

## **PHILIPPINE NATIONAL BANK, PLAINTIFF AND APPELLEE, VS. RAMON ERENETA AND MARIA PATERNO ERENETA, DEFENDANTS AND APPELLANTS.**

*G.R. No. 13058. August 28, 1959*

Ponente: LABRADOR, J.

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### **LABRADOR, J.:**

Appeal from a judgment of the Court of First Instance of Manila, Hon. Antonio G. Lucero, presiding, sentencing the defendants to pay the plaintiff the value of a promissory note, after denying the right of the defendants to pay said note with backpay certificate.

On June 11, 1952, the defendants Ramon Ereneta and Maria Paterno Ereneta executed a promissory note in favor of the plaintiff Philippine National Bank for the sum of P600.00, payable within 90 days, with interest at 9% per annum, until fully paid. The promissory note became due and demandable on September 9, 1952, and prior to this date, defendants offered to pay the indebtedness with certificate of indebtedness No. 16709 issued by the Insular Treasurer in the name of defendant Ramon Ereneta. The plaintiff refused to accept the above-certificate on the ground that the policy of the bank is to refuse acceptance of certificates of indebtedness in payment of obligations subsisting at the time of the approval of Republic Act No. 897. As no payment of the indebtedness was forthcoming, the plaintiff presented this action on August 5, 1954. Defendants, in answer, claim that the tender of payment of the backpay certificate was made by them, but that plaintiff has refused to accept the same.

There is no dispute as to the above facts, and the issue presented is a legal one, i. e., whether the backpay certificate of indebtedness of defendant Ramon Ereneta may be legally offered in payment of his indebtedness to the Philippine National Bank. The Court of First Instance of Manila decided that in accordance with executive construction placed on the provisions of Republic Act No. 897, acceptance of backpay certificates in payment of debts is only permissible and discretionary on the part of the government corporations, and, therefore, the Philippine National Bank can not be compelled to accept defendants' backpay certificate in payment of the loan or debt.

The decision is sought to be reversed on the authority of Section 2 of Republic Act No. 897 which reads as follows:

SEC. 2. Section two of the said Act (Republic 304) as amended by Republic Act Numbered Eight hundred, is further amended to read:

\* \* \* 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 or 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 \* \* \*."

In the case of *Florentino vs. Philippine National Bank*, 98 Phil., 959; 52 Off Gaz. No. 5, p. 2522, this Court, thru the late Mr. Justice Jugo said:

"But even disregarding the grammatical construction, as done by the appellee, still there are cogent and powerful reasons why the qualifying clause should be limited to the last antecedent. In the first place, to make the acceptance of the backpay certificates obligatory upon any citizen, association, or corporation, which are not government entities or owned or controlled by the government, would render section 2 of Republic Act No- 897 unconstitutional, for it would amount to an impairment of the obligation of contracts by compelling private creditors to accept a sort of promissory note payable within ten years with interest at a rate very much lower than the current or even the legal one.

The other reason is found in the Congressional Record, which says:

"Mr. TIBLE: On page 4, line 17, between the words 'this' and 'act', insert the word 'amendatory'.

"Mr. ZOSA: What is the purpose of the amendment?

"Mr. TIBLE: The purpose of the amendment is to clarify the provision of section 2. I believe, gentleman from Cebu, that section 2, as amended in this amendatory bill permits the use of backpay certificates as payment for obligations and indebtedness in favor of the government". (Congressional Record No. 64, 2nd Congress, 4th Regular Session, May 11, 1953, page 41; quoted in Appellants' brief, p. 15.)

The above ruling is decisive of the case at bar. Again in the case of *Sabelino vs. RFC*, L-11790, prom. September SO, 1958, the above decision of *Florentino vs. Philippine National Bank* was applied by us.

Plaintiff-appellee asks for a reconsideration of the rulings of this Court in said cases, arguing that the phrase in the above-quoted provision of law "who may be willing to accept the same for such settlement" should apply not only to any citizen of the Philippines, or to any association or corporation, but also to corporations owned or controlled by the Government. Granting that there may be some room for doubt about the construction and application of said phrase, we believe that the purpose and intention of Republic Act No. 897 as discussed in the proceedings for the approval of said law in Congress, conclusively demonstrate that the legislative body intended to permit the use of said backpay certificates as payment of obligations in favor of government corporations.

A new argument raised in the brief of appellee is the enactment of Republic Act No. 1576, dated June 16, 1956, which adds a new provision, Section 9-a, to Republic Act No. 1300, otherwise known as the Revised Charter of the Philippine National Bank. Said section reads:

"SEC. 1. A new section to be denominated as section 9-A is hereby inserted after section nine of Republic Act Numbered One Thousand three hundred, otherwise known as the Revised Charter of the Philippine National Bank, to read as follows: Sec. 0-A The Board of Directors shall also have the power and authority:

\* \* \* \* \*

(d) In its discretion, to accept assignments 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 certificates."

Instead of supporting the appellee's stand, the above-quoted provision upholds the ruling of this Court in the aforecited case of *Florentino vs. Philippine National Bank*. Evidently, Congress saw the danger of compelling the appellee bank to accept backpay certificates in payment of loans obtained from it. So the said new section was

enacted. As we have stated, this new section is proof that under the old law, Republic Act No. 897, the acceptance of backpay certificates in payment of loans to government corporations is indeed obligatory upon the appellee bank. The new provisions removes this obligation imposed upon the bank.

Finding that an error has been committed in the judgment of the court below, said judgment is hereby set aside and the plaintiff-appellee is hereby ordered to accept the backpay certificate issued by the government in favor of the defendant-appellant Ramon Ereneta. Without finding as to costs.

Paras, C. J. Bengzon, Padilla, Montemayor, Bautista Angelo, Concepcion, Endencia, and Barrera, JJ., concur.

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