

XERXES C. GARCIA, PLAINTIFF AND APPELLANT, VS. PHILIPPINE NATIONAL BANK, DEFENDANT AND APPELLEE.*G.R. No. 14996. May 31, 1961*

Ponente: PADILLA, J.

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This is an action brought in the Court of First Instance of Manila on 22 May 1958 for the recovery of P20,000, the amount typewritten in words and figure on a cashier's check dated 5 January 1945 drawn in the name of the plaintiff, Xerxes C. Garcia, as payee, by the agency of the defendant, the Philippine National Bank, in San Fernando, Pampanga, for negotiation in Pampanga only (PNB Check No. 371996, Exhibits 1 & A), interest thereon from October 1945 until fully paid, P5,000 as damages, P2,000 as attorney's fees and the costs of the suit, and for other just and equitable relief (civil No. 36324). On 26 May 1958 the defendant answered denying the material averments of the plaintiff's complaint and setting up the special defense that admitting, arguendo, the genuineness and due execution of PNB Check No. 371996, Exhibits 1 & A, because it had been purchased from its agency in Pampanga with Japanese military or war notes, the currency then prevailing, which had been declared illegal and invalid pursuant to section 2 of Executive Order No. 49, issued on 6 June 1945 by the President of the Philippines, the defendant is no longer under obligation to honor the said check. It also set up a counterclaim against the plaintiff for P10,000 actual, moral and exemplary damages. On 28 May 1958 the plaintiff answered the defendant's counterclaim. According to him his action is based upon the defendant's written undertaking which it had refused to honor; that he has the right to seek the aid of the courts to compel the defendant to pay its obligation; and the damage it will suffer, if any, is of its own making for refusing to pay its obligation. He prayed for the dismissal of the defendant's counterclaim. Both plaintiff and defendant filed other pleadings and the Court entered orders with respect thereto that need not be stated.

After hearing, on 28 November 1958 the Court rendered judgment dismissing the plaintiff's complaint for the reason that the defendant was no longer under obligation to honor the cashier's check dated 5 January 1945, Exhibits 1 & A, drawn by the defendant in favor of the plaintiff for P20,000 in Japanese military or war notes, presented for payment for the first time on 15 November 1954, long after Japanese military or war notes had ceased to be legal tender. The plaintiff has appealed assigning a single error involving a question of law.

The appellant's position is that the check, Exhibits 1 & A, is a promissory note which the appellee must pay in accordance with its terms.

The facts of the case as stated by the trial court are:

On January 5, 1945 (Japanese Occupation) plaintiff purchased from the Pampanga Agency of defendant a demand draft (Exh. "A") in the sum of P20,000.00 Japanese War Notes, as evidence by the notations "Exc. for cash—Free Account" (Exh. "1").

On June 6, 1945, the President of the Philippines issued Executive Order No. 49 invalidating the Japanese Currency.

"SEC. 2. All deposits made with banking institutions during enemy occupation and all deposit liabilities incurred by banking institutions during the same period are hereby declared null and void, except as provided in this Section, * * *."

On November 15, 1954, plaintiff presented the said demand draft, Exh. "A", for payment to the Pampanga Agency of the defendant Bank, but same was not paid on account of said Executive Order No. 49 of June 6, 1945.

On November 18, 1954, plaintiff wrote defendant (Exh. "D") for a formal written decision on said demand draft. On June 9, 1955, plaintiff again wrote defendant (Exh. "C") demanding payment of said demand draft Exh. "A".

On June 21, 1955, defendant thru its Vice-President, Mr. J. V. Buenaventura, replied to plaintiff (Exhs. "B" and "2"), reiterating to plaintiff that inasmuch as the check (Exh. "A"), was purchased from the bank during the enemy occupation with Japanese notes, the currency then existing and that said currency has been invalidated, said check cannot be honored.

On May 22, 1958, plaintiff instituted this action against defendant.

It is crystal clear from the above narration of facts that this draft, Exh. "A", was purchased by the herein plaintiff from defendant Philippine National Bank for P20,000.00 in Japanese Military Notes on January 5, 1945 (Japanese occupation) and apparently, this draft is payable to the plaintiff on demand and at any time but for negotiation only in the Province of Pampanga, Philippines. Said draft was presented for payment to the Pampanga Agency of defendant Bank on November 15, 1954, but was refused payment by the said Agency in view of Executive Order No. 49 of June 6, 1945 of the President of the Philippines. There were subsequent demands for payment made by the herein plaintiff to the herein defendant on November 18, 1954, per Exh. "B", and on June 9, 1955, per Exh. "C". In the said two demands, the herein defendant had refused to honor the said draft, Exh. "A", based on Executive Order No. 49 of June 6, 1945 (pp. 75-77, rec. on app.)

There is no question that the appellant secured from the appellee the cashier's check, Exhibits 1 & A, for valuable consideration. The appellee drew the check payable to the order of the appellant for negotiation in Pampanga only. The appellee's obligation to pay it matured as of 5 January 1945, the date appearing on the check, when Japanese military or war notes were still valid. The appellant, however, did not present the check for payment until 15 November 1954 when Japanese military or war notes were no longer lawful and valid. Since the check or the obligation had matured during the Japanese occupation when Japanese military or war notes were still valid, but presented for payment or fulfillment of the obligation after liberation, when the said Japanese military or war notes were no longer lawful and valid, the obligation should be paid or discharged according to the Ballantyne schedule of values. The appellant had purchased the draft, Exhibits 1 & A, in Japanese military or war notes, or for a valuable consideration. Even if the then prevailing currency was of very little value as compared to the present, nevertheless it had a value. It is fair and just that the appellee should not escape total liability, but the appellant cannot exact payment of the obligation in the present currency in full.

According to the Ballantyne schedule of values, in January 1945, P120 in Japanese military or war notes was the equivalent of P1 in Philippine currency. Hence P20,000 in Japanese military or war notes was equivalent to P166.67 in Philippine currency.

The judgment under review is reversed and the appellee ordered to pay the appellant the sum of P166.67, Philippine currency, with lawful interest from 22 May 1958 until paid but without pronouncement as to costs.

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

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