

## EN BANC

[ G.R. No. 212262, August 26, 2020 ]

### **GOTESCO PROPERTIES, INC., PETITIONER, -VERSUS- INTERNATIONAL EXCHANGE BANK (NOW UNION BANK OF THE PHILIPPINES), RESPONDENT,**

#### **DECISION**

##### **LEONEN, J.:**

Acceleration clauses in loans for a fixed term give creditors a choice to: (1) defer collection of any unpaid amounts until the period ends; or (2) invoke the clause and collect the entire demandable amount immediately. This right to choose is rendered meaningless if the loan is made demandable only when the term expires.

This resolves a Petition for Review on Certiorari<sup>[1]</sup> under Rule 45 of the Rules of Court, assailing the Decision<sup>[2]</sup> and Resolution<sup>[3]</sup> of the Court of Appeals which found that the 14th Branch of the Regional Trial Court in Nasugbu, Batangas, did not gravely abuse its discretion in Civil Case No. 554 when it granted the motion for reconsideration filed by International Exchange Bank to its June 16, 2010 Order<sup>[4]</sup> and ordered the execution of its December 14, 2001 Judgment<sup>[5]</sup> on the Compromise Agreement.

In 1996, Gotesco Properties, Inc. (Gotesco), as borrower, and International Exchange Bank (IBank), as lender, executed a Credit Agreement. As security, Gotesco executed a real estate mortgage over a 20,673-square-meter property covered by Transfer Certificate of Title No. T-70389. When Gotesco was unable to pay, IBank foreclosed the real estate mortgage and eventually bought the property.<sup>[6]</sup>

Gotesco filed a complaint for annulment of foreclosure sale and damages with the Batangas Regional Trial Court, alleging that IBank failed to comply with the posting and publication requirements of Act No. 3135. The case was docketed as Civil Case No. 554.<sup>[7]</sup>

Then, on September 27, 2001, Gotesco and IBank executed a Compromise Agreement where Gotesco's P256,740,000.00 loan was restructured. On December 14, 2001, the Regional Trial Court issued a Judgment<sup>[8]</sup> approving the Compromise Agreement.<sup>[9]</sup>

On October 27, 2009, IBank filed with the trial court a Motion for Execution.<sup>[10]</sup> It claimed that Gotesco failed to comply with the terms of the Compromise Agreement when it did not pay P619,179,627.01 as of February 5, 2009.<sup>[11]</sup> In a June 16, 2010 Order,<sup>[12]</sup> the Regional Trial Court, through Judge Wilfredo De Joya Mayor

(Judge Mayor), denied the Motion for Execution and found the action premature as the ten-year term loan in the Compromise Agreement, which started on March 31, 2003, would end in 2013.<sup>[13]</sup>

IBank filed a Motion for Reconsideration of the June 16, 2010 Order, which the Regional Trial Court granted in an August 18, 2011 Resolution issued by Judge Ernesto L. Marajas (Judge Marajas). The dispositive portion of the August 18, 2011 Resolution read:

Wherefore the order issued by This Court dated June 16, 2010 is hereby set aside. Upon finality of this Resolution let a writ of execution be issued in order to implement the provisions of the Judgment dated December 14, 2001.

SO ORDERED.<sup>[14]</sup>

The Regional Trial Court found that the Compromise Agreement provided for the entire loan to be demandable should Gotesco default in the payment of its quarterly amortizations. Gotesco's Motion for Reconsideration of the August 18, 2011 Resolution, was denied in the trial court's March 5, 2013 Resolution.<sup>[15]</sup>

Hence, Gotesco filed a petition for certiorari with the Court of Appeals. On February 10, 2014, the Court of Appeals issued a Decision<sup>[16]</sup> denying the petition for certiorari. The dispositive portion of the February 10, 2014 Decision read:

WHEREFORE, premises considered, the instant petition for certiorari is hereby DENIED and ordered DISMISSED.

No costs.

SO ORDERED.<sup>[17]</sup>

The Court of Appeals held that the Regional Trial Court did not commit any grave abuse of discretion, amounting to lack or excess of jurisdiction, in granting IBank's Motion for Reconsideration and granting the Motion for Execution.<sup>[18]</sup> It found that the Compromise Agreement stated that Gotesco must pay back its loan to IBank in quarterly amortizations of P8,812,214.29.<sup>[19]</sup> Should Gotesco fail to pay any sum due to IBank within 60 days from due date, IBank was entitled to declare Gotesco's entire obligation due and demandable and move for the immediate execution of the judgment.<sup>[20]</sup>

According to the Court of Appeals, Gotesco never disputed IBank's claim that it had not been paying its obligations since 2006. Moreover, to interpret the Compromise Agreement such that Gotesco's obligation would only become due and demandable after 10 years would render the agreement's provisions useless.<sup>[21]</sup>

The Court of Appeals also pointed out that IBank's right to immediately move for execution upon Gotesco's nonpayment was a valid acceleration clause, supported by the fact that Gotesco voluntarily entered into the Compromise Agreement containing this provision. Thus, the Regional Trial Court did not err in granting IBank's Motion for Execution.<sup>[22]</sup>

Finally, the Court of Appeals rejected Gotesco's claim that IBank's Motion for Reconsideration and its subsequent grant by Judge Marajas was duplicitous. To the Court of Appeals, a motion for reconsideration's purpose was to convince a court that its ruling was erroneous and improper, and such a motion should not be considered pro forma if it shows a good faith attempt to present additional arguments for the court's consideration.<sup>[23]</sup>

The Court of Appeals denied Gotesco's Motion for Reconsideration in its April 22, 2014 Resolution.<sup>[24]</sup>

On June 11, 2014, Gotesco filed with this Court a Petition for Review on Certiorari<sup>[25]</sup> under Rule 45 of the Rules of Court, assailing the February 10, 2014 Decision and April 22, 2014 Resolution of the Court of Appeals.

In its Petition for Review on Certiorari, petitioner argues that the Regional Trial Court should not have granted respondent's Motion for Reconsideration due to stare decisis.<sup>[26]</sup> It claims that Judge Marajas should not have reversed Judge Mayor's ruling because respondent's case in its Motion for Reconsideration was identical with those arguments it raised in the Motion for Execution.<sup>[27]</sup> Since Judge Mayor's Order already ruled upon respondent's arguments, Judge Marajas should not have set his order aside on the basis of respondent's motion for reconsideration.<sup>[28]</sup>

Further, petitioner claims that its loan obligation under the Compromise Agreement was demandable only in 2013, upon the expiry of the ten-year term loan period.<sup>[29]</sup>

In accordance with this Court's August 13, 2014 Resolution,<sup>[30]</sup> respondent, now Union Bank of the Philippines (Union Bank), filed its Comment to the Petition for Review.

In its Comment, respondent claims that the Compromise Agreement clearly stated that should petitioner fail to pay its quarterly amortizations, respondent could move for the immediate execution of the entire loan. Since respondent had not received any payment from petitioner since 2006, it filed a motion for a writ of execution in 2009.<sup>[31]</sup>

Respondent also argues that its Motion for Reconsideration of the June 16, 2010 Order was not a mere rehash of its Motion for Execution. In its Motion for Reconsideration, it had argued that Judge Mayor, by finding petitioner's loan only payable after 10 years, had unlawfully altered the terms of the Compromise Agreement.<sup>[32]</sup> Moreover, the June 16, 2010 Order did not constitute stare decisis which bound Judge Marajas and prevented him from issuing a contrary resolution.<sup>[33]</sup>

On March 25, 2015,<sup>[34]</sup> this Court ordered petitioner to file its reply to respondent's Comment, which it did on June 23, 2015. In its Reply, petitioner reiterates its claim that under the Compromise Agreement, the loan was demandable only after 10 years. Petitioner avers that the immediate execution of the Compromise Agreement would be unjust and inequitable.<sup>[35]</sup> It also claims that Judge Marajas acted with

grave abuse of discretion and disrespect by setting aside Judge Mayor's Order.<sup>[36]</sup>

On September 20, 2017, this Court gave due course to the Petition for Review and ordered the parties to submit their memoranda.<sup>[37]</sup> Petitioner filed its Memorandum on December 14, 2017,<sup>[38]</sup> while respondent filed its Memorandum on January 1, 2018.<sup>[39]</sup>

In its Memorandum, petitioner argues that the Motion for Reconsideration of the June 16, 2010 Order should not have been granted for being a mere rehash of the earlier Motion for Execution.<sup>[40]</sup> Moreover, a plain reading of the Compromise Agreement would show that it would be premature to cause its immediate execution as it was for a ten-year period.<sup>[41]</sup>

In its Memorandum, respondent argues that the Regional Trial Court did not commit grave abuse of discretion in granting its Motion for Execution. First, it claims that despite the ten-year term of the loan, the Compromise Agreement required petitioner to pay respondent in quarterly amortizations. Because petitioner last made payment in 2006, respondent was entitled to move for the execution of the judgment on the Compromise Agreement.<sup>[42]</sup> Second, it posits that the reversal of the June 16, 2010 Order was within Judge Marajas' duty to review a prior ruling, especially in this case where the ruling was allegedly contrary to the terms of the Compromise Agreement.<sup>[43]</sup> Third, it claims that stare decisis was inapplicable in this case because the June 16, 2010 Order is not an issuance of the Supreme Court.<sup>[44]</sup> Finally, it argues that the petition for certiorari filed by petitioner before the Court of Appeals was erroneous since the issuance of a writ of execution did not involve any exercise of discretion.<sup>[45]</sup>

The issues to be resolved in this case are:

First, whether or not Judge Ernesto L. Marajas committed grave abuse of discretion amounting to lack or excess of jurisdiction when he issued his August 18, 2011 Resolution granting the motion for reconsideration of respondent International Exchange Bank, now Union Bank of the Philippines, and setting aside the June 16, 2010 Order of Judge Wilfredo De Joya Mayor; and

Second, whether or not respondent Union Bank of the Philippines has the right to cause the immediate execution of the December 14, 2001 Judgment on the Compromise Agreement upon petitioner Gotesco Properties, Inc.'s failure to pay its quarterly amortizations.

## I

A motion for reconsideration is among the remedies an aggrieved party may avail of against an adverse judgment or final order as provided for in Rule 37, Section 1 of the Rules of Court:

*SECTION 1. Grounds of and Period for Filing Motion for New Trial or Reconsideration.* — Within the period for taking an appeal, the aggrieved party may move the trial court to set aside the judgment or final order

and grant a new trial for one or more of the following causes materially affecting the substantial rights of said party:

(a) Fraud, accident, mistake or excusable negligence which ordinary prudence could not have guarded against and by reason of which such aggrieved party has probably been impaired in his rights; or

(b) Newly discovered evidence, which he could not, with reasonable diligence, have discovered, and produced at the trial, and which if presented would probably alter the result.

Within the same period, the aggrieved party may also move for reconsideration upon the grounds that the damages awarded are excessive, that the evidence is insufficient to justify the decision or final order, or that the decision or final order is contrary to law.

The purpose of a motion for reconsideration is for the moving party to point to purported errors in the assailed judgment or final order which that party views as unsupported by law or evidence.<sup>[46]</sup> It "grant[s] an opportunity for the court to correct any actual or perceived error attributed to it by re-examination of the legal and factual circumstances of the case."<sup>[47]</sup>

Petitioner's position that the principle of *stare decisis* precluded the issuance of the August 18, 2011 Resolution contradicts the very reason why motions for reconsideration are allowed by the Rules of Court. An aggrieved party is permitted to question alleged errors in a judgment or final order, and should the court find merit in the moving party's arguments, then it is duty-bound to correct those errors. Rule 37, Section 3 of the Rules of Court states:

SECTION 3. *Action Upon Motion for New Trial or Reconsideration.* —The trial court may set aside the judgment or final order and grant a new trial, upon such terms as may be just, or may deny the motion. If the court finds that excessive damages have been awarded or that the judgment or final order is contrary to the evidence or law, it may amend such judgment or final order accordingly.

When a motion for reconsideration is granted, the decision of the court embodying such grant supersedes the original judgment or final order.<sup>[48]</sup>

Moreover, the principle of *stare decisis* applies only to final decisions of this Court, because only this Court may create judicial precedents that other courts should follow. In *De Mesa v. Pepsi Cola Products Phils., Inc.* :<sup>[49]</sup>

The principle of *stare decisis el non quieta movere* is entrenched in Article 8 of the Civil Code, to wit:

ART. 8. Judicial decisions applying or interpreting the laws or the Constitution shall form a part of the legal system of the Philippines.

It enjoins adherence to judicial precedents. It requires our courts to follow a rule already established in a final decision of the Supreme Court. That decision becomes a judicial precedent to be followed in subsequent