

**ORIENT PROTECTIVE ASSURANCE ASSOCIATION, INC., PLAINTIFF
AND APPELLANT VS. ANTONIO RAMOS, ACTING INSULAR
TREASURER, DEFENDANT AND APPELLEE.**

G.R. No. 45210. April 05, 1939

Ponente: LAUREL, J.

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LAUREL, J.:

This is an appeal from the decision of the Court of First Instance of Manila dismissing the complaint of the plaintiff corporation and upholding the order of revocation of plaintiff's license by the defendant Insular Treasurer.

On July 21, 1934, the plaintiff, a mutual benefit association, was incorporated under the Corporation Law under the name "Orient Protective Association". Subsequent to its incorporation, plaintiff filed an application with the defendant-appellee for a license to operate as a mutual benefit, relief and benevolent association in the Philippines, adding the word "assurance" to the name of the corporation. On September 14, 1934, the Insular Treasurer, after an examination of plaintiff's articles of incorporation and by-laws, granted it a license conditioned upon the elimination of the word "assurance" and reserving the right to revoke the same for cause. Notwithstanding, the board of directors of the plaintiff, on September 27, 1934, amended its articles of incorporation, changing its name to "Orient Protective Assurance Association", and on the same date registered the amended articles of incorporation in the mercantile registry of the Bureau of Commerce. Upon being informed of this amendment, the Insular Treasurer, on October 19, 1934, addressed a letter to the president of the plaintiff corporation requiring him to explain within forty-eight hours from receipt thereof why the license of the association should not be revoked for having, through amendment of its articles of incorporation, inserted in its name the word "assurance". In reply, the president of the plaintiff corporation addressed a communication to the Insular Treasurer on October 31, 1934, stating that the use of the word "assurance" was authorized by law. On November 5, 1934, the Insular Treasurer ordered an examination of the plaintiff's affairs and financial conditions, and in this examination, which covered the transactions made by the plaintiff from September 14, 1934, the date on which the association was licensed to operate, to November 5, 1934, the examiner of the Bureau of the Treasury found:

(1)

That not all the amounts received by the plaintiff had been receipted for, thus making it impossible to accurately determine its cash accountability, in violation of rule IV of Circular No. 27 of the Bureau of the Treasury.;

(2)

That the amount of P77.70, accruing to the travelers' benefit fund as reserve, was not evidenced by cash funds or investments authorized by section 1628-C of the Administrative Code, as inserted by Act No. 3612;

(3)

That the plaintiff had failed to keep its cash books up to date, in that only disbursements and no receipts had been entered therein, in violation of rule III of Circular No. 27 of the Bureau of the Treasury;

(4)

That no record of the cash bonds of two district managers had been kept, and only one of the plaintiff's agents appeared bonded;

(5)

That the cash of the association had not been handled by the treasurer of the plaintiff, who was bonded in the sum of P300, but by a clerk-stenographer who was not bonded, and the daily collections were turned over to the manager;

(6)

That the plaintiff had amended section 5 of article II of its articles of incorporation and by-laws on October 1, 1934, but failed to furnish the Insular Treasurer with a copy of the amendment within the period prescribed in rule II of Circular No. 27 of the Bureau of the Treasury;

(7)

That plaintiff had made unauthorized advances of money to several persons;

(8)

That plaintiff had failed to keep record of the cash bond in the sum of P210, furnished on September 24, 1934, by its district managers in Pangasinan and Panay Island ;

(9)

That plaintiff, notwithstanding the fact that it had been licensed to do business under the name "Orient Protective Association", "had been using in the transaction of its business the name "Orient Protective Assurance Association, Inc.";

(10)

That the plaintiff was in an unsound financial condition, in that as of November 5, 1934, it had incurred liabilities in the amount of P804.58 thus incurring in a net deficit of P475.67, and it had no reserve in its benefit funds, it having failed to require its members to pay for the purpose at least three contributions in advance during each calendar year, as provided for in its articles of incorporation and by-laws (Exhibit A).

In view of the aforementioned findings of the examiner, the license of the plaintiff association was revoked on November 20, 1934, under the provision of section 1633 of the Administrative Code, as amended by Act No. 3612, The Insular Treasurer further advised the plaintiff to refrain from transacting business and demanded the surrender of its license. Due to a request of the plaintiff for a reconsideration of the action of the defendant, another investigation was ordered on December 3, 1934. The reinvestigation showed that the finances of the corporation were as bad as when the examination was made in November of that year, and the Insular Treasurer insisted in the elimination of the word "assurance". Plaintiff refused to surrender its license and brought an action in the Court of First Instance of Manila seeking to enjoin the defendant from eliminating the word "assurance" from its corporate name. On January 17, 1936, the lower court rendered a decision the dispositive part of which reads:

"The court entertains considerable doubt and suspicion as to the correctness of the use of said word,

'assurance', considering the purpose of the plaintiff that no harm is done in inserting it in its corporate name. It gives a great deal of surprise in the mind of the court, and when thoroughly examined it is clearly untenable. If such word is harmless and anybody may use it, it is with great surprise why the plaintiff would insist on it. The idea that can be attached to it will probably be a form of venture which clearly may indicate a purpose to wager the prospect of an enterprise, a kind of speculation on future dealings with the public. We arrive at this conclusion if we take into consideration the unsound financial condition of the plaintiff as it appears in the reports of the examiner who thoroughly conducted an investigation of the books and financial condition of the plaintiff. Under these circumstances the Insular Treasurer is in duty bound to bring under the ban of the law such scheme and stop it right away.

"In view of the foregoing, the court believes, and so holds, that the order of revocation issued by the defendant is perfectly valid and authorized by law, and for this reason orders the dismissal of the complaint, with costs to the plaintiff."

A motion for new trial was denied. Plaintiff excepted and filed a notice of intention to appeal. Five errors are assigned but all of them hinge on the authority of the Insular Treasurer to order the revocation of appellant's license.

The laws governing the licensing of mutual benefit, relief and benevolent societies or associations to operate and transact business in the Philippines, and the revocation of such licenses, are found in sections 1628-B, 1628-C, and 1633 of the Administrative Code, as amended by Act No. 3612. These legal provisions are supplemented by circular No. 27 (Exhibit 5) issued by the Bureau of the Treasury, with the approval of the Secretary of Finance, under the provision of the last paragraph of section 1628-C of the Administrative Code. Mutual benefit, relief and benevolent associations organized in the Philippines, whether incorporated or not, are subject to the supervision and examination of the Insular Treasurer and this official may for valid and justifiable reasons revoke the license issued to such associations. Not only was the use of the word "assurance" found to have misled the public in that the association was represented and taken as an insurance company, but the Insular Treasurer had found, after due investigation, that the plaintiff was in a state of insolvency. Under these circumstances, the Insular Treasurer acted within his legal power in revoking the license of the plaintiff.

The decision appealed from is affirmed in all respects, with costs against the appellant. So ordered.

Avanceña, C. J., Villa-Real, Imperial, Diaz, Concepcion, and Moran, JJ., concur.

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