

PHILIPPINE NATIONAL BANK, PETITIONER, VS. HON. AUGUSTO M. AMORES, PRESIDING JUDGE, COURT OF FIRST INSTANCE OF MANILA, BRANCH XXIV, MAXIMO KALAW INVESTMENT CORPORATION, AND AUGUS...

G.R. No. 54551. November 09, 1987

Ponente: SARMIENTO, J.

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SARMIENTO, J.:

The instant petition seeks to review on a pure question of law the decision[1] dated July 8, 1980 of the then Court of First Instance of Manila, Branch XXIV, granting the declaratory relief prayed for in Civil Case No. 124328.[2] The dispositive portion of the decision reads:

PREMISES CONSIDERED, the Court finding the complaint to be meritorious, hereby grants the same and declares that pursuant to the provisions of Section 80 of Republic Act No. 3844, as amended by Presidential Decree 251, defendant Philippine National Bank must accept, as of date of payment, the entire P130,000.00 of Land Bank bonds paid to it by the defendant Land Bank of the Philippines, in the above-entitled case, at their full face value and without any discount. Without pronouncement as to costs.

SO ORDERED.[3]

The undisputed facts are stated in the assailed decision of the court a quo, thus:

The plaintiff Maximo Kalaw Investment Corporation, hereinafter referred to as Kalaw Investment, is the registered owner of Lot 1 of the consolidation-subdivision plan LRC, Psd-13492, covered by Transfer Certificate of Title No. RT-96 (53532) of the Register of Deeds for Oriental Mindoro, with the area of 3,132,122 square meters more or less.

The plaintiffs Kalaw Investment and Augusto Kalaw obtained a loan from defendant Philippine National Bank, hereinafter referred to as PNB, in the amount of P150,000.00, and in order to secure the said loan the aforesaid property was mortgaged to defendant PNB.

A portion of said property, with an area of 45,186 hectares, was subjected to Operations Land Transfer in favor of tenants-beneficiaries in accordance with Presidential Decree No. 27 and the provisions of Republic Act No. 3844 (otherwise known as the Code of Agrarian Reform of the Philippines), as amended more particularly by Presidential Decree No. 251.

As of the date of July 28, 1977 defendant Land Bank of the Philippines, hereinafter referred to as LBP, paid defendant PNB for the account of the plaintiffs P14,588.50 in cash and Land Bank Bonds with a total face value of P130,000.00.

Pursuant to PNB Board Resolution No. 627 (Exhibit "1-PNB"), defendant PNB, after crediting the sum of P14,588.50 to the account of plaintiff Augusto Kalaw, applied the Land Bank bonds to the payment of the account on a one-to-one basis to the extent of P31,000.00 and on a discounted basis to the extent of P59,400.00, or a total of P90,400.00.

Contesting the manner of application of Land Bank bonds to the payment of loan obligations pursuant to Board Resolution No. 627, plaintiffs herein wrote the PNB requesting the reconsideration or revision of its policy.

Defendant PNB, however, did not find merit in the request of plaintiffs but agreed that the latter seek judicial ruling to which it would abide.

Defendant LBP has directly taken issue with the co-defendant PNB on the aforementioned policy.

As a consequence, plaintiffs brought the present action for declaratory relief.[4]

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The petitioner Philippine National Bank (PNB) appealed from the decision of the lower court and assigned several errors. However, there is, in fact, only one question to be resolved here, i.e., whether or not a government lending institution (like PNB, the petitioner herein) may be compelled to accept Land Bank notes at face value in payment of pre-existing obligations secured by land partially taken by the Land Bank under Operation Land Transfer pursuant to the Agrarian Reform Code (RA No. 3844 as amended particularly by PD No. 251).

The petitioner PNB, relating PD 27 with Section 80 of the Agrarian Reform Code, as amended particularly by PD 251, affirms that lands not subject to PD 27 are also not subject to Section 80. Necessarily, therefore, when land mortgaged to PNB is partly subjected to PD 27, only that part also of the corresponding lien is subjected to Section 80, the unaffected portion being governed by the PNB charter.

The petitioner's interpretation not only unduly stretches the scope of PD 251 but is also antithetical to the objectives of the land reform program. Analyzing both laws, we see that PD 27 effects emancipation of the tenant-farmer from the bondage of the soil while Section 80 provides the mode of bankrolling the emancipation measure. As soon as the tenant-farmer acquires ownership over the land, he is deemed emancipated and the objective of PD 27 is attained. But the previous owner of the land taken still has to be compensated. This is then the moment when Section 80 comes into play, i.e., in providing for the mode of determining the value or cost of the acquisition of the land subjected to PD 27. From the above, we see that the only correlation that Section 80 has with PD 27 is to the extent of determining the cost of the land transferred to the tenant-farmer. The method for effecting the release of the whole encumbered estate, which naturally includes the portions not subjected to PD 27, if there are any, does not fall within the ambit of both decrees. This being the case, there is, therefore, no reason to decrease the effective value of the Land Bank bonds, for that would be the inevitable result if the full application of their face value is pro tanto limited only to that portion of the land subjected to PD 27 and discounted with respect to those portions which were not taken by the Land Bank.

At this point, it must be stressed that Land Bank bonds are deemed "contracts and the obligations resulting therefrom fall within the purview of the non-impairment clause of the constitution and any impairment thereof becomes an encroachment upon the obligation itself which cannot be permitted." [5]

Suffice it to mention that the petitioner is a government lending institution and as such, it has the obligation to support unequivocally government programs already on stream and not to introduce its own interpretative policies which may thwart such programs or modify them to nothingness. This is specially compelling with regard to land reform, the great venture of the government.

The preamble of PD 251 eloquently articulates government intent to implement the state policy of "diverting landlord capital in agriculture to industrial development" by "mobilizing and harnessing properly all available government resources for the realization of the desired agrarian reform program." [6] For agrarian reform cannot be fully realized without the intervention of the government, particularly in the payment of just compensation.

Surely, the tenant by himself does not have and can not afford the wherewithal to defray the cost of the land transferred to him. It is only with the full support and active assistance of the government principally through its financial institutions that payment of just compensation to the landowner may be realized. The petitioner PNB is one of the government resources contemplated in the said preamble.

In a country, like ours, which still espouses democratic ideals, but which ideals are threatened by extreme and radical forces, the early and full implementation of the government's land reform program sans complications and technicalities may yet save the nation and keep democracy alive. The petitioner, a premier government lending institution must perform its part. In the implementation of the financing portion of this laudable program, the PNB must not pinch centavos.

Moreover, explicit is the law that a mortgage obligation is one and indivisible.[7] Every portion of the property mortgaged is answerable for the whole obligation as soon as the latter falls due. The mortgagor cannot opt, much less compel the mortgagee, to apply any payment made by him on a specific portion of the mortgaged property to effect release. Neither may the mortgagee apply payments made to it on, and consequently release, a portion of the mortgaged property and effect foreclosure on the rest. From the foregoing, it is clear that petitioner PNB cannot be allowed to do precisely what it had done in the case at bar. To illustrate, the computation made by the petitioner is hereby reproduced:

1. Land Bank remittance P104,988.50

2. Applied to:

a) Accrued interest 18,086.15

b) Service charge 2,891.41

c) Principal 149,977.40

3. Balance of prin- 65,966.46

cipal debt

4. Less:

Cash payments by 35,966.46

respondents

5. Balance owed by

respondents P 30,000.00[8]

The Land Bank remittance (No. 1 above) was applied by the petitioner in the following manner:

a) Cash Portion P14,588.50

b) Bonds Taken at

Face Value 31,000.00

c) Bonds Taken at

Market Value

(Discounted) 59,400.00[9]

The total amount paid by the Land Bank in cash and notes amounted to P144,588.50, P130,000.00 of which was the total face value of the bonds.

The petitioner's method evidently contravenes the principle of indivisibility of mortgage for it applied the Land Bank bonds as payment on a one-to-one basis pro tanto of the mortgage debt secured by the particular portion acquired by the Land Bank which had an area of 45.186 hectares, but on a discounted basis with respect to the other portions of the debt secured by the same mortgage.

Furthermore, and as correctly noted by the trial court, Section 80 of the Agrarian Reform Code does not distinguish between land wholly subjected to agrarian reform and land only partially affected thereby. Applying the rule on statutory construction, "Ubi lex non distinguit, nec nos distinguere debemos,"^[10] this Court must perforce follow the meaning expressed by the words of the law.

The pertinent legal provision states:

SEC. 80. Modes of Payment. -- The Bank shall finance the acquisition of farm lots under any of the following modes of settlement:

1. Cash payment of 10% and balance in 25-year tax-free 6% Land Bank bonds:

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In the event there is an existing lien or encumbrance on the land in favor of any Government lending institution at the time of acquisition by the Bank, the landowner shall be paid the net value of the land (i.e., the value of the land determined under Proclamation No. 27 minus the outstanding balance/s of the obligation/s secured by the lien/s or encumbrance/s), and the outstanding balance/s of the obligations to the lending institution/s shall be paid by the Land Bank in Land Bank bonds or other securities, existing charters of those institutions to the contrary notwithstanding. A similar settlement may be negotiated by the Land Bank in the case of obligations secured by liens or encumbrances in favor of private parties or institutions.

There is nothing in the above quoted provision of law which authorizes a government lending institution to make a distinction in its acceptance of land bank bonds as payment. There is also nothing in the said law which can be construed to mean that when the area actually "land reformed" is just a portion of the property encumbered, only that portion of the loan value corresponding to the area actually taken will be paid with Land Bank bonds at their face value.

The law, in fact, is clear, i.e., that the debt secured by a mortgage constituted on the land taken under the Agrarian Reform Code shall be paid in Land Bank bonds even if the charters of government lending institutions contain provisions contrary to Section 80. The last sentence of the law in question which provides that "a similar settlement may be negotiated," applies only to obligations contracted with private parties or institutions but not those contracted with government lending institutions like the petitioner herein.

From the foregoing, there is no doubt that the petitioner PNB, as a government lending institution, is obliged to accept payments made to it by the private respondents, through the Land Bank, in the form of Land Bank bonds at their par or face value. The petitioner may not discount said payments but must apply the full face value of the bonds on the outstanding balance.

WHEREFORE, premises considered, the petition is hereby DENIED. The decision of the trial court dated July 8, 1980 is AFFIRMED.

No costs.

SO ORDERED.

Yap, (Chairman), Melencio-Herrera, Paras, and Padilla, JJ., concur.

[1] Penned by then Judge Augusto M. Amores, now Justice of the Sandiganbayan.

[2] Maximo Kalaw Investment Corporation, et al. v. PNB et al.

[3] Rollo, 108.

[4] Id., 100-101.

[5] Gonzales v. GSIS, No. L-51997, September 10, 1981, 107 SCRA 492 citing Dantoni v. Board of Levee Commissioners, 227 La 575, 80 So. 2d 81.

[6] Second paragraph.

[7] Articles 2089 and 2090 of the New Civil Code; Dayrit v. Court of Appeals, 36 SCRA 548.

[8] Rollo, 14.

[9] Id., 13.

[10] Where the law does not distinguish, we should not distinguish, Colgate v. Jimenez, No. L-14787, January 28, 1961, 1 SCRA 267; Robles v. Zambales Chromite, No. L-16182, August 29, 1961, 2 SCRA 1051.

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