

**REPUBLIC OF THE PHILIPPINES, REPRESENTED BY ABDUGAJIR NUR,
IN HIS CAPACITY AS DIVISION SUPERINTENDENT OF LANA DEL
NORTE, BUREAU OF PUBLIC SCHOOLS, PETITIONER, VS. THE HON.
PRES...**

G.R. No. L-36740. January 30, 1976

Ponente: ESGUERRA, J.

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ESGUERRA, J.:

Petition for review on certiorari of the decision of the Court of First Instance of Lanao del Norte, Branch II, in Civil Case No. 11-240(8), entitled "Jose C. Deleste, doing business under the name and style of Ilgan Small Loans and Credit Facilities (R-19A), plaintiff, versus Abdugajir Nur, in his capacity as Division Superintendent of Lanao del Norte, Bureau of Public Schools", for injunction, the dispositive portion of which reads:

"Wherefore, finding that Memorandum Circular No. 93 is not all embracing in its restrictive policy and that some latitude of discretion appear to be allowed the defendant In its implementation and definition of exception, and plaintiff being duly licensed to do business as a financing institution, the injunction prayed for by plaintiff is granted and the defendant is hereby directed to honor and give due course to the special powers of attorney executed by public school teachers in favor of the plaintiff and to deliver the checks thereto respectively corresponding. So ordered."

The lone issue raised here is whether or not the respondent Court committed grave abuse of discretion, amounting to lack of jurisdiction, when in the questioned decision it directed the defendant therein to "honor and give due course to the special powers of attorney executed by public school teachers in favor of the plaintiff". The herein petitioner claims that "the Court below is not empowered to amend, reverse and modify what is otherwise the clear and explicit provision of the memorandum (No. 93, dated February 5, 1968) issued by the Executive Office which has the force and effect of law."

The uncontroverted facts appearing of record are as follows:

"Private respondent (Jose C. Deleste) is a legitimate and duly licensed financing institution under the name and style of Iligan Small Loans and Credit Facilities (R-19A) (Testimony, Deleste, t.s.n. pages 3-7, August 31, 1972). As such, private respondent has been extending loans and credit facilities to public school teachers of the Division of Public Schools of Lanao del Norte. In connection with the said loans and credit facilities, the said teachers executed promissory notes and special powers of attorney in favor of private respondent. (Testimony, Deleste, t.s.n. pages 8-9, August 31, 1972).

"On May 30, 1968, private respondent wrote the Director of Public Schools, Manila, requesting the said director to authorize the Division Superintendent of Schools, Lanao del Norte, and the City Superintendent of Schools, Iligan City, to honor the special powers of attorney executed by the teachers in the afore-mentioned divisions in favor of private respondent.

"On June 25, 1968, the Director of Public Schools, by first indorsement, authorized 'the Division

Superintendent of Schools to honor the special powers of attorney executed by the teachers in favor of private respondent'. A copy of the said first indorsement (Annex 2 to private respondent's memorandum) was transmitted on June 28, 1968 to private respondent by Mr. Oti H. Maruhom as in charge of the Division of Schools of Lanao del Norte. Because of the favorable action of the Director of Public Schools and placing full faith and complete reliance thereon, private respondent continued to extend loans and other credit facilities to the various teachers in varying amounts of the Division of Lanao del Norte and Iligan City. In connection with the said loans, the teachers executed the corresponding promissory notes and special powers of attorney in favor of private respondent and since the Director of Public Schools had authorized the Division superintendent of Schools to honor the special powers of attorney, private respondent was able to receive continuously the treasury warrants or checks of the teachers for the payment of their loans. This procedure had been going on uninterruptedly, without any complaint from the teachers themselves and from the Division Superintendent of Schools of Lanao del Norte (Testimony, Deleste, t.s.n., page 11, August 31, 1972). (Italicized for Emphasis)

"However, on October 18, 1969, Mr. Florentino S. Bunao, then in charge of the Division of Lanao del Norte, sent a letter to the District Supervisor of Lanao del Norte quoting therein a telegram, which said, to wit: 'Effective upon receipt hereto in conformity with Memorandum Order No. 93 of the Executive Office please disregard all communications emanating from General Office allowing persons with special power of attorney to receive treasury warrants of teachers strict compliance enjoined' Manuel (supposedly issued under authority of Secretary of Education Manuel)

"As a result of said letter, private respondent could no longer receive the treasury warrants or checks of the teachers in payment of their loans. Thus, the terms of the special powers of attorney and promissory notes executed by the public school teachers in favor of private respondent were impaired and private respondent suffered damages as a consequence thereof. (Testimony, Deleste, pages 13-15, August 31, 1972)" (See Memorandum of Private Respondent, p. 71, Rollo)

Before taking up the lone issue raised in this petition, We definitely state that respondent Court lawfully acquired jurisdiction in Civil Case No. 11-240(8) because the plaintiff therein asked the lower court for relief, in the form of injunction, in defense of a legal right (freedom to enter into contracts) to prevent the defendant, Abdugajir Nur, in his capacity as Division Superintendent of Lanao del Norte, Bureau of Public Schools, from implementing the contents of the letter dated October 18, 1969, prohibiting the delivery to plaintiff of the teachers' treasury warrants, allegedly in contravention of contractual agreements (promissory notes and special powers of attorney) entered into by and between teachers and the private respondent. Hence there is a clear infringement of private respondent's constitutional right to enter into agreements not contrary to law, which right ran the risk of being violated by the threatened implementation of Executive Office Memorandum Circular No. 93, dated February 5, 1968, which prohibits, with certain exceptions, cashiers and disbursing officers from honoring special powers of attorney executed by the payee employees. The respondent Court is not only right but duty bound to take cognizance of cases of this nature wherein a constitutional and statutory right is allegedly infringed by the administrative action of a government office. Courts of First Instance have original jurisdiction over all civil actions in which the subject of the litigation is not capable of pecuniary estimation (Sec. 44, Republic Act 296, as amended).

On the only issue of grave abuse of discretion alleged by petitioner to have been committed by respondent Court in that said Court amended, reversed and modified the contents of Memorandum Circular No. 93, dated February 5, 1968, We painstakingly examined the questioned decision and found that although the respondent Court in its interpretation of the questioned Memorandum Circular No. 93, stated that:

"The enforcement of collection is not barred by the letter-circular of Bunao. * * *. In reading and rereading the above-quoted pertinent portion of Memorandum No. 93, this court is, however, convinced that the prohibition

extends only to persons and not to duly licensed banking and financing institution as the plaintiff herein. The court would venture to state that the purpose of this memorandum is to protect government employees from becoming victims of loan sharks who charge them highly usurious interests such that the borrower could not ever expect to rise from the quagmire of indebtedness wherein he was caught and entrapped. It could not, however, apply as a restrictive policy against duly authorized and licensed financing institution which are regulated by law and are allowed to charge only the interest so allowed within legal limits. To interpret the memorandum as to be all embracing would lead to absurdity because instead of helping all government employees in resorting to duly licensed financing institutions in Case of urgent need of cash, a very restrictive interpretation thereof would drive said employees to loan sharks who work beyond the pale of the law. As in the case of laws, administrative memoranda, circulars, etc. must be interpreted in such a manner as to breathe into them life, logic and reason",

nowhere in said decision could be found the alleged alteration, amendment, reversal or modification of the questioned memorandum circular No. 93. The respondent Court in the aforementioned pronouncement merely interpreted the contents of the questioned circular by taking into consideration the purpose of the prohibition contained therein, and came to the well reasoned conclusion that the prohibition is not applicable to the present case. What the respondent Court did was well within its lawful exercise of jurisdiction because in taking cognizance of the issues of facts and law raised before it, the Court evaluated those facts and interpreted the questioned circular memorandum in accordance with reason, legal tenets and principles, and arrived at the conclusion that the prohibition in said memorandum circular does not apply to the case at bar. Petitioner may contend that the respondent Court committed an error in its conclusion, but to claim that it committed grave abuse of discretion is certainly far fetched and unfounded.

It is immediately noticeable that under the questioned Memorandum Circular No. 93, dated February 5, 1968, the pertinent portion of which reads:

"To curb this unwholesome practice, it is hereby directed that henceforth, no cashier or disbursing officer shall pay to attorneys-in-fact or other persons who may be authorized under a power of attorney or other form of authority to collect the salary of the employee, except when the persons so designated and authorized is an immediate member of the family of the employee concerned, and in all other cases, except upon proper authorization of the Assistant Executive Secretary for Legal and Administrative Matters, with the recommendation of the Financial Assistant",

the prohibition to honor special powers of attorney executed by employees is not absolute as exceptions are provided therein. The respondent, Court is completely correct when it stated "that Memorandum Circular No. 93 is not all embracing in its restrictive policy and that some latitude of discretion appears to be allowed the defendant (Abdugajir Nur) in its implementation and definition of exception".

If the strict implementation of the prohibition would result in subverting the very reason for the prohibition, then logic dictates that the memorandum-circular containing the prohibition be not implemented in this particular case. In reaching this conclusion We cannot discern any reversible error, much less abuse of discretion, committed by respondent Court.

Wherefore, the respondent Court's decision dated March 28, 1973, is affirmed and the injunction embodied therein made permanent. Without costs. So ordered.

Teehankee (Chairman), Makasiar, Muñoz Palma and Martin, JJ., concur.

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