

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. COURT OF APPEALS, SPS. RAFAEL SUAREZ AND AFRICA G. SUAREZ, RESPONDENTS.

G.R. No. 76902. January 30, 1990

Ponente: FELICIANO, J.

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FELICIANO, J.:

Petitioner Land Bank of the Philippines ("Land Bank") assails the Decision dated 29 October 1986 of the Court of Appeals[1] which affirmed a decision of the then Court of First Instance ("CFI") of Manila ordering the Land Bank to pay the interest due on three (3) Land Bank Interim Bond Certificates[2] in the amount of P11,877.24 to private respondent spouses Rafael Suarez and Africa G. Suarez, and the Court of Appeals' Resolution dated 17 December 1986[3] denying the Land Bank's Motion for Reconsideration.

Private respondents were former owners of agricultural lands. Their lands were subjected to Operation Land Transfer of the Government under Presidential Decrees Nos. 2 and 127. As part of the financing support for Operation Land Transfer, the petitioner issued three (3) Land Bank Interim Bond Certificates registered in the name of respondents, as partial payment for their agricultural lands, with the following serial numbers and for the following amounts: Serial Nos. A-02918-F for the amount of P241,160.00; A-02915-F for P309,440.00; and A-03058-F for P72,740.00.

These bonds have a maturity of twenty-five (25) years from date of issue and bear interest at the rate of six per centum (6%) per annum, tax-free and payable semi-annually on May 20 and November 20 of each year.

On 17 March 1975, respondents Suarez requested the petitioner to convert their bonds from registered bonds to bearer bonds, in preparation for their intended delivery or transfer to third parties. For this purpose, respondents were required to fill up three (3) sets of LBP Form No. 64 — Request for Transfer/Redenomination of Bonds.[4] In each of said LBP forms, respondents themselves inserted the following notation --

"NOTE: It is understood that the interest from November 21, 1974 to March 17, 1975 shall accrue to the transferor."[5]

This notation was typed in by a clerk of the petitioner at the exclusive request of private respondents. The notation was a discrete gloss by private respondents, not in response to any question posed by the LBP Form 64 nor to fill in any blank line required by LBP Form 64 to be filled up.

The LBP Forms 64 were processed and signed by the manager of petitioner's Cash Department, Mr. Bajada. Thereafter and upon the surrender by respondents of their registered bonds, eight (8) new bearer bonds with different denominations but of equivalent aggregate face value were issued by the Land Bank to the respondents Suarez.[6] Save only that they are payable to the bearer thereof, rather than to a named and registered owner, the new bonds have the same terms and conditions as the prior registered bonds. The prior registered bonds were accordingly retired.

On 20 May 1975, the first interest payment date after the conversion, private respondents demanded from the Land Bank the payment of P11,877.24 representing that part of the accrued interest on the three (3) registered bonds formerly held by them which corresponded to the period from 21 November 1974 to 17 March 1975. Petitioner, however, declined to honor the demand when respondents refused or failed to present the Bearer Bond Certificates as required by Land Bank Implementing Guidelines and Procedures on "The Processing Payment of Interest on LBP Bonds",[7] to wit —

"Before the release of interest due on LBP Bonds, the Bondholder or his Attorney-in-Fact must present the following documents:

(a) Permanent Bond Certificate;

x x x x x x x x."

On 10 November 1975, respondents Suarez filed a complaint[8] with the then Court of First Instance of Manila, Branch 34, to compel payment by the Land Bank of the claimed amount of interest on the registered bonds previously held by them. The trial court rendered judgment in favor of the respondents Suarez, ordering the Land Bank to pay the sum of P11,877.24 as accrued interest on the bonds from 21 November 1974 to 17 March 1975 at six percent (6%) until fully paid plus P4,000.00 as attorney's fees and to pay costs of suit.[9]

On appeal, the Court of Appeals affirmed the decision of the trial court. The appellate court held that petitioner was bound by the notation inserted by the respondents Suarez in the LBP Forms 64. The Court of Appeals said:

"We find no merit at all with (sic) the contention of defendant-appellant bank that the reason for its refusal to pay the accrued interest is due to the failure of the plaintiffs to surrender the certificates. The defendant bank knew and in fact approved the transfer of said land bonds to third parties. x x x"[10] (Underscoring supplied)

Its Motion for Reconsideration having been denied, the Land Bank filed this Petition for Review.

The only question raised before the Court is whether or not petitioner is liable to private respondents for the payment of interest on the three bonds in controversy for the period from 21 November 1974 to 17 March 1975.

Petitioner argues that the unilateral notation made by respondent spouses on the LBP Form 64 does not bind it. Upon the other hand, respondent spouses contend that the Implementing Guidelines or Procedures of the Land Bank cannot prevail over the notation they caused to be written into the LBP Forms 64; and that petitioner is estopped from disclaiming any liability for the payment of the claimed interest, which liability it had implicitly accepted when it signed the LBP Forms 64 with knowledge of the existence of the notation and without any objection on its part.

Private respondents' contention has to be rejected.

In the first place, the notation unilaterally caused to be inserted by private respondents is not, by its own terms, an undertaking by the Land Bank to pay "the interest [accruing] from November 21, 1974 to March 17, 1975" to the respondents Suarez. Careful reading of its terms shows that what the notation purported to address was the allocation of the interest accruing during the interest period from November 21, 1974 to May 20, 1975 as between the respondents Suarez as transferor and some unknown transferees as holders of the bonds which shall then (i. e., by May 20, 1975) have been converted into bearer bonds. Respondents Suarez were allocating to themselves as transferor the interest (i.e., P11,877.24) accruing from November 21, 1974 to March 17, 1975. The interest accruing during the balance of the relevant period, i.e., from March 18, 1975 to May 20, 1975. (i.e., P6,822.96) was obviously allocated to the transferees who then and at all times relevant for present purposes remained unknown to petitioner Land Bank. There is nothing in the record to show that the unknown transferees had agreed

to the allocation unilaterally claimed by the respondents Suarez as transferors.

Secondly, petitioner Land Bank did not really reject the demand absolutely and unconditionally. What the Land Bank required respondent spouses to do on May 20, 1975 was to produce the relevant bond certificates, then already in bearer form. The provision of the Land Bank Regulations or Implementing Guidelines, quoted earlier, requiring the production of the pertinent bond certificates before payment of interest due thereon, is obviously designed for the protection of both the Land Bank and the lawful holder or owner of Land Bank bonds by avoiding payment of interest to an unauthorized holder of the certificates or to a impostor pretending to be owner or bearer of particular bond certificates. The reasonableness and hence the lawfulness of such regulation or guideline cannot be seriously disputed.

Thirdly, the Land Bank Regulations or Implementing Guidelines or Procedures on "The Processing/Payment of Interest on LBP Bonds", promulgated pursuant to an express statutory grant of authority to the Land Bank,[11] are binding not only upon officers and employees of the Land Bank but also upon holders or owners of Land Bank bonds and other members of the general public who have to deal with the Land Bank in respect of its bonds. They cannot be modified, nor exemption therefrom demanded, by a bond holder, and certainly not by a prior bond holder, without the consent of the Land Bank. Was such consent given hereby the Land Bank? We do not believe so. There is nothing to indicate that the Land Bank intended to consent to a modification or waiver of its rules and regulations. Such an intent must be demonstrated by language far more explicit than the simple processing and approval of a mimeographed form in which private respondents had, for their own purposes, inserted the notation here involved. Such an intent certainly cannot be either implied or presumed in this case. There is further nothing to show that Mr. Bajada, Manager of petitioner's Cash Department, was authorized (nor did he purport to represent himself as authorized) by the Land Bank to agree to a waiver or modification of such Regulations or Implementing Guidelines and Procedures, vis-a-vis respondent spouses. The mere signing and approval of the LBP Forms 64 by Mr. Bajada cannot reasonably be regarded as consent to a modification of the requirements of the Land Bank's Regulations or Implementing Guidelines and Procedures. The notation here in dispute does not, it must be stressed, even purport to constitute or provide for a waiver or modification of those Guidelines or Procedures.

Fourthly, private respondents suggest that Land Bank Manager Mr. Bajada was somehow guilty of negligence in signing the LBP Forms 64 without cancelling out the notation inserted by private respondents. Assuming, for purposes of argument merely, that Mr. Bajada could be regarded as having been negligent (we believe he was not, since the notation by its own terms did not purport to convert the Land Bank into a withholding agent of respondent spouses), such negligence cannot be set up to assert estoppel as against the government. In view of the critical role of petitioner Land Bank, in the government's Operation Land Transfer and its program of land reform generally, the Land Bank was exercising functions indubitably governmental in nature and accordingly must be deemed part of the government so far as concerns the application of the rule that the government is not estopped by the negligence of its officers or agents.[12]

It may be worth noting that, if at all there was any negligence in this affair, that negligence must be laid at the door of the respondents Suarez. The notation they caused to be inserted in the LBP Forms 64 was crafted by them. If that notation had been formulated with the specificity and clarity necessary to convey the meaning they now pretend it had, this prolonged litigation would in all probability have been avoided. Of course, if the notation had clearly and specifically stated that the Land Bank was being instructed and required to withhold from the holder of new bearer bonds a certain portion of the interest that on May 20, 1975 the Land Bank was explicitly bound under the terms of the new bonds to pay to such holder, and to pay such interest to the respondents Suarez instead, Mr. Bajada would, in all probability too, have expressly rejected such instruction and manually cancelled the

notation.

Fifthly, we must note that the respondents Suarez' appropriate remedy lies not in trying to compel the Land Bank to introject itself in the relations between the transferors and transferees of such bonds and either to breach its own obligations under the terms of the new bearer bonds or absorb the burden or risk of paying twice the interest claimed by respondents. Respondents' remedy or cause of action lies rather against the first bearer to whom respondents delivered the bonds to enforce their presumed agreement concerning the allocation as between them of the interest pertaining to the period from November 21, 1974 to May 20, 1975.

Finally, it is not easy to understand the thrust of respondents' argument that novation had taken place in respect of their bonds when they had their registered bonds converted into bearer bonds. If respondents mean to suggest that the printed terms of the new bearer bonds were somehow novated by the notation they had inserted in the LBP Forms 64 so as to obligate the Land Bank to pay a portion of the November 21, 1974 - May 20, 1975 interest not to the holder or bearer of such bonds (as required by the terms thereof) but rather to the respondents, such suggestion must be firmly rejected. None of the requirements of novation^[13] either of the subject matter of the bond agreement or of (partial) subrogation of the creditor (obligee) thereunder, is visible in the instant case. Of equal importance is the fact that the unilateral notation of the respondents was not inserted in the new bearer bond certificates. The mischief implicit in the (assumed) suggestion of the respondents is plain to see.

WHEREFORE, the Petition for Review is hereby GRANTED. The Decision of the Court of Appeals dated 29 October 1986 and its Resolution dated 17 December 1986, as well as the Decision of the trial court dated 10 November 1979, are hereby SET ASIDE and NULLIFIED. No pronouncement as to costs.

SO ORDERED.

Fernan, C.J., (Chairman), Gutierrez, Jr., Bidin, and Cortes, JJ., concur.

[1] Rollo. p. 18.

[2] Exhibits "A." "B" and "C". Folder of Exhibits.

[3] Rollo, p. 26.

[4] Exhibits "F." "G" and "H." Folder of Exhibits.

[5] Exhibits "F-1." "G-1" and "H-1." Folder of Exhibits.

[6] Registered Bond No. A-02918-F with face value of P241,160.00 was converted into Bearer Bonds Nos. A-03534-F (face value - P215,300.00); A-03535-F (face value - P24,460.00); and A-03536-F (face value - P1,400.00).

Registered Bond No. A-02915-F with face value of P309,440.00 was converted into Bearer Bonds Nos. B-15194-G (face value - P100,000.00); A-03537-F (face value - P155,700.00); and A-03538-F (face value - P53,740.00).

Registered Bond No. A-03058-F with face value of P72,740.00 was converted into Bearer Bonds Nos. A-03539-F (face value - P58,980.00) and A-03540-F (face value - P13,760.00).

[7] Exhibit "7," Folder of Exhibits.

[8] Record on Appeal, p. 5.

[9] Record on Appeal, p. 9.

[10] Rollo, p. 23.

[11] Section 86A (1), Republic Act No. 3844 as amended by P.D. No. 251.

[12] Republic of the Philippines v. Court of Appeals, 135 SCRA 156 (1985); Republic of the Philippines v. Aquino, 120 SCRA 186 (1983); Republic of the Philippines v. Rabbit Bus Lines, Inc., 32 SCRA 211 (1970); Luciano v. Estrella, 34 SCRA 769 (1970); and Bachrach Motor Company vs. Unson, 60 Phil. 981 (1926).

[13] People's Bank and Trust Co. v. Syvel's, Inc., 164 SCRA 247 (1988); Goñi v. Court of Appeals, 144 SCRA 222 (1986); National Power Corporation v. Dayrit, 125 SCRA 849 (1983); Ramos v. Gibbon, 67 Phil. 371 (1939); Tin Siuco v. Habana, 45 Phil. 707 (1924); and Zapanta v. De Rotaache, 21 Phil. 154 (1912).

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