.

In compliance with the resolution of the Second Division of this Court dated April 19, 1974 (Ibid., p. 29), the Solicitor-General filed his Comment on May 23, 1974 (Ibid., pp. 38-49) while petitioner filed its Reply on June 6, 1974 (Ibid., pp. 65-69) as required by the resolution dated May 31, 1974.

In the resolution of August 20, 1974 (Ibid., p. 76) the case was set for hearing on September 5, 1974 at which date the parties appeared and argued their causes. Thereafter, the parties were required to submit simultaneously their respective memoranda (Rollo, p. 76).

In compliance therewith, petitioner filed its Memorandum on October 4, 1974 (Ibid., pp. 81-93), while the Solicitor-General filed his Memorandum on October 15, 1974 (Ibid., pp. 99-115).

On November 19, 1974, petitioner filed a Reply Memorandum (Ibid., pp. 119-122) and on November 27, 1974, the Solicitor-General filed a Manifestation, alleging, among others that respondents have not paid a single centavo to the petitioner so that whatever payments may have taken place were clearly made by Eulogio Primalion. (Ibid., pp. 142-143). Thereafter the case was submitted for decision (Ibid.).

In its memorandum petitioner raised the following issues:

1. WHETHER OR NOT THE UNNUMBERED CIRCULAR OF MAY 8, 1968 AND THE UNDATED MEMORANDUM OR UNDERSTANDING ARE DIRECTORY AND PERMISSIVE IN NATURE; AND
2. WHETHER OR NOT THE BANK CAN COLLECT THE BALANCE OF THE POSTAL MONEY ORDERS IT ENDORSED TO THE ILOILO CITY POST OFFICE.

There is no dispute that petitioner was aware of the installation of the new system of cashing and clearing of money orders and that the transactions in question took place during a period when said new system had already been officially installed.

However, petitioner and respondents differ as to the interpretation of the Memorandum of Understanding and the Unnumbered Circular of the Bureau of Posts, subject of this petition.

Petitioner claims that they are directory and permissive in nature, intended primarily for the convenience of commercial banks within the Greater Manila area. Petitioner specifically pointed out the provision of paragraph "C" of the said unnumbered circular which reads:

"c. The new money orders may be cashed at any money order office or commercial bank within one year from the date of issue. Those cashed at commercial bank, or handled by the bank for its customers, will be cleared through the Central Bank essentially like Treasury Warrants. It will no longer be necessary for commercial banks to bring such money orders to a post office for redemptions. This will save much time for banks and post offices."

and laid stress on the phrase "It will no longer be necessary" which allegedly merely provides a new procedure in the encashment of money orders (Rollo, pp. 84-85).

Similarly in the Memorandum of Understanding, petitioner insists, that the intention was to grant a new right to commercial banks which could not be availed of before the issuance of aforesaid memorandum. Thus, with the option allegedly given to commercial banks, petitioner believes that there is no mistake or error on the part of the cashier to have acted for and in behalf of the Iloilo City Post Office in dealing with the petitioner bank under the old arrangement and consequently has acted within the limits of the law and the unnumbered circular, for and in behalf of the Iloilo Post Office (Rollo, pp. 88-89).

On the other hand, respondents maintain that the purposes of the new postal money order system negate the contention that said circular and memorandum are not mandatory in nature and that they are for the convenience of commercial banks operating in the Manila area only. Respondents argue that viewed in its total context, there can be no doubt that the Memorandum of Understanding was intended to install a new system of clearing postal money orders to completely supplant the old one that had spawned unmitigated corruption resulting in great financial loss to the country (Rollo, pp. 105-106). In fact the language of both circular and memorandum provides for no exception to the rule that all commercial banks, regardless of where located, must clear all postal money orders they have received and paid, with the Central Bank at Manila (Rollo, p. 41).

The contention of the respondents is meritorious.

The new centralized system for clearing postal money orders took effect by way of the Unnumbered Circular of May 8, 1968 of the Bureau of Posts in implementation of the "Memorandum of Understanding Covering Cashing and Clearing of Money Orders" previously issued by the Office of the Joint Committee on Financial Management Improvement Program (Annexes "A" and "B" of respondent's comment). Said office was created pursuant to Executive Order No. 54 dated December 8, 1966 (Rollo, p. 104).

There is no absolute formal test for determining whether a statutory direction is to be considered mandatory or directory. As with any question of statutory construction the decisive factor is the meaning and intention of the legislature, to be ascertained from a consideration of the entire act, its nature, its object and the consequences that would follow from construing it one way or the other (Gonzaga "Statutes and Their Construction", p. 99).

A careful study of the Memorandum of Understanding shows that the installation of a Postal Money Order System to take the place of the old one was provided for in no uncertain terms.

The memorandum provides:

"Effective October 1, 1968 a new Postal Money Order System will be installed. Several changes are proposed in the cashing and clearing process of the new money orders to make them more usable in the channels of trade and commerce. It is the purpose of this memorandum of understanding to set forth certain responsibilities and agreements among the parties concerned in order that these important changes can be accomplished.

"3. A new Money Order Clearing Account will be established by the Central Bank and Bureau of Treasury effective October 1, 1968 to which such money order submitted by commercial banks will be charged. x x x

"9. No old style money orders will be issued after September 30, 1968. x x x

"10. Effective October 1, 1968 all uncashed old style money orders will be referred to the Money Order Division for validation. Those determined to be valid will be cancelled and a Treasury Warrant issued, in the same amount, which can be cashed under the same rules as any Treasury Warrant."

Similarly, the avowed purpose of the new system is more succinctly expressed in the unnumbered circular of the Bureau of Posts which provides as follows:

"d. The new system will make it more difficult to forge, counterfeit or alter the new money order forms. It will enable the Money Order Division and the General Auditing Office to match promptly by machine the money Orders issued and paid, thus causing early detection of all irregularities for appropriate action. All matching or cross-checking of money orders is-sued and paid will be centralized in Manila instead of the City and Provin-cial Auditors doing it as at present."

Nowhere in the provisions of said circular and memo-randum can it be gleaned that exceptions to the general rule have been given, much less has it been shown that options may be exercised by the commercial banks, as claimed by the petitioner, to follow or not to follow the new system and revert to the old one depending on their convenience. On the contrary, the memorandum itself is emphatic that no old style money orders will be issued after September 30, 1968 and that all uncashed old style money orders will be re-ferred to the Money Order Division for validation.

Neither is there any provision granting authority to any official or employee of the Bureau of Posts to maintain the old procedure at his discretion. In contrast, the cir-cular is emphatic in requiring that postmasters and ins-pectors shall attend training sessions to insure a thorough knowledge and understanding of the new procedures for ef-fective implementation.

Be that as it may, the important issue in this case, regardless of the mandatory or permissive character of the memorandum and circular in question, is whether or not the state can be bound or estopped by the mistake, error or unlawful act of its agents.

There is no question that both petitioner bank and Cashier Eulogio Primalion violated the provisions of the unnumbered circular and Memorandum of Understanding. Be-cause of such violations petitioner suffered damage through no fault or negligence of the Bureau of Posts. Ironically, petitioner in insisting on the old and clearly outlawed procedure became the victim of the evils the new system seeks to avoid. Consequently, petitioner cannot now be allowed to shift the burden of loss on the government.

But just as important is the generally accepted principle of law that the State cannot be bound nor estopped by the mistake, error or unlawful act of its agents (*Pineda et al. v. CFI et al.*, 52 Phil. 803-807; *Koppel (Phil.) Inc. v. Collector*, 3 SCRA 17, 23). Equally well-settled is the principle that a public official may be liable in his personal capacity for whatever damage he may have caused by his act done with malice and in bad faith, or beyond the scope of his authority or jurisdiction (*Dumlao v. Court of Appeals*, 114 SCRA 251; *Mindanao Realty Corp. v. Kintanar*, 6 SCRA 814 [1968]; *the Philippine Racing Club v. Bonifacio*, G.R. No. 11844, August 31, 1960).

Cashier Primalion as a mere employee of the respondent Bureau was bound to comply with the provisions of subject memorandum and circular, otherwise, he would be open to administrative charges and possible criminal prosecution for their violation. There is therefore no denying that he acted beyond the scope of his authority and in bad faith. This is amply shown by his failure to pay petitioner bank the balance of the money orders partially encashed with him.

Petitioner bank has no other recourse but to go after said cashier. In fact as the Solicitor General has pointed out, said cashier may have already started paying the amount demanded, since the amount has been reduced from P161,221.47 to P81,200.00. Such acceptance of payment from Primalion is an admission by petitioner that the

latter's liability is personal, not official, and by that act the petitioner is estopped from proceeding against the respondents.

PREMISES CONSIDERED, the Court RESOLVED to AFFIRM the August 27, 1974 decision of the Government Auditing Office and to DISMISS this petition.

Gutierrez, Jr., Padilla, Bidin, and Cortes, JJ., concur.

Fernan, J., (Chairman), no part, related to a partner in counsel for petitioner's law firm.

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.