

REPUBLIC OF THE PHILIPPINES, PLAINTIFF-APPELLANT, VS. PEDRO C. HERNAEZ AND RAMON M. DE LA RAMA, DEFENDANTS-APPELLEES.

G.R. No. L-24137. January 30, 1970

Ponente: BARREDO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/dd8e29f1f61c/>

BARREDO, J.:

Appeal by the Government from the decision of the Court of First Instance of Manila in its Civil Case No. 50010 - a suit filed by the Republic of the Philippines against Pedro C. Hernaez and Ramon M. de la Rama for collection of certain loans obtained from the Bank of Taiwan, Ltd. during the Japanese occupation - which was dismissed by the court a quo on the ground that the action of the Government had already prescribed.

The background facts as set forth in the decision appealed from which are not disputed by appellant are as follows:

"It appears from the evidence submitted by the Plaintiff, both testimonial and documentary, that on various dates during the Japanese occupation in 1943 defendant Ramon M. de la Rama, brother-in-law and negotiorum gestor of his co-defendant Pedro C. Hernaez, obtained loans from the former Bank of Taiwan, Ltd., with 6% annual interest compounded quarterly and payable at its offices in Bacolod City, in the total amount of P14,786.61, Philippine Currency, as follows:

Date of Promissory Note

Amount of Note

Date Due

1. April 7, 1943

271.00

.....

2. April 28, 1943.....

500.00

April 28, 1944

3. May 6, 1943.....

321.02

May 6, 1944

4. May 22, 1943.....

300.00

.....

5. June 14, 1943.....

5,000.00

June 14, 1944

6. July 10, 1943.....

177.00

.....

7. July 16, 1943.....

1,500.00

July 16, 1944

8. Aug. 17, 1943.....

6,000.00

.....

9. Aug 20, 1943.....

600.00

.....

10. Oct. 27, 1943.....

117.59

.....

"As security for the payment of the loans De la Rama, also as negotiorum gestor, executed two chattel mortgages on the standing crops growing on lots 1089 and 1090 (part) of the Cadastral survey of Murcia belonging to Hernaez and described in Certificate of Title Nos. 16164 and 16165 of the Register of Deeds of Negros Occidental (Exhs. D and E). The chattel mortgages were re-corded and registered on May 8, and 17, 1943, respectively, with the Office of the Register of Deeds of Negros Occidental in accordance with the Chattel Mortgage Law.

"By virtue of the transfer agreement dated July 20, 1954, and June 5, 1957, between the governments of the United States of America and the Republic of the Philippines, all the assets of the Bank of Taiwan, Ltd., including the promissory notes Exhibits C, C-1 to C-9, and the chattel mortgages on standing crops Exhibits D and E, were transferred by the United States Government, thru its Attorney General, as successor of the Philippine Alien Property Administration, to the Government of the Republic of the Philippines. These assets are now administered by the Board of Liquidators, an agency under the Office of the President of the Philippines.

"Under the Ballantyne Schedule the amount of P14,786.61 was reduced to P10,652.49. The interest due thereon at the rate of 6% per annum, compounded quarterly as of December 31, 1961, amounted to P21,248.42. As of that date therefore the principal and interest totaled P31,900.91 (Exh. A-1). In spite of

repeated demands the said amount remains unpaid up to the present (Exhs. B, B-1, B-2 and B-3).

x x x x"

Upon these facts, the court below dismissed the complaint filed by the Government on the ground that the action had prescribed, reasoning as follows:

"The obligations under the promissory notes were due and payable one year after the execution thereof. Although the period of maturity is not stated in all the notes, this is sufficiently shown by the nature of the standing crops - maize, sugarcane and palay - mortgaged, which are yearly crops. The first promissory note is dated April 7, 1943, and the last, October 27, 1943; but the complaint was filed only on March 30, 1962. Even taking into consideration that 'the moratorium law suspended the running of the period of prescription and the enforcement of the payment of all debts and other monetary obligations payable within the Philippines from March 10, 1945, to July 26, 1948, or a period of three years, four months and sixteen days' as repeatedly stated by the Supreme Court in so many decisions and cited in the case of *Bachrach Motor Co., Inc. vs. Antonio Lejano*, 56 O.G. 3278, still the action has already prescribed because from the last promissory note dated October 27, 1943, which became due on October 27, 1944 to March 30, 1962, the date when the complaint was filed, a period of 17 years 5 months and 3 days had elapsed, and deducting from this the period of moratorium of 3 years, 4 months and 16 days, there remains a period of 14 years and 17 days.

"Wherefore, judgment is hereby rendered dismissing the complaint, without special pronouncement as to costs."

The Government's motion for the reconsideration of this decision proved unavailing; hence, this appeal from the said decision directly taken to this Court.

The sole issue presented for resolution under the lone assignment of error is whether or not the action of the Republic had really prescribed. It is the position of the Solicitor General that it has not. We agree. This Court has had occasions to turn down such plea of prescription in situations similar to the one now presented before Us, and We find the rulings laid then squarely applicable here. Thus, this Court explained in the case of *Republic of the Philippines vs. Jose Grijaldo*:^[1]

x x x [T]he appellant maintains that the action of the appellee had prescribed. The appellant points out that the loans became due on June 1, 1944; and when the complaint was filed on January 17, 1961 a period of more than 16 years had already elapsed - far beyond the period of ten years when an action based on a written contract should be brought to court.

"This contention of the appellant has no merit. Firstly, it should be considered that the complaint in the present case was brought by the Republic of the Philippines not as a nominal party but in the exercise of its sovereign functions, to protect the interests of the State over a public property. Under paragraph 4 of Article 1108 of the Civil Code prescription, both acquisitive and extinctive, does not run against the State. This Court has held that the statute of limitations does not run against the right of action of the Government of the Philippines (*Government of the Philippine Islands vs. Monte de Piedad, etc.* 35 Phil. 738-751). Secondly, the running of the period of prescription of the action to collect the loan from the appellant was interrupted by the moratorium laws (Executive Orders Nos. 25, dated November 18, 1944; Executive Order No. 32, dated March 10, 1945; and Republic Act No. 342, approved on July 26, 1948). The loan in question, as evidenced by the five promissory notes, were incurred in the year 1943, or during the period of Japanese occupation of the Philippines. This case is squarely covered by Executive Order No. 25, which became effective on November 18, 1944, providing for the suspension of payments of debts incurred after December 31, 1941. The period of prescription was, therefore, suspended beginning November 18, 1944. This Court, in the case of *Rutter vs. Esteban* (L-3708, May 18, 1953; 93 Phil. 68), declared on May 18, 1953 that the Moratorium Laws, R.A. No. 342 and Executive Orders Nos. 25 and 32, are unconstitutional; but in that case this Court ruled that the

moratorium laws had suspended the prescriptive period until May 18, 1953. This ruling was categorically reiterated in the decision in the case of *Manila Motors vs. Flores*, L-9396, August 16, 1956. It follows, therefore, that the prescriptive period in the case now before Us was suspended from November 18, 1944, when Executive Order No. 25 took effect, until May 18, 1953 when R.A. 342 along with Executive Orders Nos. 25 and 32 were declared unconstitutional by this Court. Computed accordingly, the prescriptive period was suspended for 8 years and 6 months. By the appellant's own admission, the cause of action on the five promissory notes in question arose on June 1, 1944. The complaint in the present case was filed on January 17, 1961, or after a period of 16 years 6 months and 16 days when the cause of action arose. If the prescriptive period was not interrupted by the moratorium laws, the action would have prescribed already; but, as We have stated, the prescriptive period was suspended by the moratorium laws for a period of 8 years and 6 months. If we deduct the period of suspension (8 years and 6 months) from the period that elapsed from the time the cause of action arose to the time when the complaint was filed (16 years, 6 months and 16 days) there remains a period of 8 years and 16 days. In other words, the prescriptive period ran for only 8 years and 16 days. There still remained a period of one year, 11 months and 14 days of the prescriptive period when the complaint was filed."

The above ruling was later reiterated in the case of *Republic vs. Rodriguez*,^[2] the facts of which, except that the loans there involved were contracted by therein defendant himself, are on all fours with those of the one here present. There, defendant Gregorio Rodriguez obtained loans, evidenced by two promissory notes and secured by a chattel mortgage, from the Bank of Taiwan, Ltd. in the year 1943. The loans remained unpaid until January 21, 1946, when they became vested in the United States of America thru its Alien Property Custodian, pursuant to the United States Trading with the Enemy Act, as amended, and under its Vesting Order No. P-4. Later, on July 20, 1954, said unpaid accounts together with other assets of the Bank of Taiwan were transferred, conveyed and assigned to the Government of the Philippines by virtue of the Transfer Agreement executed on that date between the United States and the Philippine governments. In June, 1960, the Republic sued on the notes; but the action was dismissed on the ground of prescription, first, by the justice of the peace of La Carlota, Negros Occidental and, later, by the Court of First Instance of Negros Occidental. On appeal to this Court, however, the order of dismissal was reversed and the record remanded for further proceedings. Speaking thru Mr. Chief Justice Bengzon, this Court ruled:

"At first glance, the period of prescription has lapsed. However, the Government argues that from the period of 1943-1954, must be deducted the time when the Moratorium Law was in force, because it tolled or suspended the running of the statute of limitations. The other side replies that as the Moratorium did not bind the Republic of the Philippines or the Government of the United States, the running of the prescriptive period was never interrupted, and therefore, more than ten years having elapsed, the notes prescribed.

"It will be recalled that the Moratorium Law was established by Executive Orders Nos. 25 and 32, dated November 18, 1944, and March 10, 1945, respectively. At that time, these credits belonged to the Bank of Taiwan. The Moratorium Law bound it. Therefore, as to it, the prescriptive period was tolled. As it was only on January 21, 1946, that it lost ownership to the United States Government, more than one year must be deducted from the period from November, 1943 to July, 1954; with the result that, for purposes of prescription, less than ten years had elapsed when (in July, 1954) the Republic became the owner of the promissory notes. It must be remembered that from that time (July, 1954), the prescriptive period stopped to run against the Republic of the Philippine Islands.

"Prescription does not run against the State (Art. 1108, New Civil Code).

"It may be added in this connection that after Independence in July, 1946, the United States Government became a foreign country, lost its sovereignty over these Islands, and therefore, could not sue, by reason of the Moratorium Law, which lost its force only on May 18, 1953 (*Rutter vs. Esteban*, 93 Phil. 68). So the period between July, 1946 to May, 1953 (about 7 years) should be deducted in computing the period of prescription. x

x x"

Applying the precedents above-quoted to the problem on hand, it is clear that the right of action of the Republic had not prescribed when it filed its complaint in this case. The first of the promissory notes here involved matured on April 7, 1944, whereupon, a right of action to enforce the obligation thereunder accrued in favor of the Bank of Taiwan. At that time, the said bank was free to sue herein appellees to recover the debt; but since it did not choose to do so, the period of prescription commenced to run against it, and seven (7) months and eleven (11) days elapsed before the running of the statute of limitations against it was suspended on November 18, 1944, when it was tolled, first, by Executive Order No. 25 which provided for the suspension of payments of debts incurred after December 31, 1941 and, later, by Executive Order No. 32, dated March 10, 1945, which suspended the enforcement of payments not only of all debts and monetary obligations incurred before December 8, 1941, but also of all debts contracted during the Japanese occupation.[3] On January 21, 1946, the assets of the Bank of Taiwan in the Philippines, including the promissory notes referred to, became vested in the Government of the United States of America by virtue of its Vesting Order No. P-4, issued under authority of its Trading with the Enemy Act. Granting, argumenti gratia, herein appellees' claim that the period of prescription then commenced to run against the U.S. Government because the moratorium provided for in the executive orders above-mentioned did not bind it, still, the running of the statute of limitations was suspended for a second time on July 4, 1946, when the Philippines obtained independence and the United States became a foreign country in this jurisdiction and could not sue, by reason of the moratorium laws,[4] with the resultant effect that four (4) months and thirteen (13) days of the prescriptive period again elapsed. The moratorium laws were declared unconstitutional and lost their binding effect on May 18, 1953 (*Rutter vs. Esteban*, supra), after which the period of prescription started to run anew against the United States Government; but on July 20, 1954, after the lapse of one (1) year, one (1) month and two (2) days, the running thereof was suspended for the third time when the obligation under consideration was transferred and assigned to the Government of the Philippines by the Attorney General of the United States by virtue of the corresponding transfer agreements entered into between the two governments pursuant to the Philippine Property Act of 1946. And there is no gainsaying that from that date (July 20, 1954), the statute of limitations ceased to run against the Republic of the Philippines since prescription does not run against the State which, in this case, seeks to enforce the said obligation in the exercise of its sovereign role.[5] In fine, a total of only two (2) years and twenty-six (26) days, i.e., 7 months and 11 days during the period from April 7, 1944 to November 18, 1944, added to 4 months and 13 days during the period from January 21, 1946 to July 4, 1946, plus 1 year, 1 month and 2 days during the period from May 18, 1953 to July 20, 1954, had elapsed when the ownership of the first note fell into the hands of the Republic of the Philippines, and as against whom no prescription had run thereafter up to the time the present case was filed on March 30, 1962. This conclusion applies with greater force in respect of the other promissory notes here involved which matured much later. Accordingly, We hold that the lower court erred in holding that the action of the Republic of the Philippines in this case had prescribed.

Appellee Pedro C. Hernaez, however, interposes his own assignment of errors in his brief, claiming that:

"I. THE LOWER COURT ERRED IN DECLARING THAT THERE EXISTED A NEGOTIORUM GESTIO RELATION BETWEEN DEFENDANT PEDRO C. HERNAEZ AND DEFENDANT RAMON DE LA RAMA;

"II. THE LOWER COURT LIKEWISE ERRED IN DECLARING THAT DEFENDANT PEDRO C. HERNAEZ RATIFIED THE ACTS OF MANAGEMENT OF THE GESTOR;

"III. THE LOWER COURT ERRED IN NOT DECLARING THAT ON THE SUPPOSITION THAT DEFENDANT DE LA RAMA WAS THE NEGOTIORUM GESTOR OF DEFENDANT HERNAEZ, THE

SUMS OF MONEY SUPPOSEDLY LOANED BY THE TAIWAN BANK, LTD., TO RAMON DE LA RAMA REPRESENTED THE MONEY PROCEEDS OF SUGAR BELONGING TO DEFENDANT HERNAEZ." (Pp. 79-80, R.A.)

Of course, it is permissible for an appellee who has not himself appealed to assign what he believes to be errors committed by the trial court in its decision, if his purpose in doing so is not to have the appealed judgment modified or reversed in any way but only to be sure that it is affirmed on other grounds, just in case it cannot be sustained on the ground upheld by the trial judge. Indeed, to that end, it is not even necessary for him to make any assignment of error, all he has to do is to point out in the discussion in his brief the errors allegedly committed by the trial court against him. (2 Moran, Comments on the Rules of Court, pp. 427-428, 1963 ed.)

We cannot, however apply these observations to the above assignment of errors of appellee Hernaez in this case. True, said assignment is intended for no other purpose than to sustain the judgment of dismissal of the court a quo in his favor, but it will be noted that said assignment raises issues of fact which require a review of the evidence, and as plaintiff-appellee has appealed directly to this Court on a question of law, namely, whether or not the trial court erred in dismissing its complaint on the ground of prescription, upon the factual premises found by His Honor from the evidence submitted by the parties after due trial, the record on appeal here does not incorporate such evidence, hence the same cannot be reviewed. Upon the other hand, even if appellee Hernaez had himself perfected his own appeal, which understandably he could not have done since the judgment of the trial court was in his favor, this Court would still be unable to pass on issues of fact he raised, for they properly belong to the jurisdiction of the Court of Appeals, even under the former law in force at the time the present case was appealed. Under these circumstances, We hold that the appropriate procedure is for appellee to take up the above assignment of errors in the appeal he may make, if necessary, from the judgment that the court a quo will render after this case is remanded to it.

IN VIEW OF ALL THE FOREGOING, the judgment of dismissal rendered by the trial court is hereby reversed, the motion of appellee for the dismissal of the complaint on the ground of prescription is denied, and this case is ordered remanded to the trial court in order that said court may render judgment on the merits and pass on all issues between the parties other than that of prescription resolved herein, with costs against appellees.

Concepcion, C.J., Reyes, J.B.L., Dizon, Zaldivar, Sanchez, Fernando, and Teehankee, JJ., concur.
Makalintal and Castro, JJ., in the result.

[1] L-20240, December 31, 1965.

[2] L-18967, January 31, 1966, 16 SCRA 53, 55-56.

[3] See Nielson & Co., Inc. vs. Lepanto Consolidated Mining Company, L-21601 (Resolution of Motion for Reconsideration of the decision of this Court in that case on December 17, 1966, 18 SCRA 1040), December 28, 1968, 26 SCRA 540, 561.

[4] Republic vs. Rodriguez, supra.

[5] Republic of the Philippines vs. Grijaldo, supra.

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.