

**GEDEON G. QUIJANO AND EUGENIA T. QUIJANO,
PETITIONERS?APPELLANTS, VS. THE DEVELOPMENT BANK OF THE
PHILIPPINES AND THE EX-OFICIO SHERIFF OF MISAMIS
OCCIDENTAL, RESPONDENTS-APPELL...**

G.R. No. L-26419. October 16, 1970

Ponente: BARREDO, J.

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BARREDO, J.:

Appeal from the decision of the Court of First Instance of Misamis Occidental in its Special Civil Case No. 2519, dismissing the petition for mandamus with prayer for a writ of preliminary injunction filed therein by the herein petitioners-appellants Gedeon G. Quijano and Eugenia T. Quijano to compel the herein respondent-appellee Development Bank of the Philippines to accept said petitioners-appellants' back pay certificate in payment of their loan from the said appellee Bank, and to restrain the herein respond-ent-appellee ex-officio sheriff of the province of Misa-mis Occidental from proceeding with the scheduled fore-closure sale of the real properties the above-named ap-pellant spouses had mortgaged with the Development Bank of the Philippines to secure the loan aforementioned.

The said appealed decision was based on the fol-lowing:

"STIPULATION OF FACTS

"The undersigned parties, thru counsels, hereby submit the forego-ing stipulation of facts, to wit:

"1. That the petitioners filed an application for an urban estate loan with the Rehabilitation Finance Corporation (RFC), predecessor-in--interest of the herein respondent-bank, in the amount of P19, 500.00;

"II. That the petitioners' urban real estate loan was approved per RFC Board Resolution No. 2533 on April 30, 1953;

"III. That the mortgage contract was executed by the petitioners in fa-vor of the respondent-bank on March 23, 1954;

"IV. That the said loan of P19,500.00 was to be received by the pe-titioners in several releases, subject among others, to the following conditions:

"(1) That the amount of P4,200.00 shall be released only after:

"(a) the execution and registration of the mortgage contract;

"(b) the presentation of a duly approved building permit;

"(c) the construct-ion has been started and the value of the work done amounted to P6,500.00;

"(d) the submission of the certificate of title covering Psu-136173, free from any encumbrance; and

“(e) the submission of evidence showing full payment of current estate taxes;

“(2) That the subsequent releases shall not be more than 100% of the value of the construction completed in excess of P6,500.00; that all releases shall be made against the payroll of workers engaged in the project, receipts of all materials used and that there are no unpaid labor or unpaid materials;

“(3) That a sufficient amount may be withheld until the building is completed and painted and found in accordance with the plans and specification submitted;

“(4) That the amount of insurance of the building, when completed, shall not be less than P18,000.00, which shall be secured by the mortgagee, in accordance with its Board Resolution No. 3395 series of 1947;

“(5) That the construction and painting of the building shall be completed within 120 days from the date of the mortgage contract;

“(6) That the release of this loan is subject to the availability of funds;

“(7) That the lien appearing on the face of the title shall be cancelled, otherwise, Luciana Jimenez shall sign as co-mortgagor; that this mortgage contract was registered on March 23, 1954 with the Register of Deeds of Misamis Occidental at Oroquieta;

“V. That the first release of P4,200 was made on April 29, 1954, and the other releases were made subsequent thereafter;

“VI. That as of July 31, 1965, the outstanding obligation of the petitioners with the respondent-bank, including in-terests, was P13,983.50;

“VII. That on July 27, 1965, petitioner Gedeon Quijano, as holder of Acknowledgement No. 10181, wrote the respondent-bank in Manila offering to pay in the amount of P14,000.00 for his outstanding obligation with the respondent-bank, out of the proceeds of his back pay pursuant to Republic Act No. 897;

“VIII. That the respondent-bank, thru its Ozamiz Branch advised the petitioners of the non-acceptance of his offer on the ground that the loan was not incurred before or subsisting on June 20, 1953 when Republic Act 897 was approved;

“IX. That the respondent-bank, thru its Ozamiz City Branch, filed on October 14, 1965, an application for the foreclosure of real estate mortgage executed by the petitioners, and that acting on the application of the respondent-bank, the Provincial Sheriff, thru his deputies, scheduled the public auction sale for January 18, 1966, after advising petitioner Gedeon Quijano of the application for foreclosure filed by the respondent-bank.

“X. That the parties herein agree to transfer the auction sale scheduled for January 16, 1966 to February 18, 1966, without the necessity of republication of the notice of sale.”

Upon these facts and the submission of the parties that the only issue is whether or not the obligation of the petitioners was subsisting at the time of the appro-val of Republic Act No. 897, the Amendatory Act of June 20, 1953 to Republic Act 304, the original back pay law, the trial court dismissed the petition, as already stated, and directed respondent sheriff to proceed and continue with the public auction sale of the property mortgaged in accordance with the foreclosure application of respondent Development Bank of the Philippines after due notice to petitioners. In their appeal, petitioners’ sole assignment of error is that: “The trial court erred in declaring that the loan of the petitioners-appellants was not subsisting when Republic Act No. 897 was enacted on June 20, 1953.”

The appeal has no merit.

The pertinent portions of the controlling provisions of the aforementioned Back Pay Law, as amended by Republic Act No. 897 on June 20, 1953,[1] read as follows:

"SEC. 2. The Treasurer of the Philippines shall, upon application of all persons specified in section one hereof and within one year from the approval of this Amendatory Act, and under such rules and regulations as may be promulgated by the Secretary of Finance, acknowledge and file requests for the recognition of the right to the salaries and wages as provided in section one hereof, and notice of such acknowledgment shall be issued to the applicant which shall state the total amount of such salaries or wages due the applicant, and certify that it shall be redeemed by the Government of the Philippines within ten years from the date of their issuance without interests: Provided, That upon application and subject to such rules and regulations as may be approved by the Secretary of Finance a certificate of indebtedness may be issued by the Treasurer of the Philippines covering the whole or a part of the total salaries and wages the right to which has been duly acknowledged and recognized, provided that the face value of such certificate of indebtedness shall not exceed the amount that the applicant may need for the payment of (1) obligations subsisting at the time of the approval of this Amendatory Act for which the applicant may directly be liable to the government or to any of its branches or instrumentalities, or the corporations owned or controlled by the Government, or to any citizen of the Philippines, or to any association or corporation organized under the laws of the Philippines, who may be willing to accept the same for such settlement.; x x x"

It is indeed settled that under the above provisions, the Government or any of its agencies does not have any discretion in the acceptance of back pay certificates,[2] when they are used by the applicants or original holders themselves for the settlement of any of the obligations or liabilities specifically enumerated in the law,[3] It is equally clear, however, that the same provisions expressly require that the obligations - for which certificates of indebtedness may be accepted as payments of - must be subsisting at the time of the approval of Republic Act No. 897; hence when, as in the instant case, such back pay certificates are offered in payment to a government-owned corporation of an obligation thereto which was not subsisting at the time of the enactment of said amendatory Act on June 20, 1953, such corporation may not legally be compelled to accept the certificates.

It is true that appellants' application for an urban real estate loan was approved by appellee bank on April 30, 1953. It appears, however, that appellants did not avail of it until much later, as in fact, they executed the mortgage contract only on March 23, 1954, and furthermore, that the release of the amount of the said loan of P19,500.00 was to be made in installments and subject to compliance with certain conditions by said appellants. Under these circumstances, Our ruling in the case of *Rodriguez vs. Development Bank of the Philippines*[4] is controlling.

In that case, Rodriguez obtained a loan from the said Development Bank of the Philippines to be received by him in several releases and to be paid later in installments, under the terms and conditions specified in the loan agreement. Pursuant to said agreement, Rodriguez received the first release in the sum of P5,000.00 on May 27, 1953, while the subsequent releases covering the P9,000.00 - balance of the loan were all availed of and received by him later than June, 1953. Later, Rodriguez paid the installments as they fell due. When a balance of about P10,000.00 remained unpaid, Rodriguez offered to pay the said outstanding balance of the loan with his back pay certificate. The Bank refused at first to accept the said tender of payment in certificate, and when it accepted the same later, it limited its acceptance only to the amount of P5,000.00 representing the portion of the loan released before the passage of Republic Act No. 897, although the amount of the back pay certificate offered by Rodriguez was more than sufficient to cover the total unpaid balance of the loan. So, Rodriguez instituted an action for mandamus in the Court of First Instance of Davao to compel the Bank to accept his back pay certificate in payment of his whole outstanding obligation or, in other words, even for the portions of the loan corresponding to the releases made after June 20, 1953. This action was dismissed by the trial court and upon appeal to this Court, the dismissal was affirmed upon the following rationale:

"It can not be said that appellant became indebted to the Bank for the total amount of P14,000.00 from the date of the agreement. The releases of the balance of the agreed loan were made dependent on certain conditions (see additional conditions mentioned in paragraph 4 of the stipulation of facts, supra) among which is the availability of funds. Non-compliance with any of these conditions will not entitle the appellant to the release of the balance of the agreed loan and conversely, will not entitle the bank to hold the appellant liable for the unreleased amounts. Consequently, we hold, as did the trial court, that:

' x x x the amounts released in July, 1953 and thereafter cannot be considered as obligations subsisting in June, 1953. The defendant may be compelled to accept a back pay certificate in payment of obligations subsisting when the Amendatory Act was approved (Sec. 2, Republic Act 897). Republic Act 897 was approved on June 20, 1953. The defendant may not be compelled to accept plaintiff's back pay certificate in payment of the amounts released after June 20, 1953.'

"The case of *Sabelino v. RFC* (G. R. No. L-11790, Sept. 30, 1958) relied upon by appellant is irrelevant, as the mortgage indebtedness sought to be paid with appellee's back pay certificate therein, appears to have subsisted prior to the approval of Republic Act No. 897. x x x"

Herein appellants' situation is even worse than that of Rodriguez. Here appellants actually availed of their approved loan only about nine (9) months after the enactment of Republic Act 897 and the corresponding releases thereof were received by appellants only after the execution of the mortgage contract on March 23, 1954. Undoubtedly, notwithstanding the approval by the appellee Development Bank of the Philippines (RFC) of appellants' loan application on April 30, 1953, appellants did not thereby incur any obligation to pay the same; only after the corresponding amounts were released to appellants after March 23, 1954 did such obligation attach; and it cannot, therefore, be said that the said loan was an obligation subsisting at the time of the approval of Republic Act No. 897 on June 20, 1953.

It may be truly said, as contended by appellants, that when their application for the loan was approved by the appellee Bank on April 30, 1953, an agreement was perfected between them and said Bank, but it should be noted that under such agreement the only enforceable obligation that was created was that of the Bank to grant the loan applied for, whereas the obligation of appellants to pay the same could not have arisen until after the amount of the loan has been actually released to them; and said release was even subject to their compliance with certain conditions specified in the mortgage contract executed after the approval already of Republic Act 897. Appellants' appeal that a more liberal construction of the law would enable "many crippled or disabled veterans, or their wives and orphans, or those who had in one way or another unselfishly sacrificed or contributed to the cause of the last war" to take advantage of their back pay certificates, does deserve sympathy, for indeed, among the avowed purposes of the said law are: "First, to serve as a source of financial aid to needy veterans, like crippled or disabled veterans, and to their wives and orphans. Secondly, to give recognition to the sacrifices of those who joined the last war and particularly to those who have given their all for the cause of the last war." (Congressional Records No. 61, 2nd Congress, 4th Regular Session, May 6, 1953, page 74, as quoted in *Florentino et al vs. PNB*, 98 Phil. 959, 961-963). On the other hand, however, We cannot see any room for interpretation or construction in the clear and unambiguous language of the above-quoted provision of law. This Court has steadfastly adhered to the doctrine that its first and fundamental duty is the application of the law according to its express terms, interpretation being called or only when such literal application is impossible.[5] No process of interpretation or construction need be resorted to where a provision of law peremptorily calls for application. Where a requirement or condition is made in explicit and unambiguous terms, no discretion is left to the judiciary. It must see to it that its mandate is obeyed.[6] Thus, even before the amendment of the Back Pay Law, when said law limited the applicability of back pay certificates to "obligations subsisting at the time of the approval of this Act", this Court has ruled that obligations contracted after its enactment on June 18, 1948 cannot come within its purview.

"Since the debt of appellants was contracted on November 24, 1948, they could not validly seek to dis-charge it by application of their back pay certificate under Republic Act 304, passed on June 18, 1948, because that Act, in terms, limited any such application to 'obligations subsisting at the time of the approval of this Act' (Sec. 2)"[7]

WHEREFORE, the judgment of the trial court is affirmed. No costs.

Reyes, J.B.L., Acting C.J., Dizon, Makalintal, Zaldivar, Ruiz Castro, Fernando, Teehankee, Villamor, and Makasiar, JJ., concur.

Concepcion, C.J., on official leave.

[1] On June 22, 1957, the law was further amended by Republic Act 1853 to read, among others, and so far as pertinent to this case, as follows:

"(1) obligations subsisting at the time of the approval of this amendatory act for which the applicant may directly be liable to the Government or to any of its branches and instrumentalities, or the corporations owned or controlled by the Government, the provisions of their charters, articles of incorporation, by-laws or rules and regulations to the contrary notwithstanding, or to any citizen of the Philippines, or to any association or corporation organized under the laws of the Philippines, who may be willing to accept the same for such settlement; (2) x x x"

[2] Tirona vs. City Treasurer of Manila, L-24607, January 29, 1968; Florentino vs. PNB, 98 Phil. 959.

[3] Republic vs. Herras, L-26742, April 30, 1970. See also, Republic vs. Phil. Rabbit Bus Lines, Inc., L-26862, March 30, 1970.

[4] L-19771, February 27, 1964.

[5] See, Pacific Oxygen & Acetylene Co. vs. Central Bank, L-21881, March 1, 1968.

[6] Luzon Surety Co., Inc. vs. De Garcia, et al., L-25659, Oct. 31, 1969. See, also, United Christian Missionary Society vs. Social Security Commission, et al., L-26712-16, Dec. 27, 1969.

[7] PNB vs. Ruperto, et al., 108 Phil. 810.

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