

# Philippine Trust Receipts: An Examination of Philippine National Bank v. Viuda de Angel Jose

Simeon N. Ferrer

4 ATENEO L.J. 1 (1954)

*SUBJECT(S): COMMERCIAL LAW*

*KEYWORD(S): TRUST RECEIPTS AGREEMENT*

The Article starts by stating that despite the fact that Philippine banks and businesses have been using trust receipts agreements since the nineteen twenties, there is still an absence of trust receipt law in the country and the subject is only governed by case law. It continues by providing that the volume of import transactions in the country by means of trust receipts is comparable to the volume of transactions done by the use of other security devices. Having these two premises laid, the Author then expresses his intent to conduct an examination of the Philippine concept of trust receipt transaction as outlined in *Philippine National Bank v. Viuda de Angel Jose*.

In examining the Philippine concept of trust receipt transaction, the Author makes reference to American trust receipt legislation and jurisprudence from 1876 up to the drafting of the Uniform Trust Receipt Act in 1933. He also reviews the application of trust receipts in bipartite and tripartite security transactions.

With regard to the ruling of the Supreme Court in *Philippine National Bank v. Viuda de Angel Jose*, the Author finds the ruling as commercially desirable for declaring the validity of the trust receipt agreement. Nevertheless, he finds the rationale as being questionable for considering the transaction as a pledge, a conditional sale and a chattel mortgage at the same time. He suggests that alternative rationales, such as commercial necessity, mercantile convenience and adoption of the Uniform Trust Receipts Act.

For his conclusion, he submits that there is an inadequacy of Philippine commercial credit and security transaction laws and a need for the updating of the Philippine security transaction laws, with special focus on Article 9 of the proposed Uniform Commercial Code of the United States.