

LAW 101

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MARGINAL DEPOSIT IS TANTAMOUNT TO PAYMENT

In an April 2001 decision, the Supreme Court clarified that a bank may not charge interest on that portion of a letter of credit covered by a marginal deposit.

Sometime in July 1982, X Cement Corp. and its President Mr. G. Tan obtained from Y Bank a letter of credit in the amount of P1Million which was used to purchase bunker fuel oil. In relation to the same transaction, a trust receipt for the amount of P1Million was subsequently executed by X Cement Corp., with Mr. G. Tan as signatory.

Claiming that respondents X Cement Corp. and Mr. G. Tan failed to turn over the goods covered by the trust receipt or to account for and deliver the proceeds thereof, petitioner Y Bank filed a complaint for sum of money with application for preliminary attachment with the Regional Trial Court of Manila. In their answer, the respondents claimed that the transaction had with Y Bank was a simple loan. And that in computing the interest due, Y Bank should have considered as payment the marginal deposit of P300,000.00 which was delivered to the bank upon opening of the letter of credit.

The Regional Trial Court of Manila dismissed Y Bank's Complaint. Said decision was affirmed by the Court of Appeals with the minor modification that defendant corporation was directed to pay Y Bank attorney's fees.

On further appeal to the Supreme Court, the basic issues raised were: 1) Whether or not the manner of computation of the marginal deposit by the respondent Appellate Court is in accordance with banking practice; and 2) Whether or not the respondent Appellate Court grievously erred in not considering the transaction at bar as a trust receipt transaction on the basis of judicial admissions of private respondents.

On the first issue, the Supreme Court declared as untenable the contention of Y Bank that the marginal deposit should not be deducted outright from the amount of the letter of credit. "Petitioner argues that the marginal deposit should be considered only after computing the principal plus accrued interests and other charges. However, to sustain petitioner on this score would be to countenance a clear case of unjust enrichment, for while a marginal deposit earns no interest in favor of the debtor-depositor, the bank is not only able to use the same for its own purposes, interest-free, but is also able to earn interest on the money loaned to respondent Corporation. Indeed, it would be onerous to compute interest and other charges on the face value of the letter of credit which the petitioner issued, without first crediting or setting off the marginal deposit which the respondent Corporation paid to it. Compensation is proper and should take effect by operation of law because the requisites in Article 1279 of the Civil code are present and should extinguish both debts to the concurrent amount."

Hence, interests and other charges on the subject letter of credit should be computed only on the balance of the letter of credit after deducting the marginal deposit therefrom.

The Supreme Court found the transaction between the parties to be a simple loan noting that the goods subject of the trust receipt had already been delivered prior to the execution of the trust receipt.

"The recent case of *Colinares v. Court of Appeals*, G.R. No. 90828, 5 September 2000, appears to be foursquare with the facts in the case at bar. There, we found that inasmuch as the debtor received the goods subject of the trust receipt before the trust receipt itself was entered into, the transaction in question was a simple loan and not a trust receipt agreement. Prior to the date of execution of the trust receipt, ownership over the goods was already transferred to the debtor. This situation is inconsistent with what normally obtains in a pure trust receipt of transaction, wherein the goods belong in ownership to the bank and are only released to the importer in trust after the loan is granted."

"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, as had happened in this case." (*The Consolidated Bank of Trust Corporation (Solidbank) vs. The Court of Appeals, Continental Cement Corporation, et al.* G.R. No. 114286, April 19, 2001)