

PHILIPPINE NATIONAL BANK, PETITIONER, VS. COURT OF APPEALS AND B.P. MATA AND CO., INC., RESPONDENTS.*G.R. No. 97995. January 21, 1993*

Ponente: ROMERO, J.

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Rarely is this Court confronted with a case calling for the delineation in broad strokes of the distinctions between such closely allied concepts as the quasi-contract called "solutio indebiti" under the venerable Spanish Civil Code and the species of implied trust denominated "constructive trusts," commonly regarded as of Anglo-American origin. Such a case is the one presented to us now which has highlighted more of the affinity and less of the dissimilarity between the two concepts as to lead the legal scholar into the error of interchanging the two. Presented below are the factual circumstances that brought into juxtaposition the twin institutions of the Civil Law quasi-contract and the Anglo-American trust.

Private Respondent B. P. Mata & Co. Inc. (Mata), is a private corporation engaged in providing goods and services to shipping companies. Since 1966, it has acted as a manning or crewing agent for several foreign firms, one of which is Star Kist Foods, Inc., USA (Star Kist). As part of their agreement, Mata makes advances for the crew's medical expenses, National Seaman's Board fees, Seaman's Welfare fund, and standby fees and for the crew's basic personal needs. Subsequently, Mata sends monthly billings to its foreign principal Star Kist, which in turn reimburses Mata by sending a telegraphic transfer through banks for credit to the latter's account.

Against this background, on February 21, 1975, Security Pacific National Bank (SEPAC) of Los Angeles which had an agency arrangement with Philippine National Bank (PNB), transmitted a cable message to the International Department of PNB to pay the amount of US\$14,000 to Mata by crediting the latter's account with the Insular Bank of Asia and America (IBAA), per order of Star Kist. Upon receipt of this cabled message on February 24, 1975, PNB's International Department noticed an error and sent a service message to SEPAC Bank. The latter replied with instructions that the amount of US\$14,000 should only be for US\$1,400.

On the basis of the cable message dated February 24, 1975, Cashier's Check No. 269522 in the amount of US\$1,400 (P9,772.96) representing reimbursement from Star Kist, was issued by the Star Kist for the account of Mata on February 25, 1975 through the Insular Bank of Asia and America (IBAA).

However, fourteen days after or on March 11, 1975, PNB effected another payment through Cashier's Check No. 270271 in the amount of US\$14,000 (P97,878.60) purporting to be another transmittal of reimbursement from Star Kist, private respondent's foreign principal.

Six years later, or more specifically, on May 13, 1981, PNB requested Mata for refund of US\$14,000 (P97,878.60) after it discovered its error in effecting the second payment.

On February 4, 1982, PNB filed a civil case for collection and refund of US\$14,000 against Mata arguing that based on a constructive trust under Article 1456 of the Civil Code, it has a right to recover the said amount it

erroneously credited to respondent Mata.[1]

After trial, the Regional Trial Court of Manila rendered judgment dismissing the complaint ruling that the instant case falls squarely under Article 2154 on solutio indebiti and not under Article 1456 on constructive trust. The lower court ruled out constructive trust, applying strictly the technical definition of a trust as "a right of property, real or personal, held by one party for the benefit of another; that there is a fiduciary relation between a trustee and a cestui que trust as regards certain property, real, personal, money or choses in action." [2]

In affirming the lower court, the appellate court added in its opinion that under Article 2154 on solutio indebiti, the person who makes the payment is the one who commits the mistake vis-a-vis the recipient who is unaware of such a mistake.[3] Consequently, recipient is duty bound to return the amount paid by mistake. But the appellate court concluded that petitioner's demand for the return of US\$14,000 cannot prosper because its cause of action had already prescribed under Article 1145, paragraph 2 of the Civil Code which states:

"The following actions must be commenced within six years:

x x x x x xxx

(2) Upon a quasi-contract."

This is because petitioner's complaint was filed only on February 4, 1982, almost seven years after March 11, 1975 when petitioner mistakenly made payment to private respondent.

Hence, the instant petition for certiorari proceeding seeking to annul the decision of the appellate court on the basis that Mata's obligation to return US\$14,000 is governed, in the alternative, by either Article 1456 on constructive trust or Article 2154 of the Civil Code on quasi-contract.[4]

Article 1456 of the Civil Code provides:

"If property is acquired through mistake or fraud, the person obtaining it is, by force of law, considered a trustee of an implied trust for the benefit of the person from whom the property comes."

On the other hand, Article 2154 states:

"If something is received when there is no right to demand it, and it was unduly delivered through mistake, the obligation to return it arises."

Petitioner naturally opts for an interpretation under constructive trust as its action filed on February 4, 1982 can still prosper, as it is well within the prescriptive period of ten (10) years as provided by Article 1144, paragraph 2 of the Civil Code.[5]

If it is to be construed as a case of payment by mistake or solutio indebiti, then the prescriptive period for quasi-contracts of six years applies, as provided by Article 1145. As pointed out by the appellate court, petitioner's cause of action thereunder shall have prescribed, having been brought almost seven years after the cause of action accrued. However, even assuming that the instant case constitutes a constructive trust and prescription has not set in, the present action has already been barred by laches.

To recall, trusts are either express or implied. While express trusts are created by the intention of the trustor or of the parties, implied trusts come into being by operation of law.[6] Implied trusts are those which, without being expressed, are deducible from the nature of the transaction as matters of intent or which are superinduced on the transaction by operation of law as matters of equity, independently of the particular intention of the parties.[7]

In turn, implied trusts are subdivided into resulting and constructive trusts.[8] A resulting trust is a trust raised by

implication of law and presumed always to have been contemplated by the parties, the intention of which is found in the nature of the transaction, but not expressed in the deed or instrument of conveyance.[9] Examples of resulting trusts are found in Articles 1448 to 1455 of the Civil Code.[10] On the other hand, a constructive trust is one not created by words either expressly or impliedly, but by construction of equity in order to satisfy the demands of justice. An example of a constructive trust is Article 1456 quoted above.[11]

A deeper analysis of Article 1456 reveals that it is not a trust in the technical sense[12] for in a typical trust, confidence is reposed in one person who is named a trustee for the benefit of another who is called the cestui que trust, respecting property which is held by the trustee for the benefit of the cestui que trust.[13] A constructive trust, unlike an express trust, does not emanate from, or generate a fiduciary relation. While in an express trust, a beneficiary and a trustee are linked by confidential or fiduciary relations, in a constructive trust, there is neither a promise nor any fiduciary relation to speak of and the so-called trustee neither accepts any trust nor intends holding the property for the beneficiary.[14]

In the case at bar, Mata, in receiving the US\$14,000 in its account through IBAA, had no intent of holding the same for a supposed beneficiary or cestui que trust, namely PNB. But under Article 1456, the law construes a trust, namely a constructive trust, for the benefit of the person from whom the property comes, in this case PNB, for reasons of justice and equity.

At this juncture, a historical note on the codal provisions on trust and quasi-contracts is in order.

Originally, under the Spanish Civil Code, there were only two kinds of quasi contracts: negotiorum gestio and solutio indebiti. But the Code Commission, mindful of the position of the eminent Spanish jurist, Manresa, that "the number of quasi contracts may be indefinite," added Section 3 entitled "Other Quasi-Contracts." [15]

Moreover, even as Article 2142 of the Civil Code defines a quasi-contract, the succeeding article provides that: "The provisions for quasi-contracts in this Chapter do not exclude other quasi-contracts which may come within the purview of the preceding article." [16]

Indubitably, the Civil Code does not confine itself exclusively to the quasi-contracts enumerated from Articles 2144 to 2175 but is open to the possibility that, absent a pre-existing relationship, there being neither crime nor quasi-delict, a quasi-contractual relation may be forced upon the parties to avoid a case of unjust enrichment.[17] There being no express consent, in the sense of a meeting of minds between the parties, there is no contract to speak of. However, in view of the peculiar circumstances or factual environment, consent is presumed to the end that a recipient of benefits or favors resulting from lawful, voluntary and unilateral acts of another may not be unjustly enriched at the expense of another.

Undoubtedly, the instant case fulfills the indispensable requisites of solutio indebiti as defined in Article 2154: that something (in this case money) has been received when there was no right to demand it and (2) the same was unduly delivered through mistake. There is a presumption that there was a mistake in the payment "if something which had never been due or had already been paid was delivered; but he from whom the return is claimed may prove that the delivery was made out of liberality or for any other just cause." [18]

In the case at bar, a payment in the corrected amount of US\$1,400 through Cashier's Check No. 269522 had already been made by PNB for the account of Mata on February 25, 1975. Strangely, however, fourteen days later, PNB effected another payment through Cashier's Check No. 270271 in the amount of US\$14,000, this time purporting to be another transmittal of reimbursement from Star Kist, private respondent's foreign principal.

While the principle of undue enrichment or solutio indebiti, is not new, having been incorporated in the subject on quasi-contracts in Title XVI of Book IV of the Spanish Civil Code entitled "Obligations incurred without

contract,"[19] the chapter on Trusts is fairly recent, having been introduced by the Code Commission in 1949. Although the concept of trusts is nowhere to be found in the Spanish Civil Code, the framers of our present Civil Code incorporated implied trusts, which includes constructive trusts, on top of quasi-contracts, both of which embody the principle of equity above strict legalism.[20]

In analyzing the law on trusts, it would be instructive to refer to Anglo-American jurisprudence on the subject. Under American Law, a court of equity does not consider a constructive trustee for all purposes as though he were in reality a trustee; although it will force him to return the property, it will not impose upon him the numerous fiduciary obligations ordinarily demanded from a trustee of an express trust.[21] It must be borne in mind that in an express trust, the trustee has active duties of management while in a constructive trust, the duty is merely to surrender the property.

Still applying American case law, quasi-contractual obligations give rise to a personal liability ordinarily enforceable by an action at law, while constructive trusts are enforceable by a proceeding in equity to compel the defendant to surrender specific property. To be sure, the distinction is more procedural than substantive.[22]

Further reflection on these concepts reveals that a constructive "trust" is as much a misnomer as a "quasi-contract," so far removed are they from trusts and contracts proper, respectively. In the case of a constructive trust, as in the case of quasi-contract, a relationship is "forced" by operation of law upon the parties, not because of any intention on their part but in order to prevent unjust enrichment, thus giving rise to certain obligations not within the contemplation of the parties.[23]

Although we are not quite in accord with the opinion that "the trusts known to American and English equity jurisprudence are derived from the fidei commissa of the Roman Law,"[24] it is safe to state that their roots are firmly grounded on such Civil Law principles as expressed in the Latin maxim, "Nemo cum alterius detrimento locupletari potest,"[25] particularly the concept of constructive trust.

Returning to the instant case, while petitioner may indeed opt to avail of an action to enforce a constructive trust or the quasi-contract of solutio indebiti, it has been deprived of a choice, for prescription has effectively blocked quasi-contract as an alternative, leaving only constructive trust as the feasible option.

Petitioner argues that the lower and appellate courts cannot indulge in semantics by holding that in Article 1456 the recipient commits the mistake while in Article 2154, the recipient commits no mistake.[26] On the other hand, private respondent, invoking the appellate court's reasoning, would impress upon us that under Article 1456, there can be no mutual mistake. Consequently, private respondent contends that the case at bar is one of solutio indebiti and not a constructive trust.

We agree with petitioner's stand that under Article 1456, the law does not make any distinction since mutual mistake is a possibility on either side - on the side of either the grantor or the grantee.[27] Thus, it was error to conclude that in a constructive trust, only the person obtaining the property commits a mistake. This is because it is also possible that a grantor, like PNB in the case at hand, may commit the mistake.

Proceeding now to the issue of whether or not petitioner may still claim the US\$14,000 it erroneously paid private respondent under a constructive trust, we rule in the negative. Although we are aware that only seven (7) years lapsed after petitioner erroneously credited private respondent with the said amount and that under Article 1144, petitioner is well within the prescriptive period for the enforcement of a constructive or implied trust, we rule that petitioner's claim cannot prosper since it is already barred by laches. It is a well-settled rule now that an action to enforce an implied trust, whether resulting or constructive, may be barred not only by prescription but also by laches.[28]

While prescription is concerned with the fact of delay, laches deals with the effect of unreasonable delay.[29] It is amazing that it took petitioner almost seven years before it discovered that it had erroneously paid private respondent. Petitioner would attribute its mistake to the heavy volume of international transactions handled by the Cable and Remittance Division of the International Department of PNB. Such specious reasoning is not persuasive. It is unbelievable for a bank, and a government bank at that, which regularly publishes its balanced financial statements annually or more frequently, by the quarter, to notice its error only seven years later. As a universal bank with worldwide operations, PNB cannot afford to commit such costly mistakes. Moreover, as between parties where negligence is imputable to one and not to the other, the former must perforce bear the consequences of its neglect. Hence, petitioner should bear the cost of its own negligence.

WHEREFORE, the decision of the Court of Appeals dismissing petitioner's claim against private respondent is AFFIRMED.

Costs against petitioner.

SO ORDERED.

Bidin, Davide, Jr., and Melo, JJ., concur.

Gutierrez, Jr., J., (Chairman), in the result.

[1] Records, p. 122.

[2] *Salao v. Salao*, G.R. No. L-26699, March 16, 1976, 70 SCRA 65.

[3] *Rollo*, p. 41.

[4] *Rollo*, p. 27.

[5] Article 1144. The following actions must be brought within ten years from the time the right of action accrues:

"xxx xxx xxx

(2) Upon an obligation created by law;

xxx xxx xxx"

[6] Article 1441, Civil Code.

[7] 89 CJS 724.

[8] 89 CJS 722.

[9] 89 CJS 725.

[10] *Aquino*, Civil Code, Vol. II, pp. 556-557; *Ramos v. Ramos*, G.R. No. L-19872, December 3, 1974, 61 SCRA 284.

[11] *Salao v. Salao*, G.R. No. L-26699, March 16, 1976, 70 SCRA 65.

[12] *Ramos v. Ramos*, G.R. No. L-19872 December 3, 1974, 61 SCRA 284, citing *Gayondato v. Treasurer of the Philippine Islands*, 49 Phil. 244.

[13] *State ex Wirt v. Superior Court for Spokane Country*, 10 Wash. 2d, 362, 116 P. 2d 752, 755, Article 1440 Civil Code.

- [14] Diaz v. Goricho, 103 Phil. 261.
- [15] Report of the Code Commission, p. 60.
- [16] Article 2143, Civil Code.
- [17] Report of the Code Commission, pp. 159-160.
- [18] Article 2163, Civil Code.
- [19] Lao Chit v. Security and Trust Co. and Consolidated Investment, Inc., 105 Phil. 490.
- [20] Report of the Code Commission, p. 26
- [21] Scott on Trusts, Volume 3, p. 2315.
- [22] Ibid, p. 2312.
- [23] Scott on Trusts, Volume 3, p. 2316.
- [24] Government v. Abadilla, 46 Phil. 642 and Miguel et al v. Court of Appeals, L-20274, October 30, 1969, 29 SCRA 760.
- [25] Translated as, "No one should be allowed to enrich himself unjustly at the expense of another." (Jenk Cent. Cas. 4; 10 Barb. [N.Y.] 626, 633, "Cyclopedic Law Dictionary," 2nd Edition, p. 688).
- [26] Rollo, p. 32.
- [27] Tolentino, Civil Code of the Philippines, Vol. IV, p. 685.
- [28] Villagonzalo v. IAC, G. R. No. 711110, November 22, 1988, 167 SCRA 535; Perez v. Ong Chua, No. L-36850, September 23, 1982, 116 SCRA 732, 90 CJS 887-889 and 54 Am Jur., pp. 449-450.
- [29] Mapa III v. Guanzon, G. R. No. L-25605, June 20, 1977, 77 SCRA 387.

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