

LA ORDEN DE PP. BENEDICTINOS DE LAS ISLAS FILIPINAS, PETITIONER, VS. J. A. STIVER AND THE PHILIPPINE TRUST COMPANY, RESPONDENTS.

G. R. No. L-4568. June 16, 1953

Ponente: PADILLA, J.

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PADILLA, J.:

This is a petition for review of an order of the Securities and Exchange Commission directing La Orden de PP. Benedictinos de Filipinas and the Philippine Trust Company as trustee (1) to issue in the name of J. A. Stiver an unregistered bond in the sum of P5,000 upon his filing of a security in such form and amount as may be required by the La Orden de PP. Benedictinos de Filipinas, unless he prefers to leave the replacement bond thus issued with the La Orden de PP. Benedictinos de Filipinas for a period of one year from the date of the order, in which case no security need be filed and (2) to submit a report to the Commission within ten days from the date the order becomes final on the action taken by the La Orden de PP. Benedictinos de Filipinas and the Philippine Trust Company.

This being a petition for review of an order of the Securities and Exchange Commission, only questions of law may be raised (section 2, Rule 43, Rules of Court).

The facts found by the Securities and Exchange Commission are, as follows:

In 1928, "La Orden" floated a bond issue, maturing from two to fifteen years, in the total sum of P450,000 with the "Philippine Trust," as trustee. As security for the bonds, the former corporation executed a first mortgage and deed of trust over certain parcels of land in the City of Manila, in favor of the latter company, for the benefit of the bondholders. In 1941, most of the bonds having matured and unpaid, the "Philippine Trust" instituted an action in the Court of First Instance of Manila, for the purpose of selling the property mortgaged, or portions thereof, and applying the proceeds to the redemption of the matured bonds plus accrued interests. The court placed the property mortgaged under receivership, and the receivers appointed subdivided a portion of the property and sold the same during the Japanese occupation. An amount in Japanese occupation currency, sufficient to redeem the entire bond issue, together with all accrued interests, was then turned over by the receivers to the "Philippine Trust" and the mortgage and deed of trust was cancelled with the approval of the court. In its order closing the receivership, the Court also released "La Orden" from all obligations it contracted with respect to the bonds.

After receipt of the redemption money, the "Philippine Trust" notified the bondholders, by publication, of its readiness to redeem the bonds. Some of the bondholders surrendered their bonds and were paid the value thereof, in the currency then existing. Others failed to do so, however, and as the redemption money became worthless after the liberation of the Philippines by the American Forces, their bonds have not been redeemed up to this date.

The petitioner contends that the Securities and Exchange Commission erred in ordering it to issue a replacement bond when the obligation represented by the bond no longer exists because the bond had been paid and the issuer

thereof was discharged from its obligation. In support of its contention the petitioner invokes section 1(E), Republic Act No. 62, which reads, as follows:

Upon satisfactory proof of ownership of securities, the issuer corporation or association shall issue new share certificates or bonds to the persons entitled thereto, or, in case of securities which have not been fully paid, or for which no payment whatsoever has been made, the issuer shall recognize all valid claims of ownership thereto or interest therein.

The foregoing provisions do not support the petitioner's contention. The phrases "which have not been fully paid, or for which no payment whatsoever has been made," refer to subscriptions not fully paid or for which no payment whatsoever has been made, and upon satisfactory proof of valid claims of ownership to such securities or interest therein, "the issuer shall recognize all valid claims of ownership thereto or interest therein." The cessation or extinction of the obligation of the issuer of the securities or bonds to issue replacement securities or bonds upon proof of their loss or destruction is not provided therein. The determination as to whether or not the issuer of the securities or bonds had discharged its obligation, until otherwise provided by law, lies within the province of the courts and the Securities and Exchange Commission is powerless to pass upon it.

The bondholder having established his ownership to ten bonds issued by the petitioner at P500 each which had been lost or destroyed during the battle for liberation of the City of Manila, the issuer of the bonds, the herein petitioner, is in duty bound to issue bonds to replace them. If the lost or destroyed bonds are not to be replaced by the issuance of other bonds, how may the bondholders go to the trustee who had received the payment of the mortgage obligation represented by the bonds to claim payment of their bonds?

Whether the payment made by the issuer of the bonds of the whole amount of the mortgage obligation or bonded indebtedness to the trustee who is still in possession of part of the said amount has discharged the issuer from its obligation to pay the bondholders, and whether the trustee after calling upon the bondholders to receive the amount due them upon their bonds has been discharged from liability to the bondholders who have not been paid because of their failure to call upon and receive from the trustee what is due them upon their bonds, are matters foreign to the functions of the Securities and Exchange Commission because they fall within the field of judicial determination and adjudication.

J. A. Stiver, the bondholder, admits that he was paid P2,000 upon his lost bonds. The replacement bond to be issued then must be for P3,000 only. Of course, as clarified by the Securities and Exchange Commission in its order of 17 May 1951, the directive to the Philippine Trust Company is just to "certify and deliver" the replacement bond, as stipulated and provided for in the Deed of Trust.

Except as to the amount of the replacement bond which is P3,000 only, and as to what the trustee has to do in connection with the issuance of the replacement bond in question, as clarified by the Commission, the order under review being in accordance with law is affirmed, with costs against the petitioner.

Paras, C. J., Pablo, Bengzon, Tuason, Montemayor, Reyes, Jugo, Bautista Angelo and Labrador, JJ., concur.

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