

**SPOUSES TIRZO VINTOLA AND LORETA DY VINTOLA,
DEFENDANTS-APPELLANTS, VS. INSULAR BANK OF ASIA AND
AMERICA, PLAINTIFF-APPELLEE.**

G.R. No. 78671. March 25, 1988

Ponente: CORTES, J.

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CORTES, J.:

This case is on all fours with the decision of this Tribunal in G.R. No. 73271 promulgated on May 29, 1987, entitled *Spouses Tirso I. Vintola and Loreto Dy Vintola v. Insular Bank of Asia and America* [150 SCRA 578]. The same issues and virtually the same facts were involved in that case between the same parties, hence, the decision in said case forecloses this appeal.

Spouses Tirzo Vintola and Loreta Dy Vintola, hereinafter referred to as the VINTOLAS, are the proprietors of Dax Kin International, a company engaged in the manufacture of raw seashells into finished products.

On August 20, 1975, the VINTOLAS applied for, and were granted, a commercial letter of credit with the Insular Bank of Asia and America (IBAA for short), Cebu City. The letter of credit authorized the bank to negotiate for their account, drafts drawn in favor of one of their suppliers, Efren Alani, on Dax Kin International in the amount of P35,000.00 to represent a shipment of a variety of puka and olive shells. For their part the VINTOLAS promised and agreed to pay the bank at maturity said amount together with the usual charges.

To secure the release of the raw seashells, on the same day the VINTOLAS executed in favor of IBAA a trust receipt agreement which was to mature on October 19, 1975.

On January 9, 1976 IBAA demanded from the VINTOLAS payment of the P35,000.00, the latter having failed to make good their obligation. The VINTOLAS offered to return the raw seashells to IBAA as they were unable to dispose of the same. IBAA refused to accept them.

As found by the Regional Trial Court, the VINTOLAS made several promises to IBAA to settle their account. But due to their failure to pay their obligation, on August 4, 1977 IBAA was constrained to institute Criminal Case No. CU-2928 for estafa under Art. 315 No. 1 (b) of the Revised Penal Code in relation to Pres. Dec. No. 115 (The Trust Receipts Law). During the trial of the criminal case, the VINTOLAS deposited in court the various puka and olive shells. Subsequently, the VINTOLAS were acquitted for insufficiency of evidence.

Thereafter IBAA brought Civil Case No. R-21103, subject of this appeal, to recover from the VINTOLAS the P35,000.00 plus interest and other charges. On May 13, 1985, the Regional Trial Court promulgated its decision the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered ordering the defendants to pay the plaintiff the sum of P62,704.23 which was the outstanding account of the defendants to the plaintiff as of September 30, 1981 and to pay legal interest on the amount from October 1, 1981 up to the time this amount shall have been fully paid; and ordering the defendants further to pay P6,270.00 as attorney's fees and the costs of this action.

The VINTOLAS appealed to the Court of Appeals but upon motion filed by IBAA, the appellate court resolved to elevate the case to the Supreme Court considering that purely questions of law are involved.

The parties agree that the sole issue involved in this case is whether or not the lower court was correct in holding that the VINTOLAS still owe IBAA even though the goods held in trust were not sold and IBAA never demanded for their return and even if the VINTOLAS deposited them in court because the bank refused to accept their return.

As stated at the outset, this issue has been squarely met in the case of *Vintola v. Insular Bank of Asia and America* [G.R. No. 73271, May 29, 1987, 150 SCRA 578]. In that case, involving the same parties and essentially the same set of facts, the Supreme Court affirmed the judgment of the lower court ordering the VINTOLAS to make payment to IBAA. In disposing of the arguments raised by the VINTOLAS, this Court said:

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Further, the VINTOLAS take the position that their obligation to IBAA has been extinguished inasmuch as, through no fault of their own, they were unable to dispose of the seashells, and that they have relinquished possession thereof to the IBAA, as owner of the goods, by depositing them with the Court.

The foregoing submission overlooks the nature and mercantile usage of the transaction involved. A letter of credit-trust receipt arrangement is endowed with its own distinctive features and characteristics. Under that set-up, a bank extends a loan covered by the Letter of Credit, with trust receipt as a security for the loan. In other words, the transaction involves a loan feature represented by the letter of credit, and a security feature which is in the covering trust receipt.

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A trust receipt, therefore, is a security agreement, pursuant to which a bank acquires a "security interest" in the goods. "It secures an indebtedness and there can be no such thing as security interest that secures no obligation." . . .

As elucidated in *Samo vs. People* "a trust receipt is considered as a security transaction intended to aid in financing importers and retail dealers who do not have sufficient funds or resources to finance the importation or purchase of merchandise, and who may not be able to acquire credit except through utilization, as collateral, of the merchandise imported or purchased".

Contrary to the allegation of the VINTOLAS, IBAA did not become the real owner of the goods. It was merely the holder of a security title for the advances it had made to the VINTOLAS. The goods the VINTOLAS had purchased through IBAA financing remain their own property and they hold it at their own risk. The trust receipt arrangement did not convert the IBAA into an investor; the latter remained a lender and creditor.

"... for the bank has previously extended a loan which the L/C represents to the importer, and by that loan, the importer should be the real owner of the goods. If under the trust receipt, the bank is made to appear as the owner, it was but an artificial expedient, more of a legal fiction than fact, for if it were so, it could dispose of the goods in any manner it wants, which it cannot do, just to give consistency with the purpose of the trust receipt of giving a stronger security for the loan obtained by the importer. To consider the bank as the true owner from the inception of the transaction would be to disregard the loan feature thereof. . . ."

Since the IBAA is not the factual owner of the goods, the VINTOLAS cannot justifiably claim that because they have surrendered the goods to IBAA and subsequently deposited them in the custody of the court, they are absolutely relieved of their obligation to pay their loan because of their inability to dispose of the goods. The fact that they were unable to sell the seashells in question does not affect IBAA's right to recover the advances it had made under the Letter of Credit. . . . [At pp. 582, 583-584. Underscoring supplied.]

This Tribunal adopts and reiterates this ruling considering the facts and circumstances obtaining in the aforesaid and the present cases.

To support their case, the VINTOLAS argue that their return of the goods amounted to recovery by IBAA and to order them to further make payment would be tantamount to double recovery. According to them, "the situation is akin to an act or omission constituting both a quasi-delict under the Civil Code and also criminal negligence under the Revised Penal Code" [Petition, p. 15], hence they invoke the rule under Art. 2177 of the New Civil Code against double recovery.

The VINTOLAS' reliance on said provision of law is erroneous. As correctly argued by IBAA, there is no double recovery since the bank has not yet recovered from them. The VINTOLAS' deposit in court of the puka and olive shells does not amount to recovery by IBAA.

WHEREFORE, the decision of the trial court is AFFIRMED.

SO ORDERED.

Fernan, (Chairman), Gutierrez, Jr., Feliciano, and Bidin, JJ., concur.

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