

NARCISA BUENCAMINO, AMADA DE LEON-ERAÑA, ENCARNACION DE LEON AND BIENVENIDO B. ERAÑA, PETITIONERS AND APPELLANTS, VS. C. HERNANDEZ, AS CITY TREASURER OF QUEZON CITY, JAIME HERNA...

G.R. No. 14883. July 31, 1963

Ponente: REGALA, J.

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REGALA, J.:

This is an appeal from the order of the Quezon City Court of First Instance, Judge Nicasio Yatco, presiding, dismissing the petition for mandamus filed by the herein petitioners to compel the respondent City Treasurer of Quezon City to accept Government negotiable land certificates as payment for land taxes.

The respondent City Treasurer accepts the following statement of facts set forth in the petitioners' brief:

On May 11, 1957, the Land Tenure Administration, LTA for short, purchased from the petitioners Narcisa Buencamino, Amada de Leon-Eraña, and Encarnacion de Leon, and other members of the de Leon family their hacienda in Talavera, Nueva Ecija for a total consideration of P2,746,000.00. For the purpose, a Memorandum Agreement was executed on the said date which expressly declared that the LTA was purchasing the hacienda upon petition of the tenants thereof in accordance with Republic Act No, 1400, otherwise known as the Land Reform Act of 1955.

The parties to the sale agreed that of the full price of P2,746,000.00, 50% or P1,373,000.00 was to be paid in cash and the balance in negotiable land certificates. Below is a reproduction of one such negotiable land certificate typical of and identical to all the others issued by the LTA to the petitioners.

"Amount: P10,000.00

NEGOTIABLE LAND CERTIFICATE

THE GOVERNMENT OF THE REPUBLIC OF THE

PHILIPPINES

is indebted unto the

BEARER

in the sum of ten thousand pesos. This certificate is issued in accordance with the provisions of Section 9, Republic Act No. 1400, entitled 'AN ACT DEFINING A LAND TENURE POLICY, PROVIDING FOR AN INSTRUMENTALITY TO CARRY OUT THE POLICY, AND APPROPRIATING FUNDS FOR ITS IMPLEMENTATION', approved September 9, 1955, and is due and payable to Bearer on demand and upon presentation at the Central Bank of the Philippines without interest, if presented for payment within five years from the date of issue; with interest at the rate of four per centum per annum, if presented for payment after five years from the date of issue; with interest at the rate of 4 ½ per centum per annum, if presented for

payment after ten years from the date of issue; And, with interest at the rate of 6 per centum per annum, if presented for payment after fifteen years from date of issue. Both principal and interest are payable by the Treasurer of the Philippines, through the Central Bank of the Philippines, in legal tender currency of the Philippines.

This land certificate is part of the total negotiable land certificates issued and limited to the aggregate principal sum of Sixty Million Pesos a year, to be issued during the first two years from September 9, 1955 when Republic Act No. 1400 was approved, and P30 million each year during the succeeding years, for the purchase of private agricultural lands for resale at cost to bona-fide tenants or occupants, or, in the case of estates abandoned by the owners for the last five years, to private individuals who will work the lands themselves and who are qualified to acquire or own lands, but who do not own more than six hectares of lands in the Philippines.

Manila, Philippines, August 9, 1957.

Encashment of this certificate may not be made until after¹ five (5) years from the date of execution of the Deed of Sale of Hacienda de Leon, pursuant to the conditions under Paragraph "b" of the Memorandum Agreement executed between the Land Tenure Administration and the owners of Hacienda de Leon on May 11, 1957, acknowledged before Marcelo Lagramada, Notary Public for Manila, as Doc. No. 324, Page 66, Book No. 6, Series of 1957.

(Sgd.) Juan Canizares
Registrar of the Central
Bank of the Philippines

(Sgd.) Carlos P. Garcia
President of the Phil.

(Sgd.) Vicente Gella
Treasurer of the Phil.

Date of issue: August 9, 1957

Recorded: Illegible

Examined: Illegible

The condition in the certificate regarding its encashment only after the lapse of five years from the date of execution of the Deed of Sale of Hacienda de Leon was adopted or taken from the Memorandum Agreement of May 11, 1957 first mentioned above and which was subsequently ratified by the Cabinet and the President. As stipulated in the said document, the condition reads:

"B. That the mode of payment shall be 50% in cash and 50% in negotiable land certificate except that the encashment of the said negotiable land certificate may not be made until after five (5) years from the date of the execution of the deed of sale with the payment of the corresponding interest, said negotiable land certificate may be applied and used for all the purposes authorized by Republic Act (No. 1400 and other pertinent laws on the matter within the said period of five (5) years;" (page 3, Memorandum Agreement)

Subsequently, this stipulation was incorporated and clarified in the Absolute Deed of Sale executed to formalize the terms contained in the Memorandum Agreement. Under the deed of sale, dated July 31, 1957, the above condition was—

"That the VENDORS shall not, however, within five (5) years, present for encashment the negotiable land certificates amounting to ONE MILLION THREE HUNDRED SEVENTY THREE THOUSAND PESOS (P1,373,000.00) but nevertheless, shall be authorized to use the same for payment of land taxes or obligations due and payable in favor of the Government and such other uses or purposes provided for by Section 10 of

Republic Act No. 1400 within the said period of five (5) years from this date." (page 4, Absolute Deed of Sale)

Doubtless, therefore, the aforecited provisions of the Memorandum Agreement and the Absolute Deed of Sale in relation to the condition in the negotiable land certificate were mere implementation of Section 10 of Republic Act No. 1400, which provided:

"SEC. 10. Uses of certificates. — Negotiable land certificates may be used by the holder thereof for any of the following purposes:

* * * * *

(3) Payment of all tax obligations of the holder thereof, or of any debt or monetary obligation of the holder to the Government or any of its instrumentalities or agencies, including the Rehabilitation Finance Corporation and the Philippine National Bank: Provided, however, That payment of indebtedness shall not be less than twenty per centum of the total indebtedness of the debtor; and

* * * * *

Availing themselves of what they considered was their contractual and statutory rights under the certificate, the petitioners presented two of them to the respondent City Treasurer in payment of certain 1957 realty tax obligations to Quezon City. The respondent Treasurer refused to accept the same and claimed that as per to the opinion rendered by the Secretary of Finance, it was discretionary on his part, the respondent Treasurer, to accept or reject the said certificates. And, invoking his discretion in the premises, the respondent Treasurer explained that he could not accept the certificates offered as Quezon City was then in great need of funds.

The petitioners were thus obliged to settle in cash the 1957 tax obligation aforementioned. Subsequently, however, the petitioners tendered once more the same certificates in payment of their 1958 realty taxes and the respondent Treasurer similarly rejected the tender. As a result, the petitioners filed the instant mandamus proceedings with the Court of First Instance of Quezon City.

To the above petition, the LTA filed a timely answer sustaining the petitioner's stand. The Secretary of Finance, represented by the Solicitor General, also filed an answer which argued that he was not a necessary party to the case as he was not the officer charged with the duty of collecting taxes.

The respondent Treasurer did not file an answer. Instead, represented by the City Attorney's Office, he filed a Motion to Dismiss on the ground that the petition failed to state a cause of action.

The Motion to Dismiss discussed various arguments for the position of the respondent Treasurer that he could not be compelled to accept the certificates. In effect, however, they resolved themselves into the single question of whether or not the said certificates were drawn payable on demand as required by Section 9 of Republic Act 1400.

The respondent Treasurer contends that the certificates in question were not issued strictly in accordance with the provisions of Republic Act No. 1400 because while Section 9 of that Act requires that "negotiable land certificates shall be issued in denominations of one thousand pesos or multiples of one thousand pesos and shall be payable to bearer on demand * * *," the ones issued to the petitioners were payable to bearer not on demand, but, only upon the expiration of the five-year period therein specified.

On the other hand, the petitioners contend that although the certificates issued could not really be encashed within the period therein mentioned, they could, however, still be used for the settlement of tax liabilities at any time after their issue in accordance with Section 10 of the same Act. The petitioners maintain that the 5-year restriction against encashment referred merely and exclusively to the time when the certificates may be converted to cash and not anymore to the utility of the said instrument as substitutes for tax obligations.

The court a quo sustained the position of the respondent Treasurer and dismissed the suit for mandamus. Thus, this appeal.

Although the issue raised by the instant appeal has already been rendered moot by time, it is the sense of this Court that a brief discussion of the point of controversy will favor the best interest of justice as well as of the parties hereto.

We hold the refusal of the respondent Treasurer to accept the land certificates to be legally justified. They failed to comply with the requirements of Republic Act No. 1400.

Under the above-mentioned law, the land certificates "shall be payable to bearer on demand." (Section 9) The one issued, however, were payable to bearer only after the lapse of five years from a given period. Obviously then, the requirement that they should be payable on demand was not met since an instrument payable on demand is one which (a) is expressed to be payable on demand, or at sight, or on presentation; or (b) expresses no time for payment (Sec. 7, Negotiable Instruments Law). The 5-year period within which the certificates could not be encashed was an expression of the time for payment contrary to paragraph (b) of the last law cited.

The petitioners maintain, as already indicated above, that although the questioned certificates may not really be payable on demand, they may nevertheless be used for the payment of realty obligations to the Government because of Section 10 of Republic Act No. 1400. As expressed by the petitioners, "as to Government agencies and instrumentalities, the certificate is payable to bearer on demand during that first five-year period."

There is no merit in the above assertion. It is a conclusion unsupported by any provision of law. While Section 10 of Republic Act No. 1400 expressly authorizes the use of the said certificates for the "payment of all tax obligations of the holder thereof," the said section can only have meant such certificates as were issued strictly in accordance with Section 9 of the same Act, i.e., that the instrument is payable on demand. And, as discussed above, the certificates issued were not payable on demand, then the benefits of Section 10 cannot properly be invoked.

In view of the foregoing, the order appealed from is hereby affirmed, with costs against the appellants.

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

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