



Republic of the Philippines
SUPREME COURT
Manila

THIRD DIVISION

HUR TIN YANG,

Petitioner,

- versus -

PEOPLE OF THE PHILIPPINES,
Respondent.

G.R. No. 195117

Present:

VELASCO, JR., J., Chairperson,
PERALTA,
ABAD,
MENDOZA, and
LEONEN, JJ.

Promulgated:

AUG 14 2013

Macaparan

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RESOLUTION

VELASCO, JR., J.:

This is a motion for reconsideration of our February 1, 2012 Minute Resolution¹ sustaining the July 28, 2010 Decision² and December 20, 2010 Resolution³ of the Court of Appeals (CA) in CA-G.R. CR No. 30426, finding petitioner Hur Tin Yang guilty beyond reasonable doubt of the crime of *Estafa* under Article 315, paragraph 1(b) of the Revised Penal Code (RPC) in relation to Presidential Decree No. 115 (PD 115) or the *Trust Receipts Law*.

In twenty-four (24) consolidated Informations, all dated March 15, 2002, petitioner Hur Tin Yang was charged at the instance of the same complainant with the crime of *Estafa* under Article 315, par. 1(b) of the RPC,⁴ in relation to PD 115,⁵ docketed as Criminal Case Nos. 04-223911 to

¹ *Rollo*, p. 252.

² *Id.* at 57-87. Penned by Associate Justice Isaias Dicdican and concurred in by Associate Justices Stephen C. Cruz and Danton Q. Bueser.

³ *Id.* at 88-89.

⁴ Art. 315. *Swindling (estafa)*. - Any person who shall defraud another by any of the means mentioned hereinbelow shall be punished by:

X X X X

1. With unfaithfulness or abuse of confidence, namely:

X X X X

(b) By misappropriating or converting, to the prejudice of another, money, goods or any other personal property received by the offender in trust, or on commission, or for administration, or under any other obligation involving the duty to make delivery of, or to return the same, even though such obligation

34 and raffled to the Regional Trial Court of Manila, Branch 20. The 24 Informations—differing only as regards the alleged date of commission of the crime, date of the trust receipts, the number of the letter of credit, the subject goods and the amount—uniformly recite:

That on or about May 28, 1998, in the City of Manila, Philippines, the said accused being then the authorized officer of **SUPERMAX PHILIPPINES, INC.**, with office address at No. 11/F, Global Tower, Gen Mascardo corner M. Reyes St., Bangkal, Makati City, did then and there willfully, unlawfully and feloniously defraud the **METROPOLITAN BANK AND TRUST COMPANY (METROBANK)**, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, represented by its Officer in Charge, **WINNIE M. VILLANUEVA**, in the following manner, to wit: the said accused received in trust from the said Metropolitan Bank and Trust Company reinforcing bars valued at P1,062,918.84 specified in the undated Trust Receipt Agreement covered by Letter of Credit No. MG-LOC 216/98 for the purpose of holding said merchandise/goods in trust, with obligation on the part of the accused to turn over the proceeds of the sale thereof or if unsold, to return the goods to the said bank within the specified period agreed upon, but herein accused once in possession of the said merchandise/goods, far from complying with his aforesaid obligation, failed and refused and still fails and refuses to do so despite repeated demands made upon him to that effect and with intent to defraud and with grave abuse of confidence and trust, misappropriated, misapplied and converted the said merchandise/goods or the value thereof to his own personal use and benefit, to the damage and prejudice of said **METROPOLITAN BANK AND TRUST COMPANY** in the aforesaid amount of P1,062,918.84, Philippine Currency.

Contrary to law.⁶

Upon arraignment, petitioner pleaded “not guilty.” Thereafter, trial on the merits then ensued.

The facts of these consolidated cases are undisputed:

Supermax Philippines, Inc. (Supermax) is a domestic corporation engaged in the construction business. On various occasions in the month of April, May, July, August, September, October and November 1998,

be totally or partially guaranteed by a bond; or by denying having received such money, goods, or another property.

⁵ Trust Receipts Law, **Section 13. Penalty clause.** The failure of an entrustee to turn over the proceeds of the sale of the goods, documents or instruments covered by a trust receipt to the extent of the amount owing to the entruster or as appears in the trust receipt or to return said goods, documents or instruments if they were not sold or disposed of in accordance with the terms of the trust receipt shall constitute the crime of estafa, punishable under the provisions of Article Three hundred and fifteen, paragraph one (b) of Act Numbered Three thousand eight hundred and fifteen, as amended, otherwise known as the Revised Penal Code. If the violation or offense is committed by a corporation, partnership, association or other juridical entities, the penalty provided for in this Decree shall be imposed upon the directors, officers, employees or other officials or persons therein responsible for the offense, without prejudice to the civil liabilities arising from the criminal offense.

⁶ *Rollo*, pp. 58-59.

Metropolitan Bank and Trust Company (Metrobank), Magdalena Branch, Manila, extended several commercial letters of credit (LCs) to Supermax. These commercial LCs were used by Supermax to pay for the delivery of several construction materials which will be used in their construction business. Thereafter, Metrobank required petitioner, as representative and Vice-President for Internal Affairs of Supermax, to sign twenty-four (24) trust receipts as security for the construction materials and to hold those materials or the proceeds of the sales in trust for Metrobank to the extent of the amount stated in the trust receipts.

When the 24 trust receipts fell due and despite the receipt of a demand letter dated August 15, 2000, Supermax failed to pay or deliver the goods or proceeds to Metrobank. Instead, Supermax, through petitioner, requested the restructuring of the loan. When the intended restructuring of the loan did not materialize, Metrobank sent another demand letter dated October 11, 2001. As the demands fell on deaf ears, Metrobank, through its representative, Winnie M. Villanueva, filed the instant criminal complaints against petitioner.

For his defense, while admitting signing the trust receipts, petitioner argued that said trust receipts were demanded by Metrobank as additional security for the loans extended to Supermax for the purchase of construction equipment and materials. In support of this argument, petitioner presented as witness, Priscila Alfonso, who testified that the construction materials covered by the trust receipts were delivered way before petitioner signed the corresponding trust receipts.⁷ Further, petitioner argued that Metrobank knew all along that the construction materials subject of the trust receipts were not intended for resale but for personal use of Supermax relating to its construction business.⁸

The trial court *a quo*, by Judgment dated October 6, 2006, found petitioner guilty as charged and sentenced him as follows:

His guilt having been proven and established beyond reasonable doubt, the Court hereby renders judgment CONVICTING accused HUR TIN YANG of the crime of estafa under Article 315 paragraph 1 (a) of the Revised Penal Code and hereby imposes upon him the indeterminate penalty of 4 years, 2 months and 1 day of *prision correccional* to 20 years of *reclusion temporal* and to pay Metropolitan Bank and Trust Company, Inc. the amount of Php13,156,256.51 as civil liability and to pay cost.

SO ORDERED.⁹

⁷ TSN, April 24, 2006, p. 13.

⁸ *Rollo*, p. 40.

⁹ *Id.* at 206. Penned by Judge Marivic T. Balisi-Umali.

Petitioner appealed to the CA. On July 28, 2010, the appellate court rendered a Decision, upholding the findings of the RTC that the prosecution has satisfactorily established the guilt of petitioner beyond reasonable doubt, including the following critical facts, to wit: (1) petitioner signing the trust receipts agreement; (2) Supermax failing to pay the loan; and (3) Supermax failing to turn over the proceeds of the sale or the goods to Metrobank upon demand. Curiously, but significantly, the CA also found that even before the execution of the trust receipts, Metrobank knew or should have known that the subject construction materials were never intended for resale or for the manufacture of items to be sold.¹⁰

The CA ruled that since the offense punished under PD 115 is in the nature of *malum prohibitum*, a mere failure to deliver the proceeds of the sale or goods, if not sold, is sufficient to justify a conviction under PD 115. The *fallo* of the CA Decision reads:

WHEREFORE, in view of the foregoing premises, the appeal filed in this case is hereby **DENIED** and, consequently, **DISMISSED**. The assailed Decision dated October 6, 2006 of the Rregional Trial Court, Branch 20, in the City of Manila in Criminal Cases Nos. 04223911 to 223934 is hereby **AFFIRMED**.

SO ORDERED.

Petitioner filed a Motion for Reconsideration, but it was denied in a Resolution dated December 20, 2010. Not satisfied, petitioner filed a petition for review under Rule 45 of the Rules of Court. The Office of the Solicitor General (OSG) filed its Comment dated November 28, 2011, stressing that the pieces of evidence adduced from the testimony and documents submitted before the trial court are sufficient to establish the guilt of petitioner.¹¹

On February 1, 2012, this Court dismissed the Petition via a Minute Resolution on the ground that the CA committed no reversible error in the

¹⁰ Id. at 79-80. The CA Decision dated July 28, 2010 reads, "The evidence for the accused-appellant further tended to show that the transactions between Metrobank and Supermax could not be considered trust receipts transactions within the purview of PD No. 115 but rather loan transactions because the equipment and construction materials, which were the goods subject of the trust receipts, were never intended to be put up for sale or to be manufactured for ultimate sale as they would be utilized by Supermax in the prosecution of its various projects and that Metrobank knew beforehand that the proceeds of the loans would be used to purchase constructions materials because, before the approval of such loans, documents such as articles of incorporation, by-laws and financial reports of Supermax were submitted to said bank."

¹¹ Id. at 243-244. The OSG Comment reads, "The following pieces of evidence adduced from the testimony and documents submitted before the trial court are sufficient to establish the guilt of petitioner, to wit:

First, the trust receipts bearing the genuine signatures of petitioner; second, the two demand letters of Metrobank addressed to petitioner dated August 15, 2000 and October 11, 20001; and third, the initial admission by petitioner that he signed as Vice President for Internal Affairs of Supermax.

That petitioner did not sell the goods under trust receipts is of no moment. The offense punished under Presidential Decree No. 115 is in the nature of *malum prohibitum*. A mere failure to deliver the proceeds of the sale or the goods, if not sold, constitutes a criminal offense that causes prejudice not only to another, but more to the public interest x x x." (Emphasis supplied.)

assailed July 28, 2010 Decision. Hence, petitioner filed the present Motion for Reconsideration contending that the transactions between the parties do not constitute trust receipt agreements but rather of simple loans.

On October 3, 2012, the OSG filed its Comment on the Motion for Reconsideration, praying for the denial of said motion and arguing that petitioner merely reiterated his arguments in the petition and his Motion for Reconsideration is nothing more than a mere rehash of the matters already thoroughly passed upon by the RTC, the CA and this Court.¹²

The sole issue for the consideration of the Court is whether or not petitioner is liable for *Estafa* under Art. 315, par. 1(b) of the RPC in relation to PD 115, even if it was sufficiently proved that the entruster (Metrobank) knew beforehand that the goods (construction materials) subject of the trust receipts were never intended to be sold but only for use in the entrustee's construction business.

The motion for reconsideration has merit.

In determining the nature of a contract, courts are not bound by the title or name given by the parties. The decisive factor in evaluating such agreement is the intention of the parties, as shown not necessarily by the terminology used in the contract but by their conduct, words, actions and deeds prior to, during and immediately after executing the agreement. As such, therefore, documentary and parol evidence may be submitted and admitted to prove such intention.¹³

In the instant case, the factual findings of the trial and appellate courts reveal that the dealing between petitioner and Metrobank was **not a trust receipt transaction but one of simple loan**. Petitioner's admission—that he signed the trust receipts on behalf of Supermax, which failed to pay the loan or turn over the proceeds of the sale or the goods to Metrobank upon demand—does not conclusively prove that the transaction was, indeed, a trust receipts transaction. In contrast to the nomenclature of the transaction, the parties really intended a contract of loan. This Court—in *Ng v. People*¹⁴ and *Land Bank of the Philippines v. Perez*,¹⁵ cases which are in all four corners the same as the instant case—ruled that the fact that the entruster bank knew even before the execution of the trust receipt agreements that the construction materials covered were never intended by the entrustee for resale or for the manufacture of items to be sold is sufficient to prove that the transaction was a simple loan and not a trust receipts transaction.

¹² Id. at 278.

¹³ *Aguirre v. Court of Appeals*, G.R. No. 131520, January 28, 2000, 323 SCRA 771, 774.

¹⁴ G.R. No. 173905, April 23, 2010, 619 SCRA 291.

¹⁵ G.R. No. 166884, June 13, 2012, 672 SCRA 117.

The petitioner was charged with *Estafa* committed in what is called, under PD 115, a “trust receipt transaction,” which is defined as:

Section 4. ***What constitutes a trust receipts transaction.***—A trust receipt transaction, within the meaning of this Decree, is any transaction by and between a person referred to in this Decree as the entruster, and another person referred to in this Decree as trustee, whereby the entruster, who owns or holds absolute title or security interests over certain specified goods, documents or instruments, releases the same to the possession of the trustee upon the latter’s execution and delivery to the entruster of a signed document called a “trust receipt” wherein the trustee binds himself to hold the designated goods, documents or instruments in trust for the entruster and to sell or otherwise dispose of the goods, documents or instruments with the obligation to turn over to the entruster the proceeds thereof to the extent of the amount owing to the entruster or as appears in the trust receipt or the goods, documents or instruments themselves if they are unsold or not otherwise disposed of, in accordance with the terms and conditions specified in the trust receipt, or for other purposes substantially equivalent to any of the following:

1. In the case of goods or documents: (a) to sell the goods or procure their sale; or (b) to manufacture or process the goods with the purpose of ultimate sale: *Provided*, That, in the case of goods delivered under trust receipt for the purpose of manufacturing or processing before its ultimate sale, the entruster shall retain its title over the goods whether in its original or processed form until the trustee has complied full with his obligation under the trust receipt; or (c) to load, unload, ship or transship or otherwise deal with them in a manner preliminary or necessary to their sale; or

2. In the case of instruments: (a) to sell or procure their sale or exchange; or (b) to deliver them to a principal; or (c) to effect the consummation of some transactions involving delivery to a depository or register; or (d) to effect their presentation, collection or renewal.

Simply stated, a trust receipt transaction is one where the trustee has the obligation to deliver to the entruster the price of the sale, or if the merchandise is not sold, to return the merchandise to the entruster. There are, therefore, two obligations in a trust receipt transaction: the first refers to money received under the obligation involving the duty to turn it over (*entregarla*) to the owner of the merchandise sold, while the second refers to the merchandise received under the obligation to “return” it (*devolvera*) to the owner.¹⁶ A violation of any of these undertakings constitutes *Estafa* defined under Art. 315, par. 1(b) of the RPC, as provided in Sec. 13 of PD 115, viz:

Section 13. ***Penalty Clause.***—The failure of an trustee to **turn over the proceeds of the sale of the goods**, documents or instruments covered by a trust receipt to the extent of the amount owing to the

¹⁶ *Ng v. People*, supra note 14, at 304.

entruster or as appears in the trust receipt or to return said goods, documents or instruments if they were not sold or disposed of **in accordance with the terms of the trust receipt** shall constitute the crime of estafa, punishable under the provisions of Article Three hundred fifteen, paragraph one (b) of Act Numbered Three thousand eight hundred and fifteen, as amended, otherwise known as the Revised Penal Code. x x x (Emphasis supplied.)

Nonetheless, when both parties enter into an agreement knowing fully well that the return of the goods subject of the trust receipt is **not possible** even without any fault on the part of the trustee, it is not a trust receipt transaction penalized under Sec. 13 of PD 115 in relation to Art. 315, par. 1(b) of the RPC, as the only obligation actually agreed upon by the parties would be the return of the proceeds of the sale transaction. **This transaction becomes a mere loan, where the borrower is obligated to pay the bank the amount spent for the purchase of the goods.**¹⁷

In *Ng v. People*, Anthony Ng, then engaged in the business of building and fabricating telecommunication towers, applied for a credit line of PhP 3,000,000 with Asiatruster Development Bank, Inc. Prior to the approval of the loan, Anthony Ng informed Asiatruster that the proceeds would be used for purchasing construction materials necessary for the completion of several steel towers he was commissioned to build by several telecommunication companies. Asiatruster approved the loan but required Anthony Ng to sign a trust receipt agreement. When Anthony Ng failed to pay the loan, Asiatruster filed a criminal case for *Estafa* in relation to PD 115 or the *Trust Receipts Law*. This Court acquitted Anthony Ng and ruled that the *Trust Receipts Law* was created to “**to aid in financing importers and retail dealers who do not have sufficient funds or resources to finance the importation or purchase of merchandise, and who may not be able to acquire credit except through utilization, as collateral, of the merchandise imported or purchased.**” Since Asiatruster knew that Anthony Ng was neither an importer nor retail dealer, it should have known that the said agreement could not possibly apply to petitioner, viz:

The true nature of a trust receipt transaction can be found in the “whereas” clause of PD 115 which states that a trust receipt is to be utilized “as a convenient business device to assist importers and merchants solve their financing problems.” Obviously, the State, in enacting the law, sought to find a way to assist importers and merchants in their financing in order to encourage commerce in the Philippines.

[A] trust receipt is considered a security transaction intended to aid in financing importers and retail dealers who do not have sufficient funds or resources to finance the importation or purchase of merchandise, and who may not be able to acquire credit except through utilization, as collateral, of the merchandise imported or purchased. Similarly, American

¹⁷ *Land Bank of the Philippines v. Perez*, supra note 15, at 126-127.

Jurisprudence demonstrates that trust receipt transactions always refer to a method of “financing importations or financing sales.” The principle is of course not limited in its application to financing importations, since the principle is equally applicable to domestic transactions. Regardless of whether the transaction is foreign or domestic, it is important to note that the transactions discussed in relation to trust receipts mainly involved sales.

Following the precept of the law, such transactions affect situations wherein the entruster, who owns or holds absolute title or security interests over specified goods, documents or instruments, releases the subject goods to the possession of the trustee. The release of such goods to the trustee is conditioned upon his execution and delivery to the entruster of a trust receipt wherein the former binds himself to hold the specific goods, documents or instruments in trust for the entruster and to sell or otherwise dispose of the goods, documents or instruments with the obligation to turn over to the entruster the proceeds to the extent of the amount owing to the entruster or the goods, documents or instruments themselves if they are unsold. x x x [T]he entruster is entitled “only to the proceeds derived from the sale of goods released under a trust receipt to the trustee.”

Considering that the goods in this case were never intended for sale but for use in the fabrication of steel communication towers, the trial court erred in ruling that the agreement is a trust receipt transaction.

x x x x

To emphasize, the Trust Receipts Law was created to “to aid in financing importers and retail dealers who do not have sufficient funds or resources to finance the importation or purchase of merchandise, and who may not be able to acquire credit except through utilization, as collateral, of the merchandise imported or purchased.” Since Asiastore knew that petitioner was neither an importer nor retail dealer, it should have known that the said agreement could not possibly apply to petitioner.¹⁸

Further, in *Land Bank of the Philippines v. Perez*, the respondents were officers of Asian Construction and Development Corporation (ACDC), a corporation engaged in the construction business. On several occasions, respondents executed in favor of Land Bank of the Philippines (LBP) trust receipts to secure the purchase of construction materials that they will need in their construction projects. When the trust receipts matured, ACDC failed to return to LBP the proceeds of the construction projects or the construction materials subject of the trust receipts. After several demands went unheeded, LBP filed a complaint for *Estafa* or violation of Art. 315, par. 1(b) of the RPC, in relation to PD 115, against the respondent officers of ACDC. This Court, like in *Ng*, acquitted all the respondents on the postulate that the parties really intended a simple contract of loan and not a trust receipts transaction, viz:

¹⁸ Supra note 14, at 305-307.

When both parties enter into an agreement knowing that the return of the goods subject of the trust receipt is not possible even without any fault on the part of the trustee, it is not a trust receipt transaction penalized under Section 13 of P.D. 115; the only obligation actually agreed upon by the parties would be the return of the proceeds of the sale transaction. This transaction becomes a mere loan, where the borrower is obligated to pay the bank the amount spent for the purchase of the goods.

X X X X

Thus, **in concluding that the transaction was a loan and not a trust receipt, we noted in *Colinares* that the industry or line of work that the borrowers were engaged in was construction. We pointed out that the borrowers were not importers acquiring goods for resale.** Indeed, goods sold in retail are often within the custody or control of the trustee until they are purchased. In the case of materials used in the manufacture of finished products, these finished products – if not the raw materials or their components – similarly remain in the possession of the trustee until they are sold. But the goods and the materials that are used for a construction project are often placed under the control and custody of the clients employing the contractor, who can only be compelled to return the materials if they fail to pay the contractor and often only after the requisite legal proceedings. **The contractor’s difficulty and uncertainty in claiming these materials (or the buildings and structures which they become part of), as soon as the bank demands them, disqualify them from being covered by trust receipt agreements.**¹⁹

Since the factual milieu of *Ng* and *Land Bank of the Philippines* are in all four corners similar to the instant case, it behooves this Court, following the principle of *stare decisis*,²⁰ to rule that the transactions in the instant case are not trust receipts transactions but contracts of simple loan. The fact that the entruster bank, Metrobank in this case, knew even before the execution of the alleged trust receipt agreements that the covered construction materials were never intended by the trustee (petitioner) for resale or for the manufacture of items to be sold would take the transaction between petitioner and Metrobank outside the ambit of the *Trust Receipts Law*.

For reasons discussed above, the subject transactions in the instant case are not trust receipts transactions. Thus, the consolidated complaints for *Estafa* in relation to PD 115 have really no leg to stand on.

The Court’s ruling in *Colinares v. Court of Appeals*²¹ is very apt, thus:

¹⁹ Supra note 15, at 126-127, 129.

²⁰ The doctrine “*stare decisis et non quieta movere*” (stand by the decisions and disturb not what is settled) is firmly entrenched in our jurisprudence. Once this Court has laid down a principle of law as applicable to a certain state of facts, it would adhere to that principle and apply it to all future cases in which the facts are substantially the same as in the earlier controversy. *Agra v. Commission on Audit*, G.R. No. 167807, December 6, 2011, 661 SCRA 563, 585.


²¹ G.R. No. 90828, September 5, 2000, 339 SCRA 609, 623-624.

The practice of banks of making borrowers sign trust receipts to facilitate collection of loans and place them under the threats of criminal prosecution should they be unable to pay it may be unjust and inequitable, if not reprehensible. Such agreements are contracts of adhesion which borrowers have no option but to sign lest their loan be disapproved. The resort to this scheme leaves poor and hapless borrowers at the mercy of banks, and is prone to misinterpretation x x x.

Unfortunately, what happened in *Colinares* is exactly the situation in the instant case. This reprehensible bank practice described in *Colinares* should be stopped and discouraged. For this Court to give life to the constitutional provision of non-imprisonment for nonpayment of debts,²² it is imperative that petitioner be acquitted of the crime of *Estafa* under Art. 315, par. 1(b) of the RPC, in relation to PD 115.

WHEREFORE, the Resolution dated February 1, 2012, upholding the CA's Decision dated July 28, 2010 and Resolution dated December 20, 2010 in CA-G.R. CR No. 30426, is hereby **RECONSIDERED**. Petitioner Hur Tin Yang is **ACQUITTED** of the charge of violating Art. 315, par. 1(b) of the RPC, in relation to the pertinent provision of PD 115 in Criminal Case Nos. 04-223911 to 34.


SO ORDERED.



PRESBITERO J. VELASCO, JR.
Associate Justice

²² CONSTITUTION, Art. III, Sec. 20 provides, "No person shall be imprisoned for debt or non-payment of poll tax."

WE CONCUR:



DIOSDADO M. PERALTA
Associate Justice



ROBERTO A. ABAD
Associate Justice



JOSE CATRAL MENDOZA
Associate Justice



MARVIC MARIO VICTOR F. LEONEN
Associate Justice

ATTESTATION

I attest that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



PRESBITERO J. VELASCO, JR.
Associate Justice
Chairperson

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution and the Division Chairperson's Attestation, I certify that the conclusions in the above Resolution had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.



MARIA LOURDES P. A. SERENO
Chief Justice