

SECOND DIVISION

[G.R. No. 213156, July 29, 2019]

MARIO C. TAN AND ERLINDA S. TAN, PETITIONERS, VS. UNITED COCONUT PLANTERS BANK, RESPONDENT.

DECISION

REYES, J. JR., J.:

Assailed in this Petition for Review on *Certiorari*^[1] filed under Rule 45 of the Rules of Court are the February 28, 2013 Decision^[2] and the June 23, 2014 Resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 96652 which affirmed the trial court's dismissal of petitioners' complaint for specific performance and damages against respondent United Coconut Planters Bank (UCPB).

Facts

Petitioners spouses Mario C. Tan (Mario) and Erlinda S. Tan (spouses Tan) were pioneer clients of UCPB. Since the 1980's, they continuously availed of credit lines from UCPB.^[4]

On August 16, 2001, spouses Tan were granted by UCPB an omnibus credit line in an amount not exceeding P300 Million.

This P300 Million credit line was also made available as an accommodation to several other parties, namely: (1) Lory Tan (Lory); (2) Evelyn Tan (Evelyn); (3) Allied Distributor; (4) Isabela Washington Lumber Hardware & Electrical Supply; and (5) Beatriz Siok Ping Tang (Beatriz), proprietress of Ready Traders.^[5]

To secure the P300 Million credit line, the following collaterals were agreed upon:

ARTICLE IV COLLATERALS

Section 4.01. This **AGREEMENT**, including all release(s)/availment(s) made pursuant thereto is secured by:

- 1) **Suretyship Agreement executed in favor of the BANK by the SPS. MARIO TAN and ERLINDA TAN to secure the loan obligations of Lory Tan; Evelyn Tan; Allied Distributor; Isabela Washington Lumber Hardware & Electrical Supply, both owned by Mario Tan; and Beatriz Siok Ping Tang, proprietress of Ready Traders;**

- 2) **Deed of Negative Pledge over properties covered by Transfer Certificates of Title Nos. 20601 and 20602, both located in Paranaque City, including all improvements now existing and to be constructed thereon; and**
- 3) **Real Estate Mortgage over properties covered by Transfer Certificates of Title Nos. C-18864 and T-164181, both located in Caloocan city, registered under the name of Mario C. Tan, including all improvements now existing and to be constructed thereon.**^[6]
(Emphasis in the original)

Accordingly, spouses Tan executed a Surety Agreement dated August 16, 2001, to secure the credit availments of the accommodated parties.^[7] The Surety Agreement, in pertinent part, provides:

Section 1.01. The **SURETIES**, jointly and severally with the **PRINCIPAL**, hereby unconditionally and irrevocably guarantee the full and complete payment when due, whether at stated maturity, by acceleration, or otherwise, of all sums payable by the **PRINCIPAL** under the Credit Agreement, the Note/s and other related documents or instruments referred to therein (herein after referred to collectively as the "Loan Documents") the terms and conditions of which are hereby deemed incorporated by reference.^[8]

Also, in accordance with the terms of the P300 Million credit line agreement, two previously executed documents were carried over in favor of UCPB: (1) a Real Estate Mortgage (REM) dated August 29, 1991, covering the two parcels of land located at Caloocan City and registered under the names of spouses Tan; and (2) a Deed of Negative Pledge dated February 19, 1994, covering the two parcels of land located at Paranaque City registered under the name of Mario.

On August 29, 2001, Mario sent a letter^[9] to UCPB, instructing the latter that Beatriz must first obtain a written authorization or conformity from either himself, Lory or Evelyn before Beatriz can avail of the credit accommodation.^[10]

Pursuant to this instruction, written authorizations were given by Mario on October 1, 2001,^[11] October 9, 2001,^[12] and February 12, 2002,^[13] authorizing Beatriz to avail of the credit line in various amounts for which UCPB accordingly issued the corresponding bank undertakings.

When the P300 Million credit line expired in July 2002, UCPB granted spouses Tan another omnibus credit line on August 1, 2002, in an amount not exceeding P500 Million and which shall expire on July 31, 2003. The P500 Million credit line was similarly made available to Lory, Evelyn, Allied Distributor and Isabela Washington

Lumber Hardware & Electrical Supply. However, a credit facility in the form of a credit certification line up to the sub-limit amount of P300 Million was also made available to Beatriz, proprietress of Ready Traders and Able Transport Service.

As security for the P500 Million credit line, the REM over the Caloocan properties was carried over and, in addition, a REM dated August 1, 2002, over the Parañaque properties was executed. Spouses Tan also executed a Surety Agreement to secure any credit availments obtained by the accommodated parties including that of Beatriz's.^[14]

On September 5, 2002, Mario again sent a letter^[15] to UCPB, similarly instructing the latter that a written consent from either himself, Lory or Evelyn must first be obtained by Beatriz before she is allowed to avail of the credit line.^[16] This letter was prompted by the fact that the P500 Million credit line was made available to Beatriz as proprietress of Ready Traders and Able Transport Service (unlike the P300 Million credit line which was made available to Beatriz as proprietress of Ready Traders only). The letter was further necessitated by the fact that spouses Tan had been receiving reports that UCPB has been extending credit facilities in favor of Subic Bay Distribution, Inc., (SBDI) for Beatriz drawn from spouses Tan's credit line without the required written authority.^[17]

In November 2002, and upon the instructions of Mario, Evelyn obtained from Cynthia Camacho (Camacho), UCPB's account officer handling spouses Tan's credit line, a list of the outstanding availments made by spouses Tan and the accommodated parties from the P300 Million and P500 Million credit lines.^[18] Allegedly, Camacho confirmed that there were several bank undertakings issued in favor of SBDI for the account of Beatriz but that it was taken out of Beatriz's own credit line.^[19] Camacho then furnished Evelyn a one page list detailing the outstanding undertakings issued by UCPB to Beatriz by virtue of the P500 Million credit line, showing a total availments of P30,000,000.00.^[20] Parenthetically, this list is to be later disputed by UCPB as actually composing of two pages, whereby the second page detailed the bank undertakings issued in favor of SBDI for the account of Beatriz and which were drawn from spouses Tan's credit line.

It was also in November 2002, that Mario was informed that SBDI was drawing payment against spouses Tan's credit line pursuant to the bank undertakings issued for the account of Able Transport Service.^[21] Efforts to communicate with UCPB regarding this matter allegedly proved futile.^[22]

Meanwhile, when the P500 Million credit line expired in July 2003, spouses Tan sought to renew the same but they were informed that UCPB could only grant a credit line in an amount not exceeding P250,000,000.00. Finding this unacceptable, Mario (through Jose Tan, treasurer of Isabela, Washington Lumber) sent a letter^[23] dated September 15, 2003, to UCPB requesting for the immediate release of the REMs and the return of the certificates of title considering that the credit line expired on July 31, 2003, without being renewed and that spouses Tan had no outstanding liabilities. This request was reiterated in letters dated February 16, 2004^[24] and March 17, 2004.^[25]

Finally, on March 23, 2004, UCPB replied, denying the request for the release of the

REMs. UCPB reminded Mario that the REM dated August 29, 1991 (over the Caloocan properties) secure the payment of all loans of Mario; that the REM dated August 1, 2002 (over the Parañaque properties) secured the payment of all loans, overdrafts, credit lines and other credit facilities or accommodations obtained by Mario, Lory, Evelyn and Beatriz, proprietress of Ready Traders and Able Transport Service; and that the Surety Agreement dated August 1, 2002, guaranteed full payment of all sums payable by Beatriz. According to UCPB, it issued two bank undertakings for the account of Beatriz in favor of SBDI and that the total credit accommodation granted by UCPB to Able Transport Service was P100,000,000.00. Since there were outstanding credit accommodations to Beatriz/Able Transport Service secured by the REMs and the Surety Agreement, UCPB declined Mario's request.^[26]

Mario then received a letter dated May 12, 2004 from UCPB demanding the payment of P20,642,951.48 as surety for the unpaid obligations of Beatriz.^[27] Spouses Tan denied having knowledge of any outstanding obligation of Beatriz with UCPB.^[28] No reply thereto was given by UCPB.^[29]

The stalemate led to the filing of spouses Tan of the complaint a quo for specific performance and damages wherein they prayed for the release of the REMs over the Caloocan and Parañaque properties and for UCPB to return the corresponding certificates of title.

UCPB's Answer

By way of answer,^[30] UCPB argued that the REMs and the Surety Agreement secured all the obligations of Beatriz, whether or not the obligation was obtained through Mario's credit line or on Beatriz's own account.

According to UCPB, Beatriz has an outstanding loan obligation of P34,513,331.89^[31] as evidenced by the following promissory notes:

Borrower	Date	Amount
Beatriz Siok Ping Tang	March 4, 2004 ^[32]	Php5,000,000.00
Beatriz Siok Ping Tang	March 12, 2004 ^[33]	Php10,000,000.00
Beatriz Siok Ping Tang	March 18, 2004 ^[34]	Php5,000,000.00

Further, UCPB argued that Beatriz has a contingent liability in the amount of P115,000,000.00 since UCPB had issued the following bank undertakings in favor of SBDI upon Beatriz's request:^[35]

Borrower/Client	Reference No.	Period	Amount
Beatriz Siok Ping	CAL-004/02	March 6,	Php15,000,000.00 ^[36]

Tang		2002 to March 1, 2003	
Able Transport Service	CAL-008/02	June 17, 2002 to September 30, 2002 (extended up to November 30, 2002) [37]	Php20,000,000.00[38]
Able Transport Service	CAL-010/02	June 18, 2002 to September 18, 2002 (extended up to November 30, 2002) [39]	Php 30,000,000.00[40]
Able Transport Service	CAL-010/02	July 2, 2002 to September 18, 2002 (extended up to November 30 , 2002) [41]	Php30,000,000.00[42]
Able Transport Service	CAL-012/02	August 5, 2002 to September 30, 2002 (extended up to November 30, 2002) [43]	Php20,000,000.00[44]

According to UCPB, SBDI already requested to draw payment on the foregoing bank undertakings.[45]

Spouses Tan countered that the aforesaid outstanding liabilities of Beatriz were incurred by her in her own personal capacity and not as an accommodated party. They also argued that the REMs and the Surety Agreement secure only those obligations drawn from the credit line agreements, the former being merely accessory to the latter. Thus, obligations incurred by Beatriz which were not drawn