

FIRST DIVISION

[G.R. No. 180060, July 13, 2016]

**SPOUSES AUGUSTO AND NORA NAVARRO, PETITIONERS, VS.
RURAL BANK OF TARLAC, INC., RESPONDENT.**

DECISION

SERENO, C.J.:

The case before this Court concerns the availability of the remedy of an ordinary appeal under Rule 41 of the Rules of Court^[1] in challenging the decision of the Regional Trial Court (RTC)^[2] to resolve a case by way of a summary judgment. The Court of Appeals (CA) dismissed^[3] the appeal outright in light of Section 2, Rule 50 of the Rules of Court. The provision directs the dismissal of appeals filed through Rule 41 if they merely raise pure questions of law. Spouses Augusto and Nora Navarro now come before this Court arguing that their appeal should not have been dismissed, since the issues they raised included questions of fact.

FACTS

This petition stems from the complaint for a sum of money filed by the Rural Bank of Tarlac, Inc., against Spouses Navarro. It is undisputed that petitioners obtained a bank loan in the amount of P558,000 for the purchase of a motor vehicle, and that they were unable to complete the agreed monthly installments. It is also uncontested that they surrendered their vehicle (a 1998 Kia Advantage van) to the bank, so that the latter could sell it and apply the proceeds of the sale to their obligations.^[4] The parties, however, disagreed as to the effect of the surrender of the vehicle under that circumstance.

According to the bank, petitioners still had an unpaid balance of P315,677.80 excluding interests, penalties, and liquidated damages even after the sale of the van.^[5] It claimed that their monthly installments amounted to only P92,322.20,^[6] while it was able to sell the vehicle for only P150,000.00.^[7] Thus, it alleged that it could only credit the total amount of P242,322.20 in their favor.^[8]

Spouses Navarro did not deny that they had executed a Promissory Note in favor of the bank, and that the terms were correctly reflected in the note.^[9] They claim, however, that when they surrendered the vehicle, they understood that it would serve as complete satisfaction of their remaining loan obligation by way of a *dacion en pago*.

In view of the spouses' Answer, the bank filed a Motion for Summary Judgment under Section 1, Rule 35 of the Rules of Court.^[10] It alleged that the only issue before the trial court was whether the selling price of the vehicle was enough to satisfy the unpaid balance, interest, and other charges. It argued that a summary

judgment was proper, since there was no more genuine issue relating to any material fact, and that the matter before the court was merely the computation of the remaining balance. To support its motion, the bank presented the Promissory Note executed by the spouses for the amount of P558,000,^[11] as well as the receipts for the sale of the vehicle to a certain Corazon Quesada for P150,000;^[12] and acknowledged the spouses' total monthly installments of P92,322.20.^[13] Based on its own accounting,^[14] the total payments amounted to P242,322.20, while their total running balance was P315,677.80 excluding interests, penalties, and liquidated damages.

Spouses Navarro opposed the motion.^[15] While they did not assail the amount for which the van was sold, they nevertheless asserted that by surrendering the vehicle, their remaining obligation must be deemed to have been fully paid. To prove their assertion, they presented an acknowledgment receipt, which stated that the bank had "[r]eceived x x x one unit *KIA ADVANTAGE VAN*, in good and running condition."^[16] They argued that there still existed a question of fact, since there must be a proper accounting of their correct balance. In the alternative, they averred that the deductible amount for the sale of the van must be based on its value at the time they surrendered it to the bank. They also claimed that their monthly installments had already amounted to P161,137.69. The spouses, however, did not attach receipts or any other kind of evidence to support this contention.

By way of a summary judgment, the RTC rendered a Decision^[17] in favor of the bank. It explained that Spouses Navarro remained obligated to pay the remaining principal loan amount of P315,677.80 plus legal interest and attorney's fees.^[18] The trial court ruled:^[19]

Defendants claimed they had paid the sum of P161,137.69 as of March 18, 2002, and had in fact surrendered one Kia Van by way of "dacion en pago" thereby extinguishing the obligation.

If the intention of parties is to consider the surrender of the Kia Van as full payment, a receipt to that effect should have been signed or acknowledged by the bank. There was none. Further, it is the burden of defendants to prove that their payments to the bank amounted to P161,137.69 as of March 18, 2002, which should be evidenced by receipts of payment to the bank.

Thus, the Court finds that the motion for summary judgment is proper. The Court agrees that the obligation of the defendants or the principal balance is P315,677.80. However, the interest of 32% per annum, the 12% penalty and 12% liquidated damages, all totaling 56% plus 25% attorney's fees may be [unconscionable], as the charges amounted to 81% of the principal balance. The Court has to [reduce] this x x x. The legal rate of 12% per annum should be applied in this case, which should be computed from December 7, 2002 on the balance of the principal amount which was P315,677.80. The computation should be -

P315,677.80 x 1% (per month) x eight months from December 2002 up to July, 2003

= total interest due or P25,244.16

Thus, the total amount to be paid is computed in this manner ---

	P
Plus 315,677.80	
25,244.16	
	P
340,921.96	

Plaintiff is entitled to a reasonable sum of P5,000.00 as attorney's fees, there being a stipulation in the contract.

Petitioners assailed the trial court's Decision by filing an ordinary appeal under Rule 41 of the Rules of Court^[20] and assigning the following errors:^[21]

- I. The lower court erred in finding that summary judgment is proper.
- II. The lower court erred in rendering summary judgment when there existed genuine triable issues.
- III. The lower court erred in not conducting a hearing to find out that defendant's obligation had already been extinguished.
- IV. The lower court erred in awarding to plaintiff attorney's fees and costs.

Spouses Navarro claimed^[22] that a factual controversy still existed concerning their remaining indebtedness. They maintained that the conveyance of their motor vehicle already served to offset the claims of the bank by means of *dacion en pago*. In any event, they averred that it could have simply made a deficiency claim against them if the amount derived from the sale of the vehicle was found insufficient. Consequently, they insisted that the RTC should not have granted the bank's Motion for Summary Judgment, since there was still a need to hold a trial to ascertain the amount of the unpaid balance. With regard to the last issue, petitioners argued that the RTC erred in ordering them to pay attorney's fees and costs of suit. They pointed out that there was no basis for the grant, since there was no trial.

The CA dismissed the appeal outright, because petitioners availed themselves of the wrong remedy. It held that the supposed errors of the RTC revolved around the propriety of resolving the case through a summary judgment.^[23] According to the appellate court, since these issues involved pure questions of law, the proper remedy to assail the judgment was to file a petition under Section 1, Rule 45 of the Rules of Court, instead of an ordinary appeal under Section 2, Rule 41 thereof.

Spouses Navarro are now before this Court through a Petition for Review under Rule 45. They insist^[24] that the CA needed to resolve issues involving questions of fact, and that the determination of whether their obligations have already been extinguished requires a full-blown trial. They also argue that the issue relating to the award of attorney's fees and costs of suit involves questions of fact.

ISSUE

The issue to be resolved by the Court is whether Spouses Navarro resorted to the wrong remedy of filing an ordinary appeal under Rule 41, instead of a petition under Rule 45 of the Rules of Court, when they questioned the correctness of the decision of the RTC to resolve the dispute through a summary judgment before the CA.

RULING

The petition is unmeritorious.

Section 2, Rule 50 of the Rules of Court, clearly mandates the outright dismissal of appeals made under Rule 41 thereof, if they only raise pure questions of law.^[25] The pertinent provision of Rule 50 reads as follows:

SECTION 2. Dismissal of improper appeal to the Court of Appeals. — An appeal under Rule 41 taken from the Regional Trial Court to the Court of Appeals raising only questions of law shall be dismissed, issues purely of law not being reviewable by said court. Similarly, an appeal by notice of appeal instead of by petition for review from the appellate judgment of a Regional Trial Court shall be dismissed.

An appeal erroneously taken to the Court of Appeals shall not be transferred to the appropriate court but shall be dismissed outright. (Emphases supplied)

There is a question of law when the issue does not call for an examination of the probative value of the evidence presented or an evaluation of the truth or falsity of the facts admitted.^[26] Here, the doubt revolves around the correct application of law and jurisprudence on a certain set of facts or circumstances.^[27] The test for ascertaining whether a question is one of law is to determine if the appellate court can resolve the issues without reviewing or evaluating the evidence.^[28] Where there is no dispute as to the facts, the question of whether or not the conclusions drawn from these facts are correct is considered a question of law.^[29] Conversely, there is a question of fact when doubt or controversy arises as to the truth or falsity of the alleged information or facts; the credibility of the witnesses; or the relevance of surrounding circumstances and their relationship to each other.^[30]

Applying the above definition and test to the instant case, it is apparent that petitioners raised pure questions of law in their ordinary appeal under Rule 41. From the Appellants' Brief^[31] filed by Spouses Navarro - vis-a-vis their Answer with Counterclaim^[32] and Comment/Opposition to Plaintiffs Motion for Summary Judgment^[33] before the RTC - and even from their Petition for Review on Certiorari^[34] before this Court, it is clear that the crux of their appeal to the CA is the supposed erroneous conclusions drawn by the trial court from the already uncontested facts before the latter. These uncontested or uncontroverted facts are as follows:

1. Petitioners obtained a loan from the bank in the amount of ₱5,580,000, and the terms of the loan were accurately reflected in the Promissory Note attached to

respondent's complaint.^[35]

2. The bank admitted that petitioners had already paid P92,322.20 as loan amortization.^[36]
3. Petitioners surrendered the vehicle to the bank, so that the latter would be able to sell it and apply the proceeds to their loan obligation.
4. The only written agreement pertaining to the surrender of the vehicle was the acknowledgment receipt, which stated that the bank "[r]eceived from *MR. AUGUSTO G. NAVARRO* of Barangay Sto. Domingo II Capas, Tarlac (1) one unit *KIA ADVANTAGE VAN*, in good and running condition."^[37]
5. The van was sold for only P150,000 three months after it was surrendered.^[38]

It may appear that there is still a factual issue concerning the total amount of installment payments made by petitioners. However, they have already been given numerous opportunities to present evidence that they actually paid P161,137.69, or P68,815.49 more than the amount the bank admitted receiving. We stress that their assertion of the amount paid is an affirmative defense under Section 5(b), Rule 6 of the Rules of Court,^[39] which they have the burden to substantiate.^[40] In turn, Section 7, Rule 8 thereof, provides that whenever a "defense is based upon a written instrument or document, the substance of such instrument or document shall be set forth in the pleading, and the original or a copy thereof shall be attached to the pleading x x x."

We have perused the records of this case and found nothing attached or referenced that would evidence additional payment in the amount of P68,815.49. Spouses Navarro failed to take advantage of the clear opportunities to prove payment in their Answer with Counterclaim^[41] and Comment/Opposition to Plaintiffs Motion for Summary Judgment^[42] before the RTC; their Appellants' Brief^[43] and Motion for Reconsideration^[44] before the CA; and even their Petition for Review on Certiorari,^[45] Reply to Comment,^[46] and Memorandum^[47] before this Court. Consequently, the CA cannot be deemed to have committed a reversible error in affirming the RTC decision to uphold the interest of judicial economy and render a summary judgment, especially in the face of petitioners' bare allegations.

We also note that petitioners did not seek to present any additional piece of evidence that would substantiate their claim of a *dacion en pago* agreement with respect to the surrender of the Kia Advantage van. Neither did they present before the RTC any basis for their assertion that a different valuation must be used for the sale of the van. Instead, they eventually asked the trial court to consider the conveyance of the vehicle as full payment of their loan obligation or, in the alternative, that it order the bank to render an accounting to establish the correct loan balances.^[48] They argued before the CA in this wise:^[49]

An examination of the pleadings, documents and affidavits on file immediately reveal that there is controversy as to the claim of the plaintiff that the defendants are still indebted to it for the sum of P315,677.80, plus interests, penalty charge, liquidated damages and