

SECOND DIVISION

[G.R. No. 238462, May 12, 2021]

ELENA R. QUIAMBAO, PETITIONER, VS. CHINA BANKING CORPORATION, RESPONDENT.

DECISION

LOPEZ, M., J.:

A contract of adhesion is a veritable trap for the weaker party whom the courts are bound to protect from abuse and imposition. Hence, in case of doubt which will cause a great imbalance of rights, the contract shall be construed strictly against the party who prepared it.^[1] This resolves the Petition for Review on *Certiorari*^[2] under Rule 45 of the Rules of Court assailing the Court of Appeals' (CA) Decision^[3] dated September 11, 2017 and Resolution^[4] dated March 21, 2018 in CA-G.R. CV No. 97888.

ANTECEDENTS

On April 3, 1990, Elena R. Quiambao (Elena) borrowed P1,400,000.00^[5] from China Banking Corporation to increase the working capital of her general merchandising business.^[6] On even date, Elena and her common-law husband and business partner Daniel S. Sy (Daniel) executed a Real Estate Mortgage^[7] (REM) over a parcel of land registered under Transfer Certificate of Title (TCT) No. 227449-PR21432 as security for the loan.^[8] Later, the REM was amended several times increasing the loan to P1,770,000.00 on April 29, 1993,^[9] P2,600,000.00 on April 28, 1995;^[10] and P4,000,000.00 on April 29, 1997.^[11] The amendments contained a "*blanket mortgage clause*" stating that the REM would secure the payment of obligations already incurred or which may be subsequently incurred.

On March 1, 2005, China Banking Corporation filed a petition for foreclosure of the REM with the Regional Trial Court (RTC) alleging that Elena and Daniel obtained P5,000,000.00 succeeding loan accommodations covered by eight promissory notes (PNs),^[12] thus:

Promissory Note No.	Dated of Execution	Description
1. PN No. 001071438686 for P500,000.00	March 19, 2004	Renewal of the initial PN No. T-134040-6 dated June 16, 2000, for P500,000.00
2. PN No. 001071438693 for P1,000,000.00	March 19, 2004	Renewal of the initial PN No. S-136992-6 dated July 24, 2001, for P1,000,000.00

3. PN No. 001071438723 for P500,000.00	March 19, 2004	Renewal of the initial PN No. S-137764-4 dated October 30, 2001, for P500,000.00
4. PN No. 001071438730 for P1,000,000.00	March 19, 2004	Renewal of the initial PN No. S-138142-1 dated December 20, 2001, for P1,000,000.00
5. PN No. 001071445042 for P400,000.00	June 16, 2004	Renewal of the initial PN No. S-141161-2 dated March 12, 2003, for P400,000.00
6. PN No. 001071445035 for P600,000.00	June 16, 2004	Renewal of the initial PN No. S-137041-4 dated July 30, 2001, for P600,000.00
7. PN No. 001071445011 for P500,000.00	June 16, 2004	Renewal of the initial PN No. S-137526-6 dated September 28, 2001, for P500,000.00
8. PN No. 001071445004 for P500,000.00	June 16, 2004	Renewal of the initial PN No. S-136971-1 dated July 20, 2001, for P500,000.00

In due course, the RTC issued a notice of extra-judicial sale scheduled on May 5, 2005.^[13] The notice was published in a newspaper of general circulation^[14] and posted in public places. At the public auction sale, the mortgaged property was sold to China Banking Corporation for the amount of P5,254,708.00. On May 6, 2005, the Certificate of Sale was issued to China Banking Corporation.^[15] However, Elena and Daniel failed to redeem the property. Thus, the title was consolidated in the name of China Banking Corporation.^[16] Accordingly, TCT No. 227449-PR 21432^[17] in the name of Elena was cancelled and TCT No. N-307380^[18] was issued in the name of China Banking Corporation.

Thereafter, Elena filed against China Banking Corporation a petition to annul the mortgage and the extra-judicial foreclosure proceedings with prayer for injunctive relief before the RTC.^[19] Elena argued that the REM only covered the loan secured on April 3, 1990, and its amendments but not her succeeding loans for P5,000,000.00.^[20] In contrast, China Banking Corporation maintained that Elena's loan on April 3, 1990, was extended and renewed up to March 2004. Yet, Elena merely paid the interests but not the principal.^[21]

At the trial, Elena testified that she was made to sign blank documents and blank PNs when she transacted with China Banking Corporation. The last mortgage document that she signed was on April 29, 1997. On the other hand, China Banking Corporation's loan assistant testified that PN No. 001071438693 executed on March

19, 2004 was not subject of the REM.^[22]

On February 22, 2011, the RTC granted the petition and ruled that the eight PNs executed from March 19, 2004 to June 16, 2004 cannot be the basis for the foreclosure proceedings since one PN was clean or unsecured,^[23] thus:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the petitioner and against the respondents [*sic*]. The Amendment to the Real Estate Mortgage dated April 29, 1997 is declared null and void and the Extra-judicial foreclosure sale executed on May 5, 2005 is likewise declared null and void.

x x x x

SO ORDERED.^[24]

On September 11, 2017, the CA reversed the RTC's findings and held that the REM was intended to secure all succeeding obligations of Elena in view of the blanket mortgage clause.^[25] The CA noted that Elena and Daniel were capable of understanding the legal effects of contracts given their business experience, thus:

[Elena] and [Daniel's] lengthy actual experience and dealings in running their complex money[-]changing business and various other businesses, more than equipped them with the business acumen that earned them millions. [Elena] and [Daniel] have long been engaged in business even prior to 1990. The latter affirmed that he managed their general merchandising business continuously up to the time he testified on June 28, 2006. The contracting parties, being of age and businessmen of experience, were presumed to have acted with due care and to have signed the contracts with full knowledge of their import.^[26] (Citation omitted.)

Hence, this recourse. Elena maintains that she and Daniel signed the eight PNs in blank or without the material particulars. They thought that these are character loans without any renewal of mortgage. Lastly, Elena only finished high school while Daniel reached only grade two. They both have limited educational attainment which prevented them from discerning the effects of the transactions.^[27] Meantime, China Banking Corporation advised Elena to remove her personal belongings from the foreclosed property, otherwise it will be forced to dispose them. Aggrieved, Elena moved to hold in abeyance the hauling off, and disposal of her personal properties.

RULING

The petition is meritorious.

Elena raises a question regarding the appreciation of evidence which is one of fact, and is beyond the ambit of this Court's jurisdiction in a petition for review on *certiorari*. It is not this Court's task to go over the proofs presented below to ascertain if they were weighed correctly.^[28] However, this rule of limited jurisdiction admits of exceptions and one of them is when the factual findings of the CA and the RTC are contradictory.^[29] In this case, the RTC concluded that the eight promissory

notes from March 19, 2004 to June 16, 2004 cannot be the bases for foreclosure proceedings while the CA ruled that the REM validly secured these succeeding loan obligations. Considering these conflicting findings warranting the examination of evidence, this Court will entertain the factual issues raised in the petition.

In a contract of adhesion, one imposes a ready-made contract to the other whose sole participation is either to accept or reject the agreement.^[30] The parties do not bargain on equal footing in the execution of this kind of contract given that the debtor is limited "to take it or leave it" option^[31] and there is no room for negotiation.^[32] However, such contract is not entirely prohibited. The one adhering is free to give his consent inasmuch as he is also free to reject it completely.^[33] Inarguably, the amendments to the REM are contracts of adhesion. It was China Banking Corporation which drafted and prepared the standard forms on which Elena and Daniel merely affixed their signatures. At the trial, it was established that Elena and Daniel signed the amendments to the REM in blank. They presented *pro forma* blank documents that China Banking Corporation is giving to all borrowers for signature. Corollarily, any ambiguity in the provisions of these documents must be interpreted against China Banking Corporation.

Notably, there is a controversy on whether the "*blanket mortgage clause*" in the latest amendment to the REM dated April 29, 1997 covers the P5,000,000.00 succeeding loans under the eight PNs for which the mortgage was foreclosed. We stress that a "*blanket mortgage clause*" or "*dragnet clause*" subsumes all debts of past or future origins^[34] and makes additional funds available to a borrower without the need to execute separate security documents, thus, saving time, costs, and other resources.^[35] Jurisprudence recognizes the validity of this clause^[36] but its terms must still be judiciously examined.^[37]

In *Paradigm Development Corporation of the Phils. v. Bank of the Philippine Islands*,^[38] this Court held that while a REM may exceptionally secure future loans or advancements, these future debts must be specifically described or must come fairly within the terms of the mortgage contract. A mortgage containing a dragnet clause will not be extended to cover future advances, unless the document evidencing the subsequent advance refers to the mortgage as providing security therefor, or unless there are clear and supportive evidence to the contrary. In that case, the foreclosure proceedings were declared void because there is uncertainty on whether the promissory notes were secured or not. It was not shown that the PNs are within the terms of the limited liability of the debtor, thus:

Nonetheless, the parties do not dispute that what the REMs secured were only Sengkon's availments under the Credit Line and not all of Sengkon's availments under other sub-facilities which are also secured by other collaterals. Since the liability of PDCP's properties was not unqualified, the PNs, used as basis of the Petition for Extrajudicial Foreclosure of Mortgage **should sufficiently indicate that it is within the terms of PDCP's limited liability.** In this case, the PNs failed to make any reference to PDCP's availments, if any, under its Credit Line. In fact, it did not even mention Sengkon's securities under the Credit Line. Notably, the Disclosure Statements, which were "certified correct" by FEBTC's authorized representative, Ma. Luisa C. Ellescas, and which accompanied