

LUZ B. PASCUA, PLAINTIFF AND APPELLANT, VS. THE EMPLOYEES SAVINGS AND LOAN ASSOCIATION OF THE MANILA WATER SYSTEM, DEFENDANT AND APPELLEE. BEATRIZ MANINGAS VDA. DE CABRERA, GUAR...

G.R. No. 14242. June 30, 1960

Ponente: GUTIERREZ DAVID, J.

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GUTIERREZ DAVID, J.:

Leoncio G. Pascua, who died in 1956, was formerly an employee of the Metropolitan Water District (which was subsequently merged with the National Waterworks and Sewerage Authority). As such employee, he became in 1947, upon application, a member of the Employee's Savings A Loan Association of the Manila Water System (hereinafter referred to as the Association), a duly organized non-stock corporation to which any employee of the Metropolitan Water District is qualified to become a member. Section 25 of the Constitution and By-Laws of the said association provides:

"SEC. 25 Whenever any active member of the Association dies, all the other members shall contribute the sum of FIVE PESOS (P5.00) each and the amount thus collected shall be payable to the beneficiary named in the membership application papers of the deceased member."

In his membership application, the deceased Leoncio G. Pascua designated his wife, Luz B. Pascua, as his beneficiary. However, by letter dated February 29, 1956 addressed to the Board of Directors of the Association, the said deceased requested that "my son, Leoncio M. Pascua, Jr., born of Beatriz M. Vda. de Cabrera, be made a co-beneficiary, in equal share, with my legal wife, Luz B. Pascua, in whatever interests I have in this Association." The request was approved by the Board in its resolution No. 30, series of 1956.

After the death of Leoncio G. Pascua and upon the refusal of the Association to deliver to her in full the fund benefits^[1] allegedly due her as the beneficiary designated by the deceased in his application for membership, Luz B. Pascua filed with the Court of First Instance of Manila the present action against the Association.

In its answer, the defendant Association expressed willingness to pay the benefits to the rightful claimants, but in justification of its refusal to deliver the funds in full to the plaintiff, it alleged, among other things, that while plaintiff was named beneficiary in the membership application of her deceased husband, the same was duly modified by the deceased himself during his lifetime by including his son, Leoncio M. Pascua, Jr., born of Beatriz M. Vda. de Cabrera, as co-beneficiary with said plaintiff in equal share to said funds or benefits. The Association also alleged that the original designation of beneficiary by the deceased was apparently further modified by the said deceased in a document purporting to be his last will and testament now under probate, naming Beatriz M. Vda. de Cabrera a co-beneficiary with minor Leoncio M. Pascua, Jr., to the half interest left by the said deceased in the Association.

Leoncio M. Pascua, Jr., thru his guardian ad litem, having been allowed by leave of court to intervene, also filed

an answer claiming that as one of the beneficiaries he is entitled to one-half of the benefits due from the defendant Association. Upon the filing of an adequate bond, the sum of P2,000.00 was partially paid to him by the Association.

After trial, the lower court rendered decision, ordering the Association to pay to the intervenor one-half of the benefits, less the sum of P2,000.00 already received by the latter, with costs against the plaintiff. From that decision, the plaintiff appealed to the Court of Appeals. Upon joint motion by the intervenor and the defendant, with plaintiff's conformity, the case was elevated to this Court. The decisive question to be determined is whether or not the deceased Leoncio G. Pascua validly changed his beneficiary as to a portion of the benefits due upon his death from the defendant Association by designating his son, herein intervenor-appellee, as co-beneficiary of his legal wife. The weight of authority in the United States answers the question in the affirmative. Thus—

"Even in the absence of any provision in the Constitution or by laws of the society expressly authorizing a change of beneficiaries, it is generally held that inasmuch as a member of a benevolent and beneficial association may terminate his membership therein at any time he sees fit and thereby destroy all opportunity on the part of his beneficiary to enjoy the benefits called for by his certificate, a beneficiary named in such certificate does not acquire any vested right in it, nor a right to anything, during the lifetime of the member to whom it is issued, but merely an expectancy which becomes a vested or absolute right to its proceeds only upon the death of a member, after which time such right cannot be impaired. Consequently, where as is usually the case, the beneficiary under the certificate is a mere volunteer having no contractual relations with either the association or the assured, a member is deemed to have the power to change his beneficiary at will, so long as the statutes of the state or rules and regulations of the order do not expressly prohibit such a change." (38 Am. Jur. pp. 570-571.)

In other words, a member of a mutual aid association, in the absence of a contract between him and the original beneficiary based upon a sufficient consideration by which the latter is to receive a benefit, and there is nothing to the contrary in the statutes or in the association's charter or laws, may, at his pleasure, designate a new beneficiary and thus defeat the original beneficiary's contingent rights to benefits. (See also 46 C. J. S. pp. 950-952.) Unlike in insurance contracts, therefore, where the insured cannot revoke a designation of beneficiary named in his policy unless he reserved the right to make such a change (*Gercio vs. Sun Life Assurance Co.*, 48 Phil., 53), in mutual benefit societies, like the defendant Association, the rule is that a member has the power to change his beneficiary at will, so long as the statutes or the rules and regulations of the society do not expressly prohibit such change.

In this jurisdiction, we are not aware of any law expressly prohibiting the change of beneficiary in mutual benefit associations or societies. Plaintiff does not pretend that her designation as beneficiary was for some sufficient consideration. And while the charter and by-laws of the defendant Association do not expressly authorize a member to change beneficiaries, it, however, does not also prohibit the making of such change; It seems clear, therefore, that the deceased Leoncio G. Pascua had a perfect right to designate his son, herein intervenor-appellee, a co-beneficiary of his wife. The defendant Association itself, recognizing the right of its members to change beneficiaries, approved the designation.

Plaintiff argues that since this Court, in the case of *Southern Employees Association vs. Gulpeo et al.* (96 Phil., 83) has opined that mutual death benefits are analogous to insurance benefits, the principles of insurance, especially the prohibition against the change of beneficiary in the absence of an express reservation thereto, should be applied to mutual aid associations. This Court, however, in the case cited, did not consider the plaintiff therein, a mutual benefit association, as a regular insurance company. And while there is no denying that a mutual benefit association is similar to an insurance company in several respects, the difference between them in respect to the right to change beneficiaries, however, has been frequently commented upon and is firmly established. (*Supreme Council R. A. vs. Behrend*, 247 U. S. 394.)

"For most purposes, mutual benefit associations are insurance companies and certificates issued by them are policies of life insurance. There are, however, some essential differences, one of which is the power on the part of the assured in mutual benefit associations to change the beneficiary; *Holland vs. Taylor*, 111 Ind. 121.12 N.E. 116. In a policy of insurance, the beneficiary has a vested right. In a benevolent society, the beneficiary has no vested right in the certificate before the death of the member; *Masonic Benevolent Association vs. Bunch*, 109 Mo. 560, 19 S.W. 25 * * * The member may change the beneficiary without the latter's consent; *Masonic Benevolent Association vs. Bunch*, supra; he may change as to a portion of the insurance (mutual benefit). (*Woodruff vs. Tillman*, 70 N. W. 420." (I Bouvier's Law Dictionary, 336.)

It is also argued for plaintiff that the notarial will of the deceased Leoncio G. Pascua, containing the disposition: "Ang kalahati ng abuloy ng Employees' Savings Loan Association of the Manila Water System ng M.W.D. ay dapat maibigay din sa nasabing mag-ina (herein intervenor-appellee and his mother)", which was executed later than the letter of the deceased designating the intervenor as plaintiff's co-beneficiary, abrogated the "disposition" in said letter in favor of the intervenor alone. And as the will is still under probate, the intervenor, according to plaintiff, cannot take anything by virtue thereof. Benefits from a mutual benefit association, however, like proceeds of an insurance policy, belong exclusively to the beneficiary and not to the member, who has no property in them, but merely a power to appoint someone to receive them. (46 C. J. S. 942.) The disposition of such benefits, therefore, is not governed by the law on succession. Moreover, "an invalid or informal will, although inoperative as a bequest, may constitute a sufficient designation of beneficiaries." (46 C. J. S. 945). Consequently, the probate of a will is not a condition precedent to the payment of mutual aid benefits to the beneficiaries designated in said will.

It would appear that Beatriz M. Vda. de Cabrera, herein intervenor's mother, was, together with said intervenor, designated in the will aforementioned as beneficiary to one-half of the benefits due from the defendant Association. She has, however, not claimed for herself any portion of said benefits. In the circumstances, we see no necessity for disturbing the judgment of the lower court adjudicating one-half of the benefits due from defendant Association to herein intervenor-appellee.

Wherefore, the decision appealed from is hereby affirmed. Without costs.

Paras, C. J., Bengzon, Montemayor, Bautista Angelo, Labrador, Concepcion, Reyes, J. B. L., and Barrera, JJ., concur.

[1] The net amount credited in favor of the deceased Leoncio G. Pascua and payable to his beneficiary or beneficiaries totalled P6,067.12.

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