

FIRST DIVISION

[G.R. No. 240311, September 18, 2019]

PHILIPPINE NATIONAL BANK, PETITIONER, VS. FELINA GIRON-ROQUE, DR. GLORIA M. APOSTOL AND HUSBAND, DR. EDWARD APOSTOL, RESPONDENTS.

DECISION

PERLAS-BERNABE, J.:

Assailed in this petition for review on *certiorari*^[1] are the Decision^[2] dated October 27, 2017 and the Resolution^[3] dated June 13, 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 100017, which affirmed with modification the Decision^[4] dated August 1, 2012 and the Order^[5] dated November 29, 2012 of the Regional Trial Court of Iba, Zambales, Branch 71 (RTC) in Civil Case No. RTC-1551-I, and accordingly, ordered respondents Dr. Gloria M. Apostol (Gloria) and her husband, Dr. Edward Apostol (collectively, Spouses Apostol), to pay petitioner Philippine National Bank (PNB) the amount of P119,820.00, and deleted the award of attorney's fees in favor of respondent Felina Giron-Roque (Felina).

The Facts

On April 7, 1995, Felina, a Filipino resident of the United States of America (USA), obtained a credit line from PNB in the amount of P230,000.00, which was secured by a real estate mortgage of a real property registered under Transfer Certificate of Title No. T-45548.^[6] On February 10, 1997, she availed of a P50,000.00 loan (first loan) from the credit line, as evidenced by a promissory note^[7] of even date, with a due date on August 9, 1997. When Felina was in the USA sometime between April to August 1997, she purportedly filed, through Gloria, a stand-by application for further availment of the credit line in the amount of P120,000.00 (second loan). Subsequently, she discovered that Gloria withdrew from her account with PNB a check (subject check) for the second loan in the amount of P119,820.00. PNB demanded payment of both loans but instead of paying, Felina requested for an in-depth investigation of the second loan.^[8]

On December 10, 1998, Felina sent a letter^[9] to PNB and included therein a cashier's check^[10] in the amount of P16,000.00 as full payment of the first loan, which the latter received on December 21, 1998.^[11] In response, PNB wrote Felina a letter^[12] dated December 22, 1998, returning the aforesaid cashier's check as the same was insufficient to cover for the amount, interests, and penalties of both loans.^[13] Thereafter, PNB proceeded with the extrajudicial foreclosure of Felina's real property.^[14]

Claiming that her signature in the subject check was forged and that Gloria was not

authorized to withdraw from her PNB account, Felina filed a complaint^[15] for annulment of foreclosure sale and reinstatement of unused credit accommodation with damages before the RTC against both PNB and Spouses Apostol, praying, *inter alia*, that: (a) the second loan in the amount of P120,000.00, together with interests and penalties, be declared null and void; (b) the amount of P16,000.00 be declared as valid payment of her only availment of the credit arrangement; and (c) the extrajudicial foreclosure over her property be declared null and void.^[16]

In defense, Spouses Apostol maintained, among others, that Gloria was duly authorized by Felina to withdraw from the latter's credit line. For its part, PNB claimed that it had exercised the required due diligence before allowing the withdrawal. It added that there was no valid tender of payment of the first loan, as it was tendered one (1) day before the foreclosure date and the amount was not enough to cover interest and penalty. By way of a cross-claim, PNB averred that in the event Felina's claim is sustained, Spouses Apostol should be ordered to reimburse the amount of P119,820.00 which the latter received from it.^[17]

The RTC Ruling

In a Decision^[18] dated August 1, 2012, the RTC ruled in Felina's favor, and accordingly: (a) declared the extrajudicial foreclosure null and void; (b) directed PNB to reinstate the unused credit accommodation of Felina; and (c) ordered PNB and Spouses Apostol to pay Felina attorney's fees in the amount of P100,000.00, plus costs of suit.^[19]

In so ruling, the RTC found that the subject check was forged, considering that Felina could not have executed it as she was in the USA at that time, and upon comparison with the promissory note dated February 10, 1997, her alleged signature in the subject check was found to have not been written by one and the same person.^[20] Thus, the RTC concluded that PNB was remiss of the diligence required of banking institutions in allowing the withdrawal and encashment of the forged check in favor of Gloria, who was not proven to be duly authorized by Felina.^[21] Notably, however, the RTC made no pronouncement as to the validity of Felina's tender of payment in relation to the first loan.

PNB moved for reconsideration which was, however, denied in an Order^[22] dated November 29, 2012. Aggrieved, both PNB and Spouses Apostol appealed^[23] to the CA.

The CA Ruling

In a Decision^[24] dated October 27, 2017, the CA affirmed the RTC ruling with modification, further ordering Spouses Apostol to pay PNB the amount of P119,820.00, and deleting the award of attorney's fees in favor of Felina.^[25] It held that the foreclosure sale had no basis since the loan in the amount of P120,000.00 was void, considering that the subject check was forged and Gloria was not duly authorized to withdraw from PNB. It emphasized that, for being in an industry imbued with public interest, PNB should have exercised extraordinary diligence in handling the transaction.^[26] However, similar with the RTC, the CA also made no

pronouncement as to the validity of Felina's tender of payment in relation to the first loan.

Dissatisfied, PNB and Felina separately moved for reconsideration^[27] but both were denied in a Resolution^[28] dated June 13, 2018; hence, this petition by PNB.

The Issue Before the Court

The issue for the Court's resolution is whether or not the CA correctly affirmed the nullification of the extrajudicial foreclosure proceedings covering Felina's real property subject of the real estate mortgage.

The Court's Ruling

The petition is without merit.

At the outset, it must be pointed out that PNB commenced extrajudicial foreclosure proceedings on Felina's real property on the ground of the latter's non-payment of the first and second loans inclusive of interests and penalties, which as per the Statement of Account^[29] provided by PNB to Felina, amounted to P14,565.58 for the first loan and P148,608.33 for the second loan, or a grand total of P163,173.91.

However, and as unanimously found by the courts *a quo*: (a) Felina did not avail of the second loan, as her signature in the subject check was forged; (b) Gloria was not duly authorized to obtain the second loan from PNB; and (c) PNB was remiss of the diligence required of a banking institution in allowing the withdrawal and encashment of the subject check representing the second loan.^[30] Absent any cogent reason to overturn the aforesaid findings, the Court is inclined to uphold the same.^[31]

In view of the nullity of the second loan, Felina's outstanding balance to PNB has been significantly reduced to the value of the first loan, plus interests and penalties, amounting to P14,565.58. Significantly, Felina tried to fully settle the same by tendering to PNB a cashier's check in the amount of P16,000.00, which was refused by the latter - on the notion that it was insufficient to fully pay Felina's total loan obligations to it, considering that at that time, the second loan was yet to be nullified by judicial fiat. Verily, the remaining balance of the first loan remains outstanding, due, and demandable, albeit without fault of Felina as she already tendered the aforementioned cashier's check through her letter dated December 10, 1998 which PNB received on December 21, 1998.

In this light, and in the interest of substantial justice, the Court deems it prudent to give Felina a reasonable opportunity to fully settle her remaining obligation to PNB, in the amount of P14,565.58, plus interests and penalties from the date of the Statement of Account on September 15, 1998 until the date of PNB's receipt of the cashier's check on December 21, 1998. In the meantime, the Court affirms the annulment of the extrajudicial proceedings, without prejudice to PNB's availment of the proper remedies, should Felina fail to settle her loan obligation despite being given the opportunity to do so.

WHEREFORE, the petition is **DENIED**. The Decision dated October 27, 2017 and