

# [ Act No. 2031, February 03, 1911 ]

## AN ACT ENTITLED "THE NEGOTIABLE INSTRUMENTS LAW."

*By authority of the United States, be it enacted by the Philippine Legislature, that:*

### TITLE I.

#### NEGOTIABLE INSTRUMENTS IN GENERAL.

#### CHAPTER I.

##### FORM AND INTERPRETATION.

SECTION 1. *Form of negotiable instrument.*—An instrument to be negotiable must conform to the following requirements:

- (a) It must be in writing and signed by the maker or drawer;
- (b) Must contain an unconditional promise or order to pay a sum certain in money;
- (c) Must be payable on demand, or at a fixed or determinable future time;
- (d) Must be payable to order or to bearer; and
- (e) Where the instrument is addressed to a drawee, he must be named or otherwise indicated therein with reasonable certainty.

SEC. 2. *Certainly as to sum ; what constitutes.*—The sum payable sum is a sum certain within the meaning of this Act, although it is to be paid—

- (a) With interest; or
- (b) By stated installments<sup>^</sup> or
- (c) By stated installments, with a provision that upon default in payment of any installment or of interest the whole shall become due; or
- (d) With exchange, whether at a fixed rate or at the current rate; or
- (e) With costs of collection or an attorney's fee, in case payment shall not be made at maturity.

SEC. 3. *When promise is unconditional.*—An unqualified order or promise to pay is unconditional within the meaning of this Act, though coupled with—

- (a) An indication of a particular fund out of which reimbursement is to be made, or a particular account to be debited with the amount; or
- (b) A statement of the transaction which gives rise to the instrument.

But an order or promise to pay out of a particular fund is not unconditional.

SEC. 4. *Determinable future time; what constitutes.*—An instrument is payable at a determinable future time, within the meaning of this Act, which is expressed to be payable—

- (a) At a fixed period after date or sight; or
- (b) On or before a fixed or determinable future time specified therein; or

- (c) On or at a fixed period after the occurrence of a specified event, which is certain to happen, though the time of happening be uncertain.

An instrument payable upon a contingency is not negotiable, and the happening of the event does not cure the defect.

SEC. 5. *Additional provisions not affecting negotiability.*—An instrument which contains an order or promise to do any act in addition to the payment of money is not negotiable. But the negotiable character of an instrument otherwise negotiable is not affected by a provision which—

- (a) Authorizes the sale of collateral securities in case the instrument be not paid at maturity; or
- (b) Authorizes a confession of judgment if the instrument be not paid at maturity; or
- (c) Waives the benefit of any law intended for the advantage or protection of the obligor; or
- (d) Gives the holder an election to require something to be done in lieu of payment of money.

But nothing in this section shall validate any provision or stipulation otherwise illegal.

SEC. 6. *Omissions; seal; particular money.*—The validity and negotiable character of an instrument are not affected by the fact that—

- (a) It is not dated; or
- (b) Does not specify the value given, or that any value has been given therefor; or
- (c) Does not specify the place where it is drawn or the place where it is payable; or
- (d) Bears a seal; or
- (e) Designates a particular kind of current money in which payment is to be made.

But nothing in this section shall alter or repeal any statute requiring in certain cases the nature of the consideration to be stated in the instrument.

SEC. 7. *When payable on demand.*—An instrument is payable on demand—

- (a) Where it is expressed to be payable on demand, or at sight, or on presentation; or
- (b) In which no time for payment is expressed.

Where an instrument is issued, accepted, or indorsed when overdue, it is, as regards the person so issuing, accepting, or indorsing it, payable on demand.

SEC. 8. *When payable to order.*—The instrument is payable to order where it is drawn payable to the order of a specified person or to him or his order. It may be drawn payable to the order of—

- (a) A payee who is not maker, drawer, or drawee; or
- (b) The drawer or maker; or
- (c) The drawee; or

- (d) Two or more payees jointly; or
- (e) One or some of several payees; or
- (f) The holder of an office for the time being.

Where the instrument is payable to order the payee must be named or otherwise indicated therein with reasonable certainty.

SEC. 9. *When payable to bearer.*—The instrument is payable to bearer—

- (a) When it is expressed to be so payable; or
- (b) When it is payable to a person named therein or bearer; or (c) When it is payable to the order of a fictitious or person, and such fact was known to the person making it so payable; or
- (d) When the name of the payee does not purport to be the name of any person; or
- (e) When the only or last indorsement is an indorsement in blank, sufficient terms.

SEC. 10. *Terms, when sufficient.*—The instrument need not follow the language of this Act, but any terms are sufficient which clearly indicate an intention to conform to the requirements hereof.

SEC. 11. *Date, presumption as to.*—Where the instrument or an acceptance or any indorsement thereon is dated, such date is deemed prima facie to be the true date of the making, drawing, acceptance, or indorsement, as the case may be.

SEC. 12. *Antedated and postdated.*—The instrument is not invalid for the reason only that it is antedated or postdated, provided this is not done for an illegal or fraudulent purpose. The person to whom an instrument so dated is delivered acquires the title thereto as of the date of delivery.

SEC. 13. *When date may be inserted.*—Where an instrument expressed to be payable at a fixed period after date is issued undated, or where the acceptance of an instrument payable at a fixed period after sight is undated, any holder may insert therein the true date of issue or acceptance, and the instrument shall be payable accordingly. The insertion of a wrong date does not avoid the instrument in the hands of a subsequent holder in due course; but as to him, the date so inserted is to be regarded as the true date.

SEC. 14. *Blanks; when may be filled.*—Where the instrument is wanting in any material particular, the person in possession thereof has a prima facie authority to complete it by filling up the blanks therein. And a signature on a blank paper delivered by the person making the signature in order that the paper may be converted into a negotiable instrument operates as a prima facie authority to fill it up as such for any amount. In order, however, that any such instrument when completed may be enforced against any person who became a party thereto prior to its completion, it must be filled up strictly in accordance with the authority given and within a reasonable time. But if any such instrument, after completion, is negotiated to a holder in due course, it is valid and effectual for all purposes in his hands, and he may enforce it as if it had been filled up strictly in accordance with the authority given and within a reasonable time.

SEC. 15. *Incomplete instrument not delivered.*—Where an incomplete instrument

has not been delivered it will not, if completed and negotiated, without authority, be a valid contract in the hands of any holder, as against any person whose signature was placed thereon before delivery.

SEC. 16. *Delivery; when effectual: when presumed.*—Every contract on a negotiable instrument is incomplete and revocable until delivery of the instrument for the purpose of giving effect thereto. As between immediate parties, and as regards a remote party other than a holder in due course, the delivery, in order to be effectual, must be made either by or under the authority of the party making, drawing, accepting, or indorsing, as the case may be; and in such case the delivery may be shown to have been conditional, or for a special purpose only, and not for the purpose of transferring the property in the instrument. But where the instrument is in the hands of a holder in due course, a valid delivery thereof by all parties prior to him so as to make them liable to him is conclusively presumed. And where the instrument is no longer in the possession of a party whose signature appears thereon, a valid and intentional delivery by him is presumed until the contrary is proved.

SEC. 17. *Construction where instrument is ambiguous.*—Where construction. the language of the instrument is ambiguous or there are omissions therein, the following rules of construction apply:

- (a) Where the sum payable is expressed in words and also in figures and there is a discrepancy between the two, the sum denoted by the words is the sum payable; but if the words are ambiguous or uncertain, reference may be had to the figures to fix the amount;
- (b) Where the instrument provides for the payment of interest, without specifying the date from which interest is to run, the interest runs from the date of the instrument, and if the instrument is undated, from the issue thereof;
- (c) Where the instrument is not dated, it will be considered to be dated as of the time it was issued;
- (d) Where there is a conflict between the written and printed provisions of the instrument, the written provisions prevail;
- (e) Where the instrument is so ambiguous that there is doubt whether it is a bill or note, the holder may treat it as either at his election;
- (f) Where a signature is so placed upon the instrument that it is not clear in what capacity the person making the same intended to sign, he is to be deemed an indorser;
- (g) Where an instrument containing the words "I promise to pay" is signed by two or more persons, they are deemed to be jointly and severally liable thereon.

SEC. 18. *Liability of person signing in trade or assumed name.*— No person is liable on the instrument whose signature does not appear thereon, except as herein otherwise expressly provided. But one who signs in a trade or assumed name will be liable to the same extent as if he had signed in his own name.

SEC. 19. *Signature by agent; authority; how shown.*—The signature of any party may be made by a duly authorized agent. No particular form of appointment is necessary for this purpose; and the authority of the agent may be established as in other cases of agency.

SEC. 20. *Liability of person signing as agent, and so forth.*— Where the instrument contains or a person adds to his signature words indicating that he signs for or on behalf of a principal, or in a representative capacity, he is not liable on the instrument if he was duly authorized; but the mere addition of words describing him as an agent, or as filling a representative character, without disclosing his principal, does not exempt him from personal liability.

SEC. 21. *Signature by procuration; effect of.*—A signature by procuration operates as notice that the agent has but a limited authority to sign, and the principal is bound only in case the agent in so signing acted within the actual limits of his authority.

SEC. 22. *Effect of indorsement by infant or corporation.*—The corporation, indorsement or assignment of the instrument by a corporation or by an infant passes the property therein, notwithstanding that from want, of capacity the corporation or infant may incur no liability thereon.

SEC. 23. *Forged signature; effect of.*—When a signature is forged or made without the authority of the person whose signature it purports to be, it is wholly inoperative, and no right to retain the instrument, or to give a discharge therefor, or to enforce payment thereof against any party thereto, can be acquired through or under such signature, unless the party against whom it is sought to enforce such right is precluded from setting up the forgery or want of authority.

## CHAPTER II.

### CONSIDERATION.

SEC. 24. *Presumption of consideration.*—Every negotiable instrument is deemed prima facie to have been issued for a valuable consideration; and every person whose signature appears thereon to have become a party thereto for value.

SEC. 25. *Value, what constitutes.*—Value is any consideration sufficient to support a simple contract. An antecedent or preexisting debt constitutes value; and is deemed such whether the instrument is payable on demand or at a future time.

SEC. 26. *What constitutes holder for value.*—Where value has at any time been given for the instrument, the holder is deemed a holder for value in respect to all parties who became such prior to that time.

SEC. 27. *When lien on instrument constitutes holder for value.*— Where the holder has a lien on the instrument, arising either from contract or by implication of law, he is deemed a holder for value to the extent of his lien.

SEC. 28. *Effect of want of consideration.*—Absence or failure of consideration is matter of defense as against any person not a holder in due course; and partial failure of consideration is a defense pro tanto, whether the failure is an ascertained and liquidated amount or otherwise.

SEC. 29. *Liability of accommodation party.*—An accommodation party is one who has signed the instrument as maker, drawer, acceptor, or indorser, without receiving