

THE PHILIPPINE NATIONAL BANK, PLAINTIFF AND APPELLEE, VS. RAMON MAZA AND FRANCISCO MECENAS, DEFENDANTS AND APPELLANTS.

G.R. No. 24224. November 03, 1925

Ponente: MALCOLM, J.

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MALCOLM, J.:

The Philippine National Bank is suing Ramon Maza and Francisco Mecnas on five promissory notes of ten thousand pesos (P10,000) each.

Maza and Mecnas executed two of the promissory notes on January 20, 1921, due three months after date. The three other notes due four months after date were executed by the same parties on January 21, 1921. One of the above-mentioned notes, typical of the rest, reads as follows:

"P10,000.00

Iloilo, I. F., Jan. 20, 1921.

"A los tres meses de la fecha, pagaremos mancomunada y solidariamente a la orden del Philippine National Bank, Iloilo, Iloilo, I. F., la cantidad de diez mil (P10,000) pesos en el Philippine National Bank.

"Iloilo, I. F.

"Valor Recibido.

"No. 340 Pagadero el 4/20/21

(Fdos.)

"RAMON MAZA

"FRANCISCO MECENAS"

The notes were not taken up by Maza and Mecnas at maturity. The obligations with accumulated interest totaled P65,207.73 on September 22, 1924.

To recover the amounts stated on the face of the notes with back interest, action was begun by the Philippine National Bank in the Court of First Instance of Iloilo against Ramon Maza and Francisco Mecnas. The special defense interposed by the defendants was that the promissory notes were sent in blank to them by Enrique Echaus with the request that they sign them so that he, Echaus, might negotiate them with the Philippine National Bank in case of need; that the defendants have not negotiated the promissory notes with the bank, nor have they received the value thereof, or delivered them to the bank in payment of any preexisting debt; and that it was Enrique Echaus who negotiated the notes with the bank and who is accordingly the real party in interest and the party liable for the payment of the notes. Defendants also moved that Echaus be ordered included as one of the

defendants. The trial judge denied the motion. Judgment was rendered in favor of the plaintiff and against the defendants jointly and severally for a total of P65,207.73, with interest at 9 per cent on twenty thousand pesos (P20,000) from September 23, 1924, or at the rate of five pesos (P5) a day, and with interest at 9 per cent on thirty thousand pesos (P30,000) from September 23, 1924, or at the rate of P7.50 a day, and with costs.

Four errors are assigned by the defendants on appeal. The first error relates to the order of the trial judge refusing to require Enrique Echaus to become a party to the action. As the defendants failed to duly except to the order, they are not now entitled to ask this court to review the ruling. Moreover, it is not evident that Echaus was an indispensable party. The other three errors go to the merits and rest on the same foundation as the special defense.

From the pleadings and the stipulation of facts, it is deduced that the defendants admit the genuineness and due execution of the instruments sued on (Code of Civil Procedure, secs. 103, 285; *Ramirez vs. Orientalist Co. and Fernandez* [1918], 38 Phil., 634). Neither do the appellants point out any mistake in regard to the amount and interest that the lower court sentenced them to pay to the plaintiff bank. Predicated on these premises, from whatever point of view we look at the case, we arrive at the same conclusion—that the defendants are liable.

On the first assumption that Maza and Mecenas were the principals and Echaus the agent, as argued by counsel for the appellee, the principals must fulfill their obligations (Civil Code, art. 1727). On another assumption, which is a fact, that the defendants are exactly what they appear to be, the makers of the negotiable instruments, then they must keep their engagement and must pay as promised. Their liability on the instruments is primary and unconditional. (Negotiable Instruments Law, Act No. 2031, sec. 60.)

The most plausible and reasonable stand for the defendants is that they are accommodation parties. But as accommodation parties, the defendants having signed the instruments without receiving value therefor and for the purpose of lending their names to some other person, are still liable on the instruments. The law now is that the accommodation party can claim no benefit as such, but he is liable according to the face of his undertaking, the same as if he were himself financially interested in the transaction. (Negotiable Instruments Law, Act No. 2031, sec. 29; *First Nat. Bank of Elgin vs. Bach* [1920], 98 Ore., 332.)

The defense is made to the action that the defendants never received the value of the promissory notes. It is, of course, fundamental that an instrument given without consideration does not create any obligation at law or in equity in favor of the payee. However, to fasten liability upon an accommodation maker, it is not necessary that any consideration should move to him. The consideration which supports the promise of the accommodation maker is that parted with by the person taking the note and received by the person accommodated. (5 Uniform Laws, Annotated, pp. 140 et seq.; *Clark vs. Sellner* [1921], 42 Phil., 384; *First National Bank of Hancock vs. Johnson* [1903], 133 Mich., 700; 103 Am. St. Rep., 468; *Marling vs. Jones* [1909], 138 Wis., 82; 131 Am. St. Rep., 996; *Schoenwetter vs. Schoenwetter* [1916], 164 Wis., 131.)

While perhaps unnecessary to this decision, it may properly be remarked that when the accommodation parties make payment to the holder of the notes, they have the right to sue the accommodated party for reimbursement, since the relation between them is in effect that of principal and sureties, the accommodation parties being the sureties.

Judgment affirmed with costs.

Avanceña, C. J., Street, Villamor, Ostrand, Johns, Romualdez, and Villa-Real, JJ., concur.

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