

**MARCELINO T. MACARAEG, ET AL., PETITIONERS AND APPELLEES,
VS. PHILIPPINE NATIONAL BANK, RESPONDENT AND APPELLANT.***G. R. No. L-15915. May 26, 1962*

Ponente: PADILLA, J.

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Before 20 June 1953 the spouses Marcelino T. Macaraeg and Asuncion V. Sison were indebted to the Philippine National Bank, Dagupan City branch, in the sum of P11,400 secured by a real estate mortgage. On 15 July 1953 they paid the bank the sum of P1,900 thereby reducing their debt to P9,500. On 20 December 1955 and 11 June 1956 they offered to pay the balance of P9,500 by means of a certificate of indebtedness No. 5629 in the sum of P12,844.91 issued by the Bureau of Treasury in favor of Marcelino T. Macaraeg, but the Philippine National Bank refused to accept it, because according to the bank Republic Act No. 1576, which took effect on 16 June 1956, prohibited the acceptance thereof. In view of such refusal, on 31 May 1956 the spouses filed a petition in the Court of First Instance of Pangasinan to compel the Philippine National Bank to accept the certificate of indebtedness No. 5629 tendered by them to pay the balance of their loan or indebtedness; to be relieved from paying the bank interest on the balance of their loan from 20 December 1955, when they made the offer or tender of payment by means of the aforementioned certificate of indebtedness; to be reimbursed by the bank of P269.06 which they had paid as interest on the balance of the loan from 20 December 1955 to 8 June 1956; to be paid by the bank the sum of P1,000 as litigation expenses. They further prayed for any other just and equitable relief and for costs against the bank. On 11 June 1958 the Philippine National Bank answered the petition and prayed for its dismissal, with costs against the petitioners. On 11 July 1959 the court rendered judgment, as follows:

WHEREFORE, the respondent is hereby commanded to accept the aforesaid backpay certificate of Petitioner Marcelino T. Macaraeg and apply the requisite amount therefrom in payment of petitioner's indebtedness of P9,500.00 to the respondent, without interest from December 14, 1955; and is hereby ordered to return to the petitioners the amount of P269.06 paid by them for interest not due, and to pay to the petitioners by way of damages for attorney's fees the amount of P500.

With costs against the respondent.

The Philippine National Bank has appealed. Maintaining its stand it contends that, pursuant to section 9-A, paragraph (d) of Republic Act No. 1576, effective 16 June 1956, which provides that—

In its discretion, to accept assignments of, or as payments, certificates of indebtedness of the Government or other such similar securities: Provided, however, That the authority herein granted shall not be used as regards backpay certificate,

it could not and cannot accept backpay certificate of indebtedness to settle or discharge loans or indebtedness to it.

It is true that, after Republic Act No. 1576 took effect on 16 June 1956, the Philippine National Bank could not and cannot accept backpay certificates of indebtedness to settle or discharge pre-existing obligations, but before it there was another law, Republic Act No. 897, approved on 20 June 1953, that allowed payment or discharge of

debts or obligations to government owned or controlled corporations like the Philippine National Bank by means of backpay certificates of indebtedness. The period covered by the prior Act was from 20 June 1953, when it took effect, to 16 June 1956, when Republic Act No. 1576 was enacted. The appellees¹ mortgage loan to the appellant was subsisting prior to 20 June 1953. At that time the loan was P1,400. On 15 July 1953 the appellees paid the Philippine National Bank the sum of P1,900 thereby leaving a balance of P9,500. On 20 December 1955 when the appellee made the offer or tender to pay the balance of their indebtedness by means of a backpay certificate of indebtedness, Republic Act No. 897, which allowed payment by such certificates, was the law in force. Hence there is no doubt that the appellees were entitled to pay the appellant, the Philippine National Bank, the balance of their mortgage loan by means of a backpay certificate of indebtedness.[1]

As there was a valid tender of payment on 20 December 1955 by the appellees, no interest on the balance of their loan should accrue from that date. The sum of P269.06, which they paid to the appellant bank as interest on the balance of the loan from 20 December 1955 to 8 June 1956, should be returned to them. The sum of P500 awarded as attorney's fees is reasonable.

The judgment appealed from is affirmed, with costs against the appellant.

Bautista Angelo, Labrador, Concepcion, Reyes, J.B.L., Barrera, Paredes, and Dizon, JJ., concur.

[1] Florentino et al. vs. philippine National Bank, 98 Phil., 959; 52 Off. Gaz. 2522.

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