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THIRD DIVISION

[G.R. No. 79760. June 28, 1993]

PERPETUAL SAVINGS BANK, HON. JOSE L. COSCOLLUELA, Presiding Judge, Regional Trial Court, NCJR, Branch 146, *petitioners, vs.* **JOSE ORO B. FAJARDO and EMMANUEL F. DEL MUNDO,** *respondents.*

SYLLABUS

1. REMEDIAL LAW; ACTIONS; MOTION TO DISMISS; LACK OF CAUSE OF ACTION; TEST; CASE AT BAR. — The familiar test for determining whether a complaint did or did not state a cause of action against the defendants is whether or not, admitting hypothetically the truth of the allegations of fact made in the complaint, a judge may validly grant the relief demanded in the complaint. Having examined the record here carefully, and while the complaint filed in the trial court is not exactly a model of draftsmanship, we consider that it substantially meets the established test and that the complaint does state cause(s) of action not only against the borrower corporation, J.J. Mining, but also against respondents Fajardo and Del Mundo in their personal and individual capacities.

2. ID.; ID.; ID.; STANDARD, ELABORATED. — In *Rava Development Corporation v. Court of Appeals*, (21 SCRA 144 [1992]) the Court elaborated on this established standard in the following manner: "The rule is that a defendant moving to dismiss a complaint on the ground of lack of cause of action is *regarded as having hypothetically admitted all the averments thereof.* The test of the sufficiency of the facts found in a petition as constituting a cause of action is whether or not, admitting the facts alleged, the court can render a valid judgment upon the same in accordance with the prayer thereof. In determining the existence of a cause of action, *only the statements in the complaint may properly be considered. It is error for the court to take cognizance of external facts or hold preliminary hearings to determine their existence.* If the allegations in a complaint furnish sufficient basis by which

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the complaint may be maintained, *the same should not be dismissed regardless of the defenses that may be assessed by the defendants.*

3. ID.; ID.; CAUSE OF ACTION; REQUISITES. — The following are the requisites for the existence of a cause of action: (1) *a right* in favor *of the plaintiff* by whatever means and under whatever law it arises or is created; (2) *an obligation on the part of the named defendant* to respect, or *not to violate such right*; and (3) an *act or omission* on the part of the said defendant *constituting a violation of the plaintiff's right* or a breach of the obligation of the defendant to the plaintiff.

4. ID.; ID.; MOTION TO DISMISS; LACK OF CAUSE OF ACTION; CONSIDERATION OF EVIDENCE, PREMATURE. — In its Decision, the Court of Appeals said, among other things, that petitioner Bank's complaint did not state a cause of action against respondents Fajardo and Del Mundo in their personal and individual capacities for the reason that *no evidence* had been presented to support such alleged liability on the so called alternative cause of action. We consider that the Court of Appeals here was in reversible error. It was quite premature for the Court of Appeals to consider evidence (or lack of evidence) outside the four corners of the complaint and to reach the above conclusion, since the fraud consisting of false representations has yet to be proved by petitioner Bank in the course of the trial before the court *a quo*. By the same token, respondents' innocence and non-utilization, or fraud and conversion, of the loan proceeds for their private and personal benefit are precisely defenses to be proved by respondents in the course of the trial. Evidently, the Court of Appeals overlooked the fact that the trial has yet to begin; for it assumed as real and established the defenses which need to be proved during that trial.

5. ID.; ID.; PARTIES; ALTERNATIVE DEFENDANTS; ALLOWED WHERE THE RIGHTS PLEADED AGAINST THE BORROWER CORPORATION ARE *PRIMA FACIE* INCONSISTENT WITH THE RIGHTS PLEADED AGAINST AGENTS/REPRESENTATIVE OF THE CORPORATION; CASE AT BAR. — Turning to the applicability of Section 13, Rule 3 of the Rules of Court to the complaint in the case at bar, the Court observes that the Court of Appeals found that Section not applicable to the present case. We believe

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that here, too, the Court of Appeals was in error. Firstly, the state of mind of petitioner Bank — whether it was "uncertain" or whether it was "dead sure as night follows day" against which of several defendants it is entitled to relief — is, of course, immaterial, *except* to the extent that such state of mind is externalized by the allegations of the complaint. Petitioner Bank, in paragraph 1.6 in relation to paragraphs 2.1 and 2.2 of its complaint, had pleaded, with sufficient clarity, its claimed rights against alternative defendants: the borrower corporation and respondents Fajardo and Del Mundo. That the rights pleaded against the borrower corporation are *prima facie* inconsistent with the rights pleaded against respondents Fajardo and Del Mundo, is also clear: either the borrower corporation alone is liable; or respondents Fajardo and Del Mundo are alone liable *in lieu* of J.J. Mining; or respondents Fajardo and Del Mundo are solidarily liable with J.J. Mining. The essential thing is that petitioner Bank must be given an opportunity to prove its allegations in all necessary detail at the trial on the merits. There the respondents will have the opportunity to controvert and refute petitioner's detailed assertions.

APPEARANCES OF COUNSEL

Yngson & Associates for petitioner.
Cruz, Enverga, Fajardo & Del Mundo for respondents.

D E C I S I O N

FELICIANO, *J.*:

On 29 December 1982, J.J. Mining and Exploration Corporation ("J.J. Mining") executed and delivered to petitioner Perpetual Savings Bank ("Bank") a promissory note in the amount of ₱750,000.00 payable in one lump sum upon maturity on 29 January 1984, with interest at 23% per annum. The note also contained, *inter alia*, a clause providing for penalty interest at the rate of 3% per month on the amount due, compounded monthly. The promissory note was executed for J.J. Mining by respondents Jose Oro B. Fajardo and Emmanuel F. Del Mundo. Messrs. Fajardo and Del Mundo are said to be officers of J.J. Mining;

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respondent Del Mundo was apparently also counsel for J.J. Mining.[1]

Upon maturity of the promissory note, neither J.J. Mining nor anyone else paid the amount of the indebtedness, notwithstanding petitioner's repeated written demands for payment.

On 31 July 1986, petitioner Bank filed a complaint with the Regional Trial Court, Makati, Metro Manila (Civil Case No. 14501) against J.J. Mining, Jose Emmanuel Jalandoni and herein respondents Fajardo and Del Mundo, for collection of the amounts due under the promissory note. In its complaint, petitioner Bank alleged, among other things, the following:

"1.6 Defendants Fajardo and Del Mundo are impleaded herein as agents/or representatives of Defendant Corporation who were signatories in the Promissory Note or alternatively, in their personal capacities if it be shown that they contracted the loan fully knowing that the Defendant Corporation would be unable to pay the same upon maturity, and/or that they used the proceeds of the loan for their own personal benefit;

1.7 Defendant Jose Jalandoni is impleaded herein in his personal capacity also as alternative Defendant, as the owner of 94% of the subscribed capital stock of Defendant Corporation it be shown that the corporate privilege of Defendant Corporation was used by Defendant Jalandoni to secure the loan and the proceeds thereof for his own personal benefit fully knowing that the Defendant Corporation was with inadequate capital to meet its debts and thereby evade the obligation under the Promissory Note.

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2.1 On 29 December 1982, Defendant Corporation for value received thru Defendants Fajardo and Del Mundo, executed and delivered to Plaintiff a Promissory Note in the sum of Seven Hundred Fifty Thousand Pesos (₱750,000.00) payable in lumpsum upon maturity thereof on 29 January 1984 with interest at 23% per annum from the date thereof;

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[1] *Rollo*, pp. 89, 98-99.

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2.2 Upon maturity of the Promissory Note, Defendants defaulted and failed to satisfy the entire amount of indebtedness.

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3.1 Per the records of the Securities & Exchange Commission, the paid-up capital of Defendant Corporation amounts to only ₱100,000.00, broken down as follows:

	Name and Address of Stockholders	*Amount Subscribed*	*Amount Paid*
1.	Jose Emmanuel Jalandoni 44 San Mateo Bo. Capitolyo Pasig, Rizal	₱368,000.00	₱92,000.00
2.	Maria Theresa Jalandoni 44 San Mateo Bo. Capitolyo Pasig, Rizal	8,000.00	2,000.00
3.	Florentino Ampil Biñan, Laguna	8,000.00	2,000.00
4.	Rafael Hocson Biñan, Laguna	8,000.00	2,000.00
5.	Tranquilino Mendiola Mandaluyong, Rizal	8,000.00	2,000.00
		₱400,000.00	₱100,000.00

(Copy of the Articles of Incorporation of Defendant Corporation is herewith attached as Annex "E" and made an integral part hereof.)

3.2 Pursuant to such records, Defendant Jalandoni and his spouse Maria Theresa Jalandoni own 94% of the total shares of stock of Defendant Corporation giving them total control of the corporation;

3.3 Despite the fact that the paid up capital of Defendant Corporation was only ₱100,000.00 it managed to borrow ₱750,000.00 from Plaintiff Bank secured only by shares of stocks of Pamana Mining Corp. also owned by Defendant Jalandoni. (Copy of Pledge of Shares of Stock is herewith attached as ANNEX "F" and made an integral part hereof.)

x x x x x x x x x."

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Respondents Fajardo and Del Mundo filed a Motion to Dismiss on the ground that the complaint had failed to state a cause of action against them. Petitioner Bank filed an Opposition to the Motion to Dismiss, citing paragraph 1.6 of its complaint and invoking, among other things, Section 13, Rule 3 of the Rules of Court, which provides that:

"Alternative defendants. — Where the plaintiff is uncertain against which of several persons he is entitled to relief, he may join any or all of them as defendants in the alternative, although a right to relief against one may be inconsistent with a right to relief against the other."

Respondents in turn filed a Reply to petitioner Bank's Opposition.

The Regional Trial Court then resolved respondents' Motion to Dismiss by issuing an Order dated 9 October 1986 denying that Motion "considering that the grounds raised by [respondents] Emmanuel F. Del Mundo and Jose V. Fajardo in their motion to dismiss are *not indubitable*."[2]

Respondents Del Mundo and Fajardo moved for reconsideration of the trial court's Order. After additional pleadings and counter-pleadings, the trial court denied the Motion for Reconsideration.

Respondents Fajardo and Del Mundo then went directly to this Court on Petition for *Certiorari* (G.R. No. 77100, entitled "*Jose Oro B. Fajardo and Emmanuel E. Del Mundo v. Hon. Jose Coscolluela, etc., et al.*"). On 23 February 1987, however, this Court resolved to refer the case to the Court of Appeals.

Before the Court of Appeals, respondents Fajardo and Del Mundo basically alleged that petitioner Bank's complaint did not set forth any cause of action as against them personally, and that Section 13, Rule 3 of the Rules of Court on alternative defendants was not applicable to the case at bar. On 25 August 1987, the Court of Appeals rendered a Decision which granted respondents' Petition and reversed and set aside the trial court's Orders which had denied respondents' Motion to Dismiss and

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[2] Record, p. 36; italics supplied.

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Motion for Reconsideration, and dismissed petitioner Bank's complaint in Civil Case No. 14501.

In the present Petition for Review on *Certiorari* brought by the Bank now represented by a Liquidator, the parties have raised the following issues for our consideration:

1. Did the complaint filed in Civil Case No. 14501 state a cause of action against respondents Fajardo and Del Mundo, as distinguished from J.J. Mining, on whose behalf they had purported to act?

2. Is the rule on alternative defendants set out in Section 13, Rule 3 of the Rules of Court applicable to the case at bar?

These two (2) issues are obviously related one to the other and need to be addressed together.

Paragraph 1.6 of petitioner Bank's complaint is quoted again in full for convenience:

"1.6 Defendants Fajardo and Del Mundo are impleaded herein *as agents/or representatives of Defendant Corporation* who were signatories in the Promissory Note or *alternatively, in their personal capacities* if it be shown that they contracted the loan fully knowing that the Defendant Corporation would be unable to pay the same upon maturity, and/or that they used the proceeds of the loan for their own personal benefit.

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(Italics supplied)

Examination of paragraph 1.6 shows that petitioner Bank there seeks to distinguish between (a) respondents Fajardo and Del Mundo *in their capacity as "agents and/or representatives of" J.J. Mining*; and (b) respondents Fajardo and Del Mundo *in their individual and personal capacities*. As noted earlier, the text of the promissory note shown that respondents Fajardo and Del Mundo had signed for and in behalf of J.J. Mining.

If it be assumed that respondents Fajardo and Del Mundo were *properly authorized*, and *acted within the scope of their authority*, to sign for and in behalf of J.J. Mining when the latter borrowed ₱750,000 from petitioner Bank and signed the

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promissory note in that connection, then it is J.J. Mining as maker of the note which is directly liable to petitioner Bank for repayment of such loan, and *not* Messrs. Fajardo and Del Mundo who merely acted for J.J. Mining in that transaction.[3] This follows from the elementary proposition that J.J. Mining, the borrowing corporation, has a personality separate and distinct from the persons who have been duly authorized to represent the corporation in that particular transaction.

If it be assumed, upon the other hand, that when Fajardo and Del Mundo purported to act for and in behalf of J.J. Mining in executing the promissory note here involved, were either *not authorized at all* to do so or somehow *acted in excess of their authority* as agents or representatives of J.J. Mining, then in principle Fajardo and Del Mundo would be *personally liable* upon the promissory note, *instead* of the borrower corporation.[4] J.J. Mining as a separate juridical person would not be so liable, unless it be shown that J.J. Mining actually received all or part of the proceeds of the loan and (presumably) benefited from such loan proceeds, and to that extent, had impliedly ratified the transaction.[5]

Respondents Fajardo and Del Mundo were, in the same complaint, and in the alternative, sued in their personal and individual capacities. In this respect, the complaint alleges two (2) distinguishable bases for sustaining the suit. Firstly, Fajardo and Del Mundo are being sued as tort-feasors who contracted the loan although they allegedly knew that the apparent principal

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[3] Article 1910, Civil Code. See, *e.g.*, *Rustan Pulp and Paper Mills, Inc. v. Intermediate Appellate Court*, G.R. No. 70789, 19 October 1992; *Banque Generale Belge v. Walter Bull and Co., Inc.*, 84 Phil. 164 (1949); *Republic Planters Bank v. Court of Appeals*, G.R. No. 93073, 21 December 1992; *Lopez v. Alvendia*, 120 Phil. 1424 (1964).

[4] Articles 1897 and 1898, Civil Code. See, *e.g.*, *Vda. de Salvatierra v. Hon. Garlitos*, 103 Phil. 759 (1958); *National Power Corporation v. National Merchandising Corporation*, 117 SCRA 789 (1982). See also 3A Fletcher, *Cyclopedia of Corporations*, Section 1123 (Perm. ed., 1975.).

[5] Articles 1403(1) and 1910, Civil Code. See, *e.g.*, *Gonzalez v. Haberer*, 47 Phil. 380 (1925); *Tuazon v. Lim*, 10 Phil. 50 (1908).

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obligor, J.J. Mining, would never be able to pay the loan upon maturity. The cause of action here is basically fraudulent inducement, concealment or misrepresentation exercised upon petitioner Bank which was misled into granting and releasing the loan.[6] The second basis for suing Fajardo and Del Mundo in their personal and individual capacities is that they allegedly used the proceeds of the loan for their own personal benefit, rather than for the benefit of the borrower corporation.[7] In respect of these twin, related, bases for personal liability to the creditor, the Bank stated in paragraph 2.1 of its complaint that J.J. Mining had "received value" "thru [respondents] Fajardo and Del Mundo." Thus, the Bank has alleged that the proceeds of the loan were delivered to the borrower corporation by delivering them to respondents Fajardo and Del Mundo. The Bank has also stressed, in paragraph 3.1 of its complaint, that the paid-up capital of the borrower corporation, was only ₱100,000.00 which, according to petitioner Bank, was obviously disproportionately small compared to the ₱750,000.00 borrowed from the Bank.

Analysis of the allegations of the petitioner Bank's complaint thus shows, firstly, that the defendants who are being sued in the alternative are the following:

(a) the borrowing corporation, J.J. Mining; and

(b) respondents Fajardo and Del Mundo in their personal and individual capacities,

and, secondly, that two (2) alternative but related grounds for holding Fajardo and Del Mundo responsible to petitioner Bank, personally and individually, had been pleaded by the Bank. There is, as previously noted, a third possible basis for seeking to hold Fajardo and Del Mundo liable in their personal capacities: that they acted without or in excess of their authority as agents

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[6] 3A Fletcher, *supra* Sections 1146, 1148 and 1151. See, *e.g.*, *Strong and Strong v. Gutierrez Repide*, 41 Phil. 947 (1909).

[7] See, *e.g.*, Section 31, second paragraph, Corporation Code; 3A Fletcher, *supra*, Sections 1102, 1109.

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or representatives of the borrower corporation. This third basis, however, was not explicitly set out by the Bank in its complaint. The complaint did not *directly* allege that respondents Fajardo and Del Mundo had acted without or in excess of their authority as agents and representatives of J.J. Mining, in executing the Promissory Note for J.J. Mining and receiving the proceeds thereof. However, such an allegation may be said to have been *implicitly* made along with the allegation that respondents had knowingly induced petitioner to grant the loan though J.J. Mining had no capacity to pay, or with the allegation that respondents had converted the loan proceeds to their personal benefit.

The familiar test for determining whether a complaint did or did not state a cause of action against the defendants is whether or not, admitting hypothetically the truth of the allegations of fact made in the complaint, a judge may validly grant the relief demanded in the complaint. In *Rava Development Corporation v. Court of Appeals*,[8] the Court elaborated on this established standard in the following manner:

"The rule is that a defendant moving to dismiss a complaint on the ground of lack of cause of action is *regarded as having hypothetically admitted all the averments thereof.* The test of the sufficiency of the facts found in a petition as constituting a cause of action is whether or not, admitting the facts alleged, the court can render a valid judgment upon the same in accordance with the prayer thereof (*Consolidated Bank and Trust Corp. v. Court of Appeals*, 197 SCRA 663 [1991]).

In determining the existence of a cause of action, *only the statements in the complaint may properly be considered. It is error for the court to take cognizance of external facts or hold preliminary hearings to determine their existence*. If the allegations in a complaint furnish sufficient basis by which the complaint may be maintained, *the same should not be dismissed regardless of the defenses that may be assessed by the defendants* (*supra*).

A careful review of the records of this case reveals that the allegations set forth in the complaint sufficiently establish a cause

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[8] 211 SCRA 144 (1992).

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of action. The following are the requisites for the existence of a cause of action: (1) *a right* in favor *of the plaintiff* by whatever means and under whatever law it arises or is created; (2) *an obligation on the part of the named defendant* to respect, or *not to violate such right; and (3) an act or omission* on the part of the said defendants *constituting a violation of the plaintiff's right* or a breach of the obligation of the defendant to the plaintiff (*Heirs of Ildefonso Coscolluela, Sr., Inc. v. Rico General Insurance Corporation*, 179 SCRA 511 [1989])."[9] (Italics supplied)

In its Decision, the Court of Appeals said, among other things, that petitioner Bank's complaint did not state a cause of action against respondents Fajardo and Del Mundo in their personal and individual capacities for the reason that *no evidence* had been presented to support such alleged liability on the "so called alternative cause of action." The Court of Appeals said:

"Petitioners' participation, if any, in the execution of the promissory note in question, is that merely of agents and/or representatives of defendant corporation. *Their alleged liability* in the so-called alternative cause of action is *predicated on hearsay and/or third-hand information*. According to private respondent, herein petitioners '*must have known*' the capital structure of the corporation and therefore, they are 'guilty of fraud because through false representations they succeeded in inducing plaintiff-respondent to grant or release the loan with full knowledge on their part that defendant corporation was in no position to comply with the obligation it had assumed.

But what is the factual basis of private-respondents allegations. Saved for its allegation in its Opposition to defendants-petitioners Motion to Dismiss that the latter '*must have known*' the capital structure of the corporation and its allegation in the complaint that '*if it be shown*' that defendants-petitioners 'contracted the loan fully knowing that defendant corporation would be unable to pay the same upon maturity,' *there is no evidence on record* showing that defendants-petitioners had such a knowledge of the financial incapacity of defendant corporation to meet its financial obligations at its maturity. *Private respondents' allegation in the complaint*

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[9] 211 SCRA at 152-153. See also, *e.g., Del Bros Hotel Corporation v. Court of Appeals*, 210 SCRA 33 (1992).

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are based on pure speculations and fantasies and nothing more."[10] (Italics supplied)

We consider that the Court of Appeals here was in reversible error. It was quite premature for the Court of Appeals to consider evidence (or lack of evidence) outside the four corners of the complaint and to reach the above conclusion, since the fraud consisting of false representations has yet to be proved by petitioner Bank in the course of the trial before the court *a quo*. By the same token, respondents' innocence and non-utilization, or fraud and conversion, of the loan proceeds for their private and personal benefit are precisely defenses to be proved by respondents in the course of the trial. Evidently, the Court of Appeals overlooked the fact that the trial has yet to begin; for it assumed as real and established the defenses which need to be proved during that trial.

Having examined the record here carefully, and while the complaint filed in the trial court is not exactly a model of draftsmanship, we consider that it substantially meets the established test and that the complaint does state causes(s) of action not only against the borrower corporation, J.J. Mining, but also against respondents Fajardo and Del Mundo in their personal and individual capacities.

Turning to the applicability of Section 13, Rule 3 of the Rules of Court to the complaint in the case at bar, the Court observes that the Court of Appeals found that Section not applicable to the present case. The Court of Appeals said on this point:

"Private respondent [petitioner Bank] also invokes the rule on alternative defendants found in Section 13, Rule 3 of the Revised Rules of Court which states:

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But private respondent was never '*uncertain*' against which of several persons it is entitled to relief. As shown in paragraph 2.1 of the complaint which were previously cited, *it was dead* sure, *as night*

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[10] *Rollo*, p. 27.

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follows day, that the 'defendant corporation for value received *thru'* petitioners, 'executed and delivered to plaintiff a promissory note' for the amount of ₱750,000.00."[11]

We believe that here, too, the Court of Appeals was in error. Firstly, the state of mind of petitioner Bank — whether it was "uncertain" or whether it was "dead sure as night follows day" against which of several defendants it is entitled to relief — is, of course, immaterial, *except* to the extent that such state of mind is externalized by the allegations of the complaint. Petitioner Bank, in paragraph 1.6 in relation to paragraph 2.1 and 2.2 of its complaint, had pleaded, with sufficient clarity, its claimed rights against alternative defendants: the borrower corporation and respondents Fajardo and Del Mundo. That the rights pleaded against the borrower corporation are *prima facie* inconsistent with the rights pleaded against respondents Fajardo and Del Mundo, is also clear: either the borrower corporation alone is liable; or respondents Fajardo and Del Mundo are alone liable *in lieu* of J.J. Mining; or respondents Fajardo and Del Mundo are solidarily liable with J.J. Mining.

To bolster its position, petitioner Bank in its Memorandum filed with this Court referred to certain additional circumstances which are, of course, more properly alleged and proved before the trial court:

1. that, at the present, J.J. Mining is no longer a going concern "its office and assets nowhere to be found;" and

2. that J.J. Mining has outstanding obligations to different banks which, like petitioner Bank, are undergoing liquidation — *i.e.*, Admiral Savings and Loan Bank; Development Bank of Rizal; and petitioner Bank — in the aggregate principal amount (as of 1984) of ₱2,750,000.00; that in the transactions with all three (3) banks, the signatories of the promissory notes were the two (2) respondents in the case at bar, Messrs. Fajardo and Del Mundo.[12]

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[11] *Rollo*, pp. 26-27; underscoring partly in the original and partly supplied.

[12] *Rollo*, p. 95.

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The essential thing is that petitioner Bank must be given an opportunity to prove its allegations in all necessary detail at the trial on the merits. There the respondents will have the opportunity to controvert and refute petitioner's detailed assertions.[13]

WHEREFORE, for all the foregoing, the Decision of the Court of Appeals dated 25 August 1987 in C.A.-G.R. SP No. 11547 is hereby *REVERSED* and *SET ASIDE*. The Orders of the trial court dated 9 October 1986 and 22 December 1986 in Civil Case No. 14501 are hereby *REINSTATED*. This case is hereby *REMANDED* to the trial court for further proceedings not inconsistent with this Decision. Costs against respondents.

SO ORDERED.

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

THIRD DIVISION

[G.R. No. 99333. June 28, 1993]

SPOUSES ANTONIO PAILANO, JR. and PRESENTACION LABIOS, *petitioners, vs.* **THE COURT OF APPEALS, SPOUSES MARIANO PAILANO and FE SAMSON-PAILANO,** *respondents*.

SYLLABUS

1. CIVIL LAW; SPECIAL CONTRACTS; MORTGAGE; NOT EXTINGUISHED BY SUBDIVISION OF MORTGAGED LOT. — The existing mortgage over the property in favor of the PNB is not a legal obstacle to the subdivision because the

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[13] See *Beaumont v. Prieto,* 41 Phil. 670 (1916).