

# [ Commonwealth Act No. 727, January 18, 1946 ]

## **AN ACT GOVERNING THE PAYMENT OF MONETARY OBLIGATIONS INCURRED OR CONTRACTED PRIOR TO AND DURING THE JAPANESE INVASION OF THE PHILIPPINES, AND FOR OTHER PURPOSES.**

**WHEREAS**, during the period of Japanese invasion of the Philippines, the Japanese issued fiat pesos, commonly referred to as Japanese Military notes, and compelled their circulation at parity with legitimate Philippine currency;

**WHEREAS**, these fiat pesos were used as means of payment for obligations which were incurred or contracted prior to and during the Japanese invasion;

**WHEREAS**, these fiat pesos upon the liberation of the Philippines were officially declared to have no value as monetary instruments and not to be legal tender; and

**WHEREAS**, the public interest requires that a definite determination of debtor-creditor problems arising from the issuance and circulation of these fiat pesos be made in order to restore sound economic conditions in the Philippines; Now, therefore,

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. All payments made on demand or tendered and accepted during the period of the Japanese invasion on obligations incurred or contracted prior to and during such period shall be considered valid, and all obligations thereby satisfied during the period of Japanese invasion shall be considered fully discharged.

SEC. 2. All payments made during the period of the Japanese invasion shall be applied first to existing obligations incurred or contracted during the Japanese invasion, unless otherwise agreed upon by the parties when such obligations were incurred or at the time of such payments.

SEC. 3. Any balance remaining unpaid on an obligation incurred or contracted prior to the period of the Japanese invasion shall be valid, subsisting and collectible in current legal tender currency, but without interest during the period of Japanese invasion.

SEC. 4. Any balance remaining unpaid on an obligation incurred or contracted during the period of Japanese invasion, including contracts of sale with right of repurchase and other contracts of similar nature, shall be liquidated in accordance with the value of the Japanese Military note in relation to the Philippine peso obtaining on the date when and at the place where the obligation was incurred, unless the parties had agreed upon another value or kind of money in which the obligation shall be discharged. In case of disagreement as to the relative value of the Japanese Military note on the date the obligation was incurred, the determination of the proper value shall be left to the competent court.

SEC. 5. All withdrawals made during the period of Japanese invasion on account of