

J. ANTONIO ARANETA, PLAINTIFF AND APPELLEE, VS. ANTONIO PEREZ, DEFENDANT AND APPELLANT.

G.R. Nos. 20787-88. June 29, 1965

Ponente: BAUTISTA ANGELO, J.

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BAUTISTA ANGELO, J.:

On June 16, 1961, Antonio M. Perez executed a promissory note wherein he agreed to pay J. Antonio Araneta, or order, the sum of P3,700.00 119 days from said date, or on October 13, 1961, and if it is not paid on the date of maturity, to pay interest at 9% per annum on the amount of the loan, and P370.00 as attorney's fees in addition to costs and other disbursements taxable under the Rules of Court.

The note having become due and Antonio M. Perez having failed to pay it despite demand made upon him to do so, Araneta filed on October 31, 1961 a complaint in the Municipal Court of Manila to collect its import under the terms therein stipulated (Civil Case No. 92265).

In his answer, defendant Perez admitted the execution of the promissory note as well as his failure to pay it despite its maturity and demand, but he averred certain allegations that were irrelevant to the complaint. Thus, Perez alleged that the proceeds of the note was applied by him to the payment of the medical treatment of his minor daughter Angela Perez y Tuason, who is the beneficiary of the trust then administered by Araneta as trustee in Special Proceeding No. Q-73 of the Court of first Instance of Quezon City, and that the trust estate is bound to pay the expenses of said treatment because they were for the benefit of said minor and so the personal fund he borrowed from Araneta and for which he executed the aforesaid promissory note should be paid by Araneta in the manner above stated. In the same answer, Perez set up a counterclaim demanding several amounts by way of moral damages, exemplary damages, and attorney's fees.

On motion for judgment on the pleadings filed by Araneta, and without any opposition on the part of defendant Perez, the municipal court rendered a decision on April 23, 1962 ordering Perez to pay the amounts prayed for in the complaint and dismissing his counterclaim for damages. His motion for reconsideration having been denied, Perez appealed to the court a quo where the appeal was docketed as Civil Case No. 50707 and where he filed practically the same answer he filed in the municipal court.

In the meantime, or on February 8, 1962, Perez filed a complaint in the Municipal Court of Manila against Araneta in his capacity as trustee of the minor child Angela Perez y Tuason in Special Proceeding No. Q-73 of the Court of First Instance of Quezon City wherein, making reference to Civil Case No. 92265 filed against him by Araneta, repeated the same allegations contained in the answer he interposed to the complaint of Araneta and prayed that Araneta as trustee be required to pay Perez the amount of P3,700.00 advanced by the latter in order to meet the obligation of the trust estate. And on the basis of a motion to dismiss filed by Araneta as trustee, and over the opposition of Perez, the municipal court dismissed the latter's complaint. His motion for reconsideration having been denied, Perez appealed to the court a quo where his case was docketed as Civil Case No. 50706 and where he filed on amended complaint against Araneta.

Considering that the two cases involved the same parties and the same promissory note, they were orders consolidated. And on September 7, 1962, the court a quo issued a joint order wherein it affirmed the judgment on the pleadings rendered by the municipal court in Civil Case No. 50707, while it affirmed the order of dismissal that was likewise issued by the same court in Civil Case No. 50706. His motion for reconsideration filed in the two consolidated cases having been denied, Perez interposed the present joint appeal.

Appellant contends that (1) the court a quo erred in finding Antonio Perez indebted to Antonio Araneta in the sum of P3,700.00 requiring him to pay said amount to Araneta with interest at the rate of 9% per annum from October 13, 1961 until its full payment, plus P370.00 as attorney's fees, and in failing to find that the true debtor was the trust estate of the children of Angela I. Tuason; and (2) assuming that the court a quo correctly ruled in requiring Antonio Perez to pay the above amount to Antonio Araneta, nevertheless, the court a quo erred in failing to require Araneta in his capacity as trustee of the aforesaid children to reimburse Antonio Perez that amount upon proof by the latter of the payment made by him of said amount.

- The promissory note signed by appellant clearly states that he agreed to pay Araneta or order the sum of P3,700.00 on October 13, 1961 and if the same is not paid on said date to pay 9% interest thereon per annum until fully paid, plus the sum of P370.00 as attorney's fees, in addition to the costs and other disbursements taxable under the Rules of Court. Under these terms it is clear that appellant bound himself to pay personally said promissory note which he cannot shift to another without the consent of the payee. Such is the undertaking of the maker. Indeed, Section 60 of the Negotiable Instruments Law provides that "the maker of a negotiable instrument by making it engages that he will pay it according to its tenor and admits the existence of the payee and his then capacity to indorse," so that appellant cannot now escape liability as maker by alleging that he spent the money for the medical treatment of his daughter since it is not the Payee's concern to know how said proceeds should be spent. That is the sole concern of the maker. Payee's Merest is merely to see that the note be paid according to its terms.

Neither can appellant escape liability by resorting to the expedient that appellee, by moving for judgment on the pleadings, is deemed to have admitted the material allegations of his answer in Civil Case No. 50707, for the reason that said allegations are irrelevant and have no bearing whatsoever on appellant's personal liability. In this connection, it is meet to recall that appellant, after admitting the execution of the promissory note and his failure to pay it despite demand thereof, made averments which in substance had the effect of a recoupment of what he had spent against any share in the trust fund that may come to the minor for whose benefit he claims to have spent the money.

Thus, he made the following affirmative defenses: that Dña. Angela Tuason died in 1948 leaving estate worth five million pesos 2/9 of which she left in trust for the benefit of the children of said Angela Tuason under the administration of appellee Araneta; that the will was prepared by Araneta; that the estate is now worth one million pesos and despite thereof Araneta professed inability to pay the allowance of P18,000.00 a year due the beneficiaries; that Araneta sold some income-producing properties of the trust and speculated with trust funds in the stock market; that appellant had to advance certain expenses for the minors and secure for them properties worth at least a quarter of a million pesos; that the two beneficiaries are for unknown reasons short of funds so that appellant had to borrow the sum of P3,700.00 for the medical treatment of minor Angela Perez y Tuason; that appellant asked the trustee to advance said amount with the concurrence of the beneficiaries but the trustee refused though he offered to lend the money out of his pocket, and so appellant executed the promissory note question.

It is clear that insofar as the personal liability of appellant Perez on the promissory note is concerned, which he admittedly executed for value in favor of appellee Araneta, all the above recited allegations are irrelevant and

immaterial and cannot tender any issue that will affect his personal liability under the note. And this is so because the allegation regarding the existence of the trust and its mismanagement on the part of appellee Araneta as trustee, certainly, has nothing to do with the money lent by him to appellant. Neither has the allegation that the proceeds of the note was spent by appellant for the medical treatment of minor Angela anything to do with his personal obligation because the destination of the proceeds of said note is certainly not the concern of Araneta. We are, therefore, of the opinion that the court a quo did not err in rendering judgment on the pleadings in the light of what is averred in appellee's complaint.

- But even assuming for the sake of argument that what is claimed by appellant as to how he spent the proceeds of the note is true, that will not exempt him from his liability to Araneta but would merely give him some basis to claim for recoupment against the share of the trust fund belonging to the benefited minor if it is Properly shown that there is fund coming to said minor. Here no such showing was made. Moreover, the trust herein created merely provides for delivery to the beneficiaries of the share that may correspond to them in the net income of the trust fund, but does not impose upon the trustee the duty to pay any obligation or expenses that may be needed by said beneficiaries.

Appellant has cited several authorities to support his stand that the medical expenses in question which were made for the sake of the beneficiary should be borne by the trust fund, but from an examination thereof one may that they require that the beneficiary be insolvent in order that the trust estate may be obliged to shoulder the expenses.[1] Here the beneficiary is not in that situation for, as appellant himself has admitted, said beneficiary has properties that are worth at least a quarter of a million pesos which are under the Guardianship Court of Manila. There is, therefore, no room for the application of the ruling laid down in the cited authorities.

The other authorities cited by appellant to bolster his claim are also inapplicable for they sanction the application of the trust fund to medical or other expenses of the beneficiaries only when there is absolute necessity therefor, or when they themselves are unable to provide for those expenses. As already stated, the beneficiaries here are well off or have enough to provide for their necessities if only their guardian should take steps to attend to them as required by the circumstances. But instead of doing so, appellant insists on having appellee recoup with trust money what he had allegedly spent for his daughter's benefit thus giving rise to the present dual litigation.

We take note of the written manifestation or "constancia" submitted to this Court by appellant dated August 22, 1963 in his capacity as judicial guardian of the beneficiaries herein, as well as of the supplement thereof made on September 20, 1963, inviting attention of this Court to an order issued by the Juvenile and Domestic Relations Court authorizing appellant as such guardian to assign the amount of P3,700.00 to appellee herein for the purpose of reimbursing him for the amount he has advanced and which is the subject of the promissory note for which reason appellant now claims that this case is now moot and should be dismissed. But to such manifestation appellee has filed a rejoinder dated September 2, 1963 stating that the request for dismissal is untenable since the order appealed from calls not only for the payment of the sum of P3,700.00 but of a 9% interest thereon per annum from October 13, 1961 until payment and of the sum of P370.00 as attorney's fees.

We hold that appellant's claim is not justified considering that appellee was forced to file the present suit in view of appellant's refusal to honor the note under consideration. The request, therefore, for dismissal has no legal basis.

Wherefore, with the modification that the payment of interest on the note should start from the date of extra-judicial demand, on October 18, 1961, we hereby affirm the order appealed from in all oilier respects, without pronouncement as to costs.

Bengzon, C.J., Concepción, Reyes, J.B.L., Paredes, Dizon, Regala, Makalintal, Bengzon, J.P., and Zaldivar, JJ.,

concur.

Judgment affirmed with modification.

[1] "So where a trust fund is to be applied to the support of the beneficiary, a claim for medical services rendered on the request of the beneficiary with the knowledge of the trustee, may be enforced in equity as against the trustee where the beneficiary insolvent and it does not appear that the trustee had furnished him with all that is necessary with respect to medical attendance. (90 C.J.S., p. 113)

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