

**DOMINGO B. MADDUMBA AND ANITA C. MADDUMBA, PETITIONERS,
VS. GOVERNMENT SERVICE INSURANCE SYSTEM, REPRESENTED BY
ITS CHAIRMAN, BOARD OF TRUSTEES, HONORABLE LEONILO
OCAMPO, RESPON...**

G.R. No. 61293. February 15, 1990

Ponente: REGALADO, J.

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REGALADO, J.:

This petition for mandamus seeks to compel respondent Government Service Insurance System (GSIS) to accept Land Bank bonds at their face value as installment payments for a pre-existing obligation.

The records disclose that on December 10, 1980, respondent GSIS conducted a public bidding of several foreclosed properties. Included in the properties offered to the public was a house and lot situated at 3377 New Panaderos Street, Sta. Ana, Manila, covered by Transfer Certificate of Title No. 4749 of the Register of Deeds of Manila.

Petitioner Domingo B. Maddumba participated in the public bidding and submitted his sealed bid in the amount of P98,000.00 in Philippine currency. The bid was subject to the condition that there should be a down payment of 35% of the amount thereof, the 10% constituting the proposal bond with the remaining 25% to be paid after the receipt of the notice of award or acceptance of the bid. Accordingly, petitioner enclosed with his sealed bid a manager's check in the amount of P9,500.00 and cash in the amount of P300.00 to complete the P9,800.00 proposal bond.

Upon the receipt of the notice of award, petitioner offered to pay the additional 25% in Land Bank bonds at their face value. These bonds were issued to petitioner as payment for his riceland consisting of twenty-six hectares located in Cordon, Isabela acquired by the Government from him under Presidential Decree No. 27. However, the GSIS rejected the offer, hence it was withdrawn by petitioner. Petitioner then offered to pay in cash the remaining 25% down payment "and all future installments." [1] Thereafter, on November 16, 1981, petitioner paid in cash the balance of the required down payment.

A "Deed of Conditional Sale" was executed by the parties on November 19, 1981, where the petitioner as vendee agreed to pay the vendor GSIS "the balance of the purchase price of SIXTY THREE THOUSAND SEVEN HUNDRED FIVE & 50/100 (P63,705.50) PESOS. Philippine currency, in SIXTY (60) monthly installments of ONE THOUSAND FOUR HUNDRED SIXTEEN & 69/100 (P1,416.69) PESOS. Philippine currency, at twelve (12%) percent interest per annum, compounded monthly, beginning December 1, 1981." [2]

The first installment in the amount of P1,416.00 was paid by petitioner on December 3, 1981. When the second monthly installment became due, petitioner sent a letter dated January 5, 1982, to the GSIS Board of Trustees requesting that he be allowed to pay the monthly amortizations with his Land Bank bonds commencing in January, 1982 until the exhaustion of the said bonds. [3] Petitioner invoked the provisions of Section 85 of

Republic Act No. 3844, as amended by Presidential Decree No. 251.

The GSIS Board of Trustees, in its Resolution No. 91 adopted on January 22, 1982, denied petitioner's offer. The board "resolved to reiterate the policy that Land Bank bonds shall be accepted as payment only at a discounted rate to yield the System 18% at maturity." [4]

In a letter dated February 12, 1982, petitioner asked the Board of Trustees to reconsider Resolution No. 91. [5] Petitioner reiterated his reliance on Section 85 of Republic Act No. 3844, as amended, and further supported his position with the contention that the policy of the GSIS contravenes the ruling in the case of Gonzales, et al. vs. The Government Insurance System, etc., et al. [6] Likewise, petitioner submitted an opinion of the Ministry of Agrarian Reform, dated February 12, 1982, wherein it was stated, inter alia, that "if the GSIS accepts the Land Bank bonds as payment thereof, it must accept the same at par or face value. To accept said bonds at a discounted rate would lessen the credibility of the bonds as instruments of indebtedness." [7]

In a letter dated May 31, 1982, petitioner was advised by the Manager, Acquired Assets Department, GSIS that Resolution No. 415 was adopted on May 18, 1982 by the GSIS Board of Trustees denying the request of petitioner. Hence, on August 5, 1982, the instant original action for mandamus was filed by petitioner.

The issue posed by this petition is whether or not under the provisions of Section 85 of Republic Act No. 3844, as amended by Presidential Decree No. 251 effective July 21, 1973, the GSIS may be compelled to accept Land Bank bonds at their face value in payment for a residential house and lot purchased by the bondholder from the GSIS.

The aforesaid provision of law provides:

"SEC. 85. Use of Bonds. — The bonds issued by the Bank may be used by the holder thereof and shall be accepted for any of the following:

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"2. Payment for the purchase of shares of stock or assets of government-owned or controlled corporations.

"Upon offer by the bondholders, the corporation owned or controlled by the Government shall, through its Board of Directors, negotiate with such bondholder with respect to the price and other terms and conditions of the sale. In case there are various bondholders making the offer, the one willing to purchase under the terms and conditions most favorable to the corporation shall be preferred. If no price is acceptable to the corporation, the same shall be determined by the Committee of Appraisers composed of three members, one to be appointed by the corporation, another by the bondholder making the highest or only offer, and the third by the members so chosen. The expense of appraisal shall be borne equally by the corporation and the successful purchaser.

"Should the Government offer for sale to the public any or all the shares of stock or the assets of any of the Government-owned or controlled corporations, the bidder who offers to pay in bonds of the Land Bank shall be preferred, provided that the various bids be equal in every respect in the medium of payment."

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It is not disputed that under the above quoted provisions, a government-owned or controlled corporation, like the GSIS, is compelled to accept Land Bank bonds as payment for the purchase of its assets. As a matter of fact, the bidder who offers to pay in bonds of the Land Bank is entitled to preference. What respondent GSIS is resisting, however, is its being compelled to accept said bonds at their face value. Respondent, in support of its stance that it can discount the bonds, avers that "(a) PD 251 has amended Section 85 of RA 3844 by deleting and eliminating the original provision that Land Bank bonds shall be accepted 'in the amount of their face value'; and (b) to

accept the said bonds at their face value will impair the actuarial solvency of the GSIS and thoroughly prejudice its capacity to pay death, retirement, insurance, dividends and other benefits and claims to its more than a million members, the majority of whom are low salaried government employees and workers."[8]

We cannot agree with respondent.

Respondent's arguments disregard the fact that the provisions of Section 85 are primarily designed to cushion the impact of dispossession. Not only would there be inconvenience resulting from dispossession itself, but also from the modes of payment in financing the acquisition of farm lots. Acceptance of Land Bank bonds, instead of money, undoubtedly involves a certain degree of sacrifice for the landowner. This, of course, is in addition to the fact that, in case of expropriation of land covered by land reform, the landowner will seldom get the compensation he desires. Thus, discounting the Land Bank bonds, and thereby reducing their effective value, entails and imposes an additional burden on his part. It is, in fact, in consideration of this sacrifice that we extended the rule on liberality in the interpretation of the provisions of Republic Act No. 3844, then known as the Agricultural Land Reform Code, in favor not only of the actual tillers but the landowners as well. Ita semper fiat relatio ut valeat dispositio. The interpretation must always be such that the disposition may prevail.

The nature of a Land Bank bond itself fortifies our view that the respondent may be compelled to accept those bonds at their face value. As explained in an earlier case:

"True, the statute does not explicitly provide that Land Bank bonds shall be accepted at their face value. There can be no question, however, that such is the intendment of the law particularly in the absence of any provision expressly permitting discounting, as differentiated from Republic Act No. 304, or the Backpay Law, as amended by Republic Acts Nos. 800 and 897, which expressly allows it.

"Land Bank bonds are certificates of indebtedness, approved by the Monetary Board of the Central Bank, fully tax-exempt both as to principal and income, and bear interest at the rate of 6% per annum redeemable at the option of the Land Bank at or before maturity, which in no case shall exceed 25 years. They are fully negotiable and unconditionally guaranteed by the Government of the Republic of the Philippines.

"These 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 may take any encroachment in any respect upon the obligation and cannot be permitted. Thus, the value of these bonds cannot be diminished by any direct or indirect act, particularly, since said bonds are fully guaranteed by the Government of the Philippines. They are issued not in the open market nor for the primary purpose of raising funds or pooling financial resources but in the captive market of landowners and to facilitate the speedy transfer of lands to the tenant-farmers in support of the land reform program of the Government. They are not ordinary commercial paper in that sense subject to discounting" (*Italics supplied*).[9]

We are aware that the above cited cases primarily involved Section 80 of the law as applied to cases where government financial institutions were compelled to accept Land Bank bonds at their face value for the discharge of existing encumbrances on parcels of land given as security even if not all the lands covered by the mortgage were acquired by the Land Bank under Presidential Decree No. 27. Evidently, however, the variance in the factual setting would not change the very nature of said bonds by reason of which payment of pre-existing obligations to government financial institutions at their face or par value is justified and authorized. It would be hermeneutically unjustified to adopt a tenuous theory which would subject the parity of Land Bank bonds to qualifications and distinctions when the law itself does not so provide.

The deed of conditional sale which was executed by the parties herein is subject to the obligation of and guaranteed by the Government under said bonds. Their agreement for the payment of installments in Philippine currency cannot in any way be construed as an alteration, nor should it detract from the essence and compulsion,

of said obligation. While, in one instance, petitioner offered to pay his future installments in cash, that offer was obviously not voluntarily made but was exacted from him because of the refusal of respondent to accept the Land Bank bonds. That incident should not prevent petitioner from making, and allow respondent to refuse, an alternative mode of payment authorized by law and under the conditions laid down by this Court.

Respondent cannot rely on the deletion by Presidential Decree No. 251 of the provision in Section 85 that the bonds shall be accepted in the amount of their face value, and wrest therefrom an interpretation in support of its thesis. Implied repeals are frowned upon in this jurisdiction. They are not favored in law and will not be so declared unless the intent of the legislature is manifest. In the present case, no such intention to effect changes in the law exists nor is it even apparent. On the contrary, it can be said that when amendments were made to Section 85, the legislators were fully aware of the nature of Land Bank bonds, which would necessarily be concordant with the analysis and explanation subsequently made by the Court in the cases hereinbefore cited. If the legislature had really been minded to make changes in the policy on the acceptance value of said bonds, they could have expressly so provided with facility and ease. Thus, although such amendment by deletion was effected in 1973 and the cases which clarified this point were decided in 1986 and 1987 on factual situations subsequent to 1973, this argument now posited by respondent based on such amendment was not taken into account by the Court in laying down its aforequoted doctrinal rulings.

Neither can the respondent complain that the acceptance of said bonds at their face value will impair its actuarial solvency. We are constrained to quote from Gonzales again, that "(w)hatever unfavorable results the acceptance may have on its finances, the effects must be deemed to have been intended by Presidential Decree No. 251, particularly, when it provided for the payment in bonds to government lending institutions their 'existing charters to the contrary notwithstanding.' If iniquitous to said institutions, it remains now with the legislative branch to make the necessary revisions if desired. The traditional role assigned to the Judiciary is to implement and not to thwart fundamental policy goals."

It is apropos to recall, at this juncture, our reminder in the aforecited case of *Philippine National Bank vs. Amores, et al.*, which applies with equal force to herein respondent and the present case:

"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 'mobilization and harnessing properly all available government resources for the realization of the desired agrarian reform program.' 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 cannot 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. x x x " (Italics supplied).

WHEREFORE, the writ of mandamus prayed for is hereby GRANTED. Respondent Government Service Insurance System is ordered to accept the bonds issued by the Land Bank of the Philippines at their par or face value.

SO ORDERED.

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

[1] Rollo, 138.

[2] Ibid., 62.

[3] Ibid., 11.

[4] Ibid., 14.

[5] Ibid., 15-18.

[6] 107 SCRA 492 (1981).

[7] Rollo, 19.

[8] Ibid., 111.

[9] Gonzales, et al. vs. Government Service Insurance System, etc., et al., ante: see also Philippine National Bank vs. Intermediate Appellate Court, et al., 143 SCRA 299 (1986); Philippine National Bank vs. Amores, et al., 155 SCRA 445 (1987).

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