THIRD DIVISION

[G.R. No. 211176, February 06, 2019]

BANGKO SENTRAL NG PILIPINAS, PETITIONERS, V. SPOUSES JUANITO AND VICTORIA LEDESMA, RESPONDENTS.

[G.R. No. 211583, February 6, 2019]

PHILIPPINE NATIONAL BANK, PETITIONER, V. SPOUSES JUANITO AND VICTORIA LEDESMA, RESPONDENTS.

D E C I S I O N

LEONEN, J.:

This case involves the determination of whether the Bangko Sentral ng Pilipinas and the Philippine National Bank are liable to the sugar producers for the refund of excess payments under Republic Act No. 7202,[1] or the Sugar Restitution Law.

These are two (2) Petitions[2] for Review on Certiorari assailing the Court of Appeals May 29, 2013 Decision[3] and January 29, 2014 Resolution[4] in CA-G.R. CV No. 02904. The Court of Appeals reversed and set aside the November 17, 2008 Decision[5] of the Regional Trial Court in Civil Case No. 01-11591 for Sum of Money/Refund of Excess Payments. The Court of Appeals ordered the Bangko Sentral ng Pilipinas and the Philippine National Bank to pay Spouses Juanito and Victoria Ledesma (the Ledesma Spouses) the amount of P353,529.67, to be taken from the sugar restitution fund upon its establishment.[6]

The Ledesma Spouses stated in their Complaint that they were farmers engaged in sugar farming in Negros Occidental, with sugar productions from crop year 1974 to 1975 to crop year 1984 to 1985. Within this period, they were among those who suffered losses in sugar farming operations due to the actions of government-owned and controlled agencies. Among these agencies were the Bangko Sentral ng Pilipinas and the Philippine National Bank.[7]

The Ledesma Spouses obtained several crop loans from the Philippine National Bank. After full payment of the loans, there was an excess payment of P353,529.67, as admitted by the Philippine National Bank and as certified by the Commission on Audit.[8] The Ledesma Spouses argued that under Republic Act No. 7202, the Bangko Sentral ng Pilipinas and the Presidential Commission on Good Government should compensate them for their losses and refund the excess payment from the sugar restitution fund.[9]

After trial, the Regional Trial Court, in its November 17, 2008 Decision, ruled:

> WHEREFORE, the Complaint is hereby DISMISSED for reason of prematurity and/or lack of cause of action against the herein defendants

> Bangko Sentral ng Pilipinas (BSP) and Philippine National Bank (PNB). This Judgment is, however, without prejudice to its (Complaint) refiling by the plaintiffs once the Sugar Restitution Fund under R.A. No. 7202 or any fund for that purpose is already set up and ready for distribution.
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> The counterclaims interposed by defendants Bangko Sentral Ng Pilipinas (BSP) and the Philippine National Bank (PNB) are dismissed for lack of proof and basis.
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> SO ORDERED.[10]

On Appeal, the Court of Appeals found the Ledesma Spouses' case meritorious. It held that there is no dispute as to the Ledesma Spouses' inclusion in the coverage of Republic Act No. 7202, "which was enacted to restitute the losses suffered by sugar producers due to actions taken by government agencies in order to revive the economy in the sugar-producing areas of the country."[11]

The Court of Appeals found that the Ledesma Spouses filed their claim in accordance with the law's implementing rules and regulations. Both the Bangko Sentral ng Pilipinas and the Philippine National Bank recognized the rights of the Ledesma Spouses to the benefits of the law.[12]

The Court of Appeals noted that the excess payment of P353,529.67 resulted from the Philippine National Bank's re-computation, as certified by the Commission on Audit under Section 3 of Republic Act No. 7202.[13]

The Court of Appeals held that as the lending bank, the Philippine National Bank could not deny its obligation to the Ledesma Spouses since Republic Act No. 7202 mandates its obligation to condone interest in excess of 12% per annum, including all penalties and surcharges, and to give effect to the condonation.[14]

Likewise, the Court of Appeals noted that the Bangko Sentral ng Pilipinas was tasked to promulgate rules and regulations for the law's adequate implementation.[15] Section 10 of the Rules and Regulations Implementing Republic Act No. 7202 provides:

> SECTION 10. The BSP shall arrange with the PCGG, its successors-in-interest, or any other agency which may have recovered ill gotten wealth from whatever sources, or any assets and/or funds which may have been determined to have been stolen or illegally acquired, directly or indirectly, from the sugar industry to deliver or transfer such recovered assets, funds, and/or interest earned or other increments thereto. All further recoveries by aforementioned agencies, which assets, funds, and/or ill-gotten wealth recovered shall be delivered by the recovering agency to the BSP as soon as may be possible but not later than sixty (60) calendar days. The BSP and the PCGG shall work out the details for the transfer of such funds/recoveries.

The Court of Appeals did acknowledge that the Bangko Sentral ng Pilipinas and the Philippine National Bank's liability to pay the Ledesma Spouses depends on the establishment of the sugar restitution fund under Republic Act No. 7202.[16] Section 11 of its Implementing Rules and Regulations provides how the sugar restitution fund shall be established:

> SECTION 11. All assets, funds, and/or ill-gotten wealth turned over to the BSP pursuant hereto shall constitute the Sugar Restitution Fund from which restitution shall be affected by the BSP pursuant to Section 2 of the Act. Such Fund shall be held in trust by the BSP for the sugar producers pending distribution thereof. The BSP shall take all necessary steps, consistent with its responsibility as Trustee to preserve and maintain the value of all such recovered assets, funds, and/or ill-gotten wealth.

The Court of Appeals held that it was clear that until the sugar restitution fund is established, payment to the Ledesma Spouses and other sugar producers under Republic Act No. 7202 would "have to be held in abeyance."[17]

The Court of Appeals noted that based on an April 11, 2002 Certification issued by the then Deputy Governor of the Bangko Sentral ng Pilipinas and the Ad Hoc Committee Chair on the Sugar Restitution Law, the Presidential Commission on Good Government, along with all other government agencies, have not made any funds available for the Bangko Sentral ng Pilipinas to pay the sugar producers' claims.[18]

The Presidential Commission on Good Government, in an April 11, 2002 Letter, certified that it had not made any fund or asset available to the Bangko Sentral ng Pilipinas for the sugar restitution fund. It stated that all recoveries it had made were remitted to the agrarian reform fund under the Comprehensive Agrarian Reform Law.[19]

According to the Court of Appeals, it was indeed lamentable that after more than two (2) decades after Republic Act No. 7202 was enacted, the Ledesma Spouses and thousands of other sugar producers still could not reap the law's benefits. Nevertheless, there is no other recourse but to await the establishment of the sugar restitution fund.[20]

The dispositive portion of the Court of Appeals Decision read:

> WHEREFORE, the appeal is GRANTED. The November 17, 2008 Decision of the RTC Branch 46, Bacolod City is REVERSED AND SET ASIDE and a new one entered ORDERING defendants-appellees to pay plaintiffs-appellants the stun of P353,529.67 with interest at the legal rate from November 26, 2001 to be taken from the Sugar Restitution Fund once duly established.
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> SO ORDERED.[21]

The Bangko Sentral ng Pilipinas and the Philippine National Bank separately filed Motions for Reconsideration, both of which were denied by the Court of Appeals.[22]

Hence, they filed separate Petitions for Review on Certiorari before this Court.

In its Petition, docketed as G.R. No. 211176, before this Court, petitioner Bangko Sentral ng Pilipinas argues that the Court of Appeals rendered a conditional judgment, contrary to law and jurisprudence.[23]

Petitioner Bangko Sentral ng Pilipinas contends that the Court of Appeals' judgment created a bad precedent. It opened the floodgate to any party to file cases based on speculation and conditional facts, not necessarily akin to the case of respondents, the Ledesma Spouses.[24]

Petitioner Bangko Sentral ng Pilipinas further argues that it is not mandated by Republic Act No. 7202 and the law's Implementing Rules and Regulations to pay the sugar producers' claims with its own funds. Rather, it is tasked to promulgate the law's implementing rules and regulations.[25]

The law and its implementing rules and regulations provide that the funds for sugar producers' compensation shall not come from petitioner Bangko Sentral ng Pilipinas, but from the money recovered and determined by the government to have been stolen or illegally acquired from the sugar industry.[26]

Hence, petitioner Bangko Sentral ng Pilipinas claims that it is merely a trustee of the sugar restitution fund. Since no funds have been turned over to it for that purpose, its obligation as trustee could not even be considered to have commenced.[27]

Petitioner Bangko Sentral ng Pilipinas quotes in its Petition how trust is defined: "a fiduciary relationship concerning property which obliges the person holding it to deal with the property for the benefit of another."[28] It states that without a trust property, no trust is created.[29]

Petitioner Bangko Sentral ng Pilipinas argues that the Complaint had no cause of action against it. Thus, the decision of the trial court, which found the case premature, should be reinstated.[30]

In its Petition docketed as G.R. No. 211583, petitioner Philippine National Bank argues that Republic Act No. 7202 does not mandate it to compensate "respondents from a 'fund' specifically held 'in trust' by another independent entity."[31]

Petitioner Philippine National Bank asserts that it has no jurisdiction and control over the sugar restitution fund. It is not the agency mandated by law to implement the restitution and/or distribution of the sugar producers' compensation.[32]

Petitioner Philippine National Bank points out that Republic Act No. 7202 and its Implementing Rules and Regulations provide that all claims shall be filed with the Bangko Sentral ng Pilipinas, as the government agency exclusively named and directed by the statute to effect the restitution to sugar producers.[33]

Petitioner Philippine National Bank argues that lending banks are not mandated to compensate sugar producers who are qualified for restitution. This duty lies solely with the Bangko Sentral ng Pilipinas upon the establishment of the sugar restitution fund.[34]

Petitioner Philippine National Bank asserts that in statutory construction, "when the law is clear and unambiguous, the court is left with no alternative but to apply the same according to its clear language."[35] Thus, "[w]here a requirement or condition is made in explicit and unambiguous terms, no discretion is left to the judiciary. It must see to it that its mandate is obeyed."[36]

Petitioner Philippine National Bank further argues that respondents have no cause of action against it, for it has neither committed an act or omission in violation of their rights nor breached whatever obligation it has toward them.[37]

Petitioner Philippine National Bank claims that it has complied with its obligation to issue a statement of excess payment in favor of respondents as a requisite for reimbursement. Unfortunately, that is the extent of its responsibility. The law does not compel it to demand respondents' claims from the Bangko Sentral ng Pilipinas, or to even facilitate the process. Further, it is unauthorized to withdraw any amount from the sugar restitution fund to satisfy respondents' claims.[38]

The only issue for this Court's resolution is whether or not the Court of Appeals erred in holding petitioners Bangko Sentral ng Pilipinas and Philippine National Bank liable for the refund of excess payments to sugar producers covered by Republic Act No. 7202.

The Petitions are meritorious.

Respondents base their claim on Section 2 of Republic Act No. 7202, which provides:

> SECTION 2. Whatever amount recovered by the Government through the Presidential Commission on Good Government or any other agency or from any other source and whatever assets or funds that may be recovered, or already recovered, which have been determined to have been stolen or illegally acquired from the sugar industry shall be used to compensate all sugar producers from Crop Year 1974-1975 up to and including Crop Year 1984-1985 on a pro rata basis.

Moreover, Sections 2(r) and 11 of the Rules and Regulations Implementing Republic Act No. 7202 state:

> SECTION 2. *Definitions of Terms*. — As used in these Implementing Rules and Regulations, the following terms shall have their respective meanings as set forth below:
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> r. SUGAR RESTITUTION FUND shall refer to the ill-gotten wealth recovered by the Government through the PCGG or any other agency or from any other source within the Philippines or abroad, and whatever assets or funds that may be recovered, or already recovered, which have been determined by PCGG or any other competent agency of the Government to have been stolen or illegally acquired from the sugar industry whether such recovery be the result of a judicial proceeding or by a compromise agreement.
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> . . . .
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> SECTION 11. *All assets, funds, and/or ill-gotten wealth turned over to the BSP pursuant hereto shall constitute the Sugar Restitution Fund from which restitution shall be affected by the BSP pursuant to Section 2 of the Act*. Such Fund shall be held in trust by the BSP for the sugar