

## SECOND DIVISION

[ G.R. No. 241329, November 13, 2019 ]

**MARYLOU B. TOLENTINO, PETITIONER, VS. PHILIPPINE POSTAL SAVINGS BANK, INC., RESPONDENT.**

### DECISION

**REYES, A., JR., J.:**

This is a petition for review on *certiorari*<sup>[1]</sup> which seeks to reverse and set aside the Decision<sup>[2]</sup> dated July 20, 2017 and Resolution<sup>[3]</sup> dated August 8, 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 103054, insofar as it ordered the remand of the case to the Regional Trial Court (RTC) of Manila for further proceedings.

#### Factual Antecedents

This case started on August 2, 2000, when petitioner Marylou B. Tolentino (Marylou) filed a complaint<sup>[4]</sup> for the collection of a sum of money against respondent Philippine Postal Savings Bank, Inc. (PPSBI). In this complaint, she alleged that Enrique Sanchez (Enrique), on behalf of Shekinah Construction, obtained a loan from PPSBI on February 28, 1996, in the amount of P3,500,000.00, for the purpose of developing a low-cost housing project. The loan stipulated that PPSBI shall initially release 50% of the loan to Enrique, with the remaining balance to be released upon the completion of a certain percentage of the housing project.<sup>[5]</sup>

At that time, Marylou was in the business of short-term private lending. In order to hasten the completion of the project, Enrique requested to borrow the amount of P1,600,000.00 from Marylou. However, Marylou agreed to lend only P1,500,000.00, payable in 60 days at five percent (5%) interest per month.<sup>[6]</sup>

On June 3, 1996, the PPSBI Loans and Evaluations Manager, Amante A. Pring (Amante), issued a letter stating that PPSBI would remit the amount of P1,500,000.00 in favor of Marylou within 60 days from her loan to Enrique. Later, or on June 11, 1996, Enrique and Marylou executed a Deed of Assignment, with the conformity of Amante, acting on behalf of PPSBI, in which Enrique agreed to assign the loan proceeds of Shekinah Construction to Marylou. Thereafter, Marylou released the amount of P1,500,000.00 to Enrique. The amount of P150,000.00 was deducted from the amount, representing the five percent (5%) interest earlier agreed upon.<sup>[7]</sup>

Upon the lapse of 60 days, PPSBI did not pay the agreed amount to Marylou. Marylou further learned that PPSBI allegedly released the amount of P1,500,000.00 to Enrique-not to her. Marylou demanded payment from PPSBI but her request remained unheeded. Thus, she filed the complaint subject of the present petition.<sup>[8]</sup>

On September 6, 2000, PPSBI filed a motion to dismiss the complaint for lack of cause of action. It argued that under Section 74 of Republic Act (R.A.) No. 337,<sup>[9]</sup> PPSBI cannot act as a guarantor of Enrique. For this reason, PPSBI asserted that it could not have authorized Amante to enter into an agreement designating PPSBI as the guarantor of Enrique's loan.

Any contract that Amante entered into was made in his own personal capacity, which cannot bind the bank<sup>[10]</sup>

In an Order<sup>[11]</sup> dated October 27, 2000, the trial court denied PPSBI's motion to dismiss. The trial court ruled that the substance of the agreement between the parties is controlling, and that the supposed absence of authority on the part of Amante is an affirmative defense that should be resolved only after trial.<sup>[12]</sup>

Following the denial of this motion, PPSBI filed an answer reiterating its arguments in the motion to dismiss. On March 5, 2001, PPSBI also filed a third-party complaint against Amante and Enrique, praying for indemnity, subrogation, and any other relief against Marylou.<sup>[13]</sup>

On July 19, 2005, Amante filed an answer to the third-party complaint. He argued that he entered into the transaction with Marylou as a representative of the bank, and that PPSBI was aware of the agreement between Enrique and Marylou.<sup>[14]</sup>

### **Ruling of the RTC**

On July 16, 2013, the trial court issued a Decision<sup>[15]</sup> dismissing Marylou's complaint for lack of cause of action:

WHEREFORE, premises considered, Civil Case No. 00-98230 is hereby DISMISSED for the apparent lack of cause of action by [petitioner Marylou] against [respondent PPSBI]. All counterclaims are, likewise, dismissed. The Third[-]Party Complaint subsequently filed by [PPSBI] against [Amante] and [Enrique] is, likewise, DISMISSED. With costs against the parties.

SO ORDERED.<sup>[16]</sup>

The trial court held that as a guarantor, PPSBI enjoyed the benefit of excussion. For this reason, Marylou may only compel PPSBI to pay after the exhaustion of all legal remedies against Enrique. Marylou's motion for reconsideration was also denied in the trial court's Order dated February 17, 2014.<sup>[17]</sup>

Aggrieved, Marylou appealed to the CA pursuant to Rule 41 of the Rules of Court.<sup>[18]</sup> The appeal was given due course in an Order<sup>[19]</sup> dated March 18, 2014.

In her appeal, Marylou argued that the denial of PPSBI's motion to dismiss was final and executory and, as such, may not be modified by the trial court. Marylou further claimed that her agreement with PPSBI was not one of guaranty, but an explicit obligation on the part of PPSBI to release the loan proceeds to her.

Considering that there was no loan obligation, Marylou contended that the benefit of excussion was not applicable to PPSBI.<sup>[20]</sup>

### **Ruling of the CA**

In a Decision<sup>[21]</sup> dated July 20, 2017, the CA considered the appeal partly meritorious:

WHEREFORE, premises considered, the appeal is GRANTED. The Decision dated July 16, 2013 of Branch 17, [RTC] of Manila in Civil Case No. 00-98230 is SET ASIDE insofar as the dismissal of the same for apparent lack of cause of action is concerned. Thus, **a REMAND of this case to the lower court is necessary for trial to ensue the liability of [PPSBI] to [Marylou].**

The dismissal of the Third-Party Complaint filed by [PPSBI] against [Amante] and [Enrique] is AFFIRMED.

SO ORDERED.<sup>[22]</sup> (Emphasis ours)

Marylou remained unsatisfied with the decision of the CA and, thus, moved for its partial reconsideration.<sup>[23]</sup> She asked the CA to reconsider its decision insofar as it ordered the remand of the case to the trial court. According to Marylou, it was the duty of the CA to decide the case on the merits. Instead of remanding the case back to the trial court for further proceedings, Marylou was of the position that the CA should have proceeded to determine the liability of PPSBI relative to the evidence available in the records.<sup>[24]</sup> Marylou prayed for the CA to order the release of P1,500,000.00, representing the principal amount of the loan assigned to her, and the payment of interest, moral and exemplary damages, attorney's fees, and costs of suit.<sup>[25]</sup>

PPSBI, for its part, likewise filed a motion for reconsideration.<sup>[26]</sup>

In a Resolution<sup>[27]</sup> dated August 8, 2018, the CA found both motions without merit:

WHEREFORE, in view of the foregoing premises, this Court resolves to:

- 1) NOTE both [PPSBI's] Comment/Opposition (on the Partial Motion for Reconsideration Filed by the Plaintiff-Appellant) filed on August 24, 2017 and [Marylou's] Comment/Opposition (to Defendant/Third-Party Plaintiff-Appellee PPSBI's motion for reconsideration) filed on September 25, 2017;
- 2) NOTE both the returned copies of Our July 20, 2017 Decision and August 30, 2017 Minute Resolution addressed to [Enrique] and with postal notations "RTS MOVED 8/1/17" and "Addressee MOVED 9/13/17", respectively;
- 3) NOTE the CMIS verification report dated March 21, 2018 stating that

"no comment on the MR has been filed by third party"; and

4) DENY both [Marylou's] Partial Motion for Reconsideration and [PPSBI's] Motion for Reconsideration for lack of merit.

SO ORDERED.<sup>[28]</sup>

From the adverse decision of the CA, Marylou filed the present petition with the Court. She argues that the CA should have decided on the merits of her action against PPSBI, as the pieces of evidence are part of the records of the case elevated to the appellate court. Marylou believes that remanding the case back to the trial court would be an unnecessary waste of time and resources.<sup>[29]</sup>

### **Ruling of the Court**

The Court finds the present petition meritorious.

***It was unnecessary for the CA to remand the case to the RTC for further proceedings.***

When there was no trial on the merits and the judgment of the trial court is later reversed on appeal, it is necessary to remand the case for further proceedings. This is consistent with the requirements of due process, as the remand would allow the parties to present evidence on the merits of the case.<sup>[30]</sup>

Conversely, it is unnecessary to remand the case to the lower court when the appellate court may proceed with the resolution of the case on the basis of the records before it. As the Court held in *Philippine National Bank v. International Corporate Bank*:<sup>[31]</sup>

We have time and again laid down the rule that the remand of the case to the lower court for further reception of evidence is no longer necessary where this Court is in a position to resolve the dispute based on the records before it. In a number of cases, the Court, in the public interest and for the expeditious administration of justice, has resolved actions on the merits instead of remanding them to the trial court for further proceedings, such as where the ends of justice would not be subserved by the remand of the case.<sup>[32]</sup> (Citation omitted)

Thus, when the parties have submitted and presented evidence essential for the resolution of the dispute, the interest of justice is better served when the court proceeds with the determination of the parties' rights and obligations. In such cases, remanding the case back to the lower court would only pointlessly repeat the proceedings, and subject the parties to an unreasonably long delay in the resolution of the controversy.<sup>[33]</sup>

Here, Marylou appealed the decision of the RTC of Manila, which dismissed her complaint for lack of cause of action, via a notice of appeal under Rule 41 of the Rules of Court. As an ordinary appeal, the records of the trial court were elevated to the CA. These records include the parties' evidence duly offered and presented to the trial court, together with the parties' pleadings and the corresponding orders

of the RTC.

Furthermore, the records show that the RTC of Manila conducted a trial on the merits of Marylou's complaint for the collection of a sum of money from PPSBI. **While PPSBI initially filed a motion to dismiss for lack of cause of action, the trial court did not grant this motion, and instead, proceeded with the hearing of the case.** For this reason, the evidence of the parties already formed part of the records by the time the trial court rendered its Decision dated July 16, 2013. This holds especially true in this case where the trial court held that Marylou did not have a cause of action against PPSBI. The determination as to the existence (or non-existence) of the cause of action may only be resolved during a trial on the merits-not in a preliminary hearing.<sup>[34]</sup>

Verily, after the CA reversed the decision of the trial court, there was nothing to remand for further proceedings. The RTC of Manila has already tried the case on the merits, received the evidence, and rendered a decision on the basis of the evidence before it. Nothing else is left for the parties to do before the trial court.

The CA, therefore, should have proceeded to resolve the remaining issues, rather than remanding the case back to the trial court. The Court has always adhered to the principle of settling controversies in a single proceeding.<sup>[35]</sup> In line with this, and in the interest of the expedient disposition of cases, the Court deems it prudent to resolve the pending issues rather than remanding the case back to the CA.

***PPSBI did not guarantee the debt of Enrique to Marylou.***

The trial court held that Marylou had no cause of action against PPSBI. This was premised on the finding that PPSBI was the guarantor of Enrique's loan from Marylou. The RTC of Manila thus ruled that PPSBI enjoys the benefit of excussion, and without evidence that Marylou exhausted all available remedies against Enrique, Marylou cannot collect from PPSBI.<sup>[36]</sup>

On the other hand, the CA ruled that the true intention of the parties is not a contract of guaranty. To be more precise, the contract was an assignment of Enrique's loan to Marylou. PPSBI does not enjoy the benefit of excussion, and Marylou has a cause of action against PPSBI.<sup>[37]</sup>

The Court agrees with the CA.

Article 2047 of the Civil Code of the Philippines states that a guarantor binds himself to the creditor to fulfill the obligation of the debtor, in case the latter should fail to do so. Thus, it is only when the debtor fails to comply with the obligation that the guarantor becomes liable. However, even if the parties use the word "guaranty" in a contract, it does not necessarily mean that a contract of guaranty exists between the parties. A guaranty is never presumed; the law requires a guaranty to be express, and may only extend to what the parties stipulated therein.<sup>[38]</sup>

It is well settled that a contract is what the law defines it to be, and not what the contracting parties call it.<sup>[39]</sup> The terms and conditions of the contract primarily