792 Phil. 237

FIRST DIVISION

[G.R. No. 167082, August 03, 2016]

TERESITA I. BUENAVENTURA, PETITIONER, VS. METROPOLITAN BANK AND TRUST COMPANY, RESPONDENT.

D E C I S I O N

BERSAMIN, J.:

A duly executed contract is the law between the parties, and, as such, commands them to comply fully and not selectively with its terms. A contract of adhesion, of itself, does not exempt the parties from compliance with what was mutually agreed upon by them.

The Case

In this appeal, the petitioner seeks the reversal of the decision promulgated on April 23, 2004,[1] whereby the Court of Appeals (CA) affirmed with modification the judgment[2] rendered on July 11, 2002 by the Regional Trial Court (RTC), Branch 61, in Makati City. Also being appealed is the resolution[3] promulgated on February 9, 2005, whereby the CA denied her motion for reconsideration.

Antecedents

The following factual and procedural antecedents are narrated by the CA in its assailed decision, to wit:

> On January 20, 1997 and April 17, 1997, Teresita Buenaventura (or "appellant") executed Promissory Note (or "PN") Nos. 232663 and 232711, respectively, each in the amount of PI,500,000.00 and payable to Metropolitan Bank and Trust Company (or "appellee"). PN No. 232663 was to mature on July 1, 1997, with interest and credit evaluation and supervision fee (or "CESF") at the rate of 17.532% *per annum*, while PN No. 232711 was to mature on April 7, 1998, with interest and CESF at the rate of 14.239% *per annum*. Both PNs provide for penalty of 18% *per annum* on the unpaid principal from date of default until full payment of the obligation.
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> Despite demands, there remained unpaid on PN Nos. 232663 and 232711 the amounts of P2,061,208.08 and PI,492,236.37, respectively, as of July 15, 1998, inclusive of interest and penalty. Consequently, appellee filed an action against appellant for recovery of said amounts, interest, penalty and attorney's fees before the Regional Trial Court of Makati City (Branch 61).
>
> In answer, appellant averred that in 1997, she received from her nephew,

Rene Imperial (Or "Imperial"), three postdated checks drawn against appellee (Tabaco Branch), i.e., Check No. TA 1270484889PA dated January 5, 1998 in the amount of PI,200,000.00, Check No. 1270482455PA dated March 31, 1998 in the amount of PI,197,000.00 and Check No. TA1270482451PA dated March 31, 1998 in the amount of P500,000.00 (or "subject checks"), as partial payments for the purchase of her properties; that she rediscounted the subject checks with appellee (Timog Branch), for which she was required to execute the PNs to secure payment thereof; and that she is a mere guarantor and cannot be compelled to pay unless and until appellee shall have exhausted all the properties of Imperial.[4]

On July 11, 2002, the RTC rendered its judgment,[5] viz.:

WHEREFORE, in view of the foregoing, the Court finds in favor of plaintiff METROPOLITAN BANK AND TRUST COMPANY and against defendant TERESITA BUENAVENTURA.

As a consequence of this judgment, defendant Buenaventura is directed to pay plaintiff bank the amount of P3,553,444.45 plus all interest and penalties due as stipulated in Promissory Notes Nos. 232663 and 232711 beginning July 15, 1998 until the amount is fully paid and 10% of the total amount due as attorney's fees.

SO ORDERED.

Dissatisfied, the petitioner appealed, assigning the following as errors, namely:

I

THE TRIAL COURT ERRED IN HOLDING THAT THE REDISCOUNTING TRANSACTION BETWEEN APPELLANT AND METROBANK RESULTED TO A LOAN OBLIGATION SECURED BY THE SUBJECT CHECKS AND PROMISSORY NOTES.

A. Rediscounting transactions do not create loan obligations between the parties.

B. By the rediscounting, Metrobank subrogated appellant as creditor of Rene Imperial, the issuer of the checks.

C. Legal subrogation was presumed when Metrobank paid the obligation of Mr. Imperial with the latter's knowledge and consent.

II

THE TRIAL COURT ERRED IN GRANTING METROBANK'S CLAIMS ON THE BASIS OF THE PROMISSORY NOTES.

A. The promissory notes are null and void for being simulated and fictitious.

B. Assuming that the promissory notes are valid, these only serve as guaranty to secure the payment of the rediscounted checks.

III

THE TRIAL COURT ERRED IN NOT RULING THAT APPELLANT IS ENTITLED TO HER COUNTERCLAIMS FOR EXEMPLARY DAMAGES, ATTTORNEY'S FEES, LITIGATION EXPENSES AND COSTS OF SUIT.[6]

On April 23, 2004, the CA promulgated the assailed decision affirming the decision of the RTC with modification,[7] as follows:

WHEREFORE, the appealed decision is **AFFIRMED** with

MODIFICATION of the second paragraph of its dispositive portion, which should now read:

> "As a consequence of this judgment, defendant Buenaventura is directed to pay plaintiff bank the amount of P3,553,444.45 plus interest and penalty therein at 14.239% *per annum* and 18% *per annum*, respectively, from July 15, 1998 until fully paid and 10% of said amount as attorney's fees."

SO ORDERED.[8]

On May 21, 2004, the petitioner moved for the reconsideration of the decision, but the CA denied her motion for that purpose on February 9, 2005.[9]

Hence, this appeal by the petitioner.

Issues

The petitioner ascribes the following errors to the CA, to wit:

I

THE COURT OF APPEALS ERRED IN HOLDING THAT PETITIONER IS LIABLE UNDER THE PROMISSORY NOTES.

A. The promissory notes executed by petitioner are null and void for being simulated and fictitious.

B. Even assuming that the promissory notes are valid, these are intended as mere guaranty to secure Rene Imperial's payment of the rediscounted checks. Hence, being a mere guarantor, the action against petitioner under the said promissory notes is premature.

C. Metrobank is deemed to have subrogated petitioner as creditor of Mr. Imperial (the issuer of the checks). Hence, Metrobank's recourse as creditor, is against Mr. Imperial.

II

> THE COURT OF APPEALS ERRED IN NOT RULING THAT PETITIONER IS ENTITLED TO HER COUNTER-CLAIM FOR EXEMPLARY DAMAGES, ATTORNEY'S FEES, LITIGATION EXPENSES AND COSTS OF SUIT.[10]

Ruling

The appeal lacks merit.

First of all, the petitioner claims that the promissory notes she executed were contracts of adhesion because her only participation in their execution was affixing her signature,[11] and that the terms of the promissory notes should consequently be strictly construed against the respondent as the party responsible for their preparation.[12] In contrast, the respondent counters that the terms and conditions of the promissory notes were clear and unambiguous; hence, there was no room or need for interpretation thereof.[13]

The respondent is correct.

The promissory notes were written as follows:

> FOR VALUE RECEIVED, I/we jointly and severally promise to pay Metropolitan Bank and Trust Company, at its office x x x the principal sum of PESOS xxx, Philippine currency, together with interest and credit evaluation and supervision fee (CESF) thereon at the effective rate of xxx per centum xxx *per annum*, inclusive, from date hereof and until fully paid.[14]

What the petitioner advocates is for the Court to now read into the promissory notes terms and conditions that would contradict their clear and unambiguous terms in the guise of such promissory notes being contracts of adhesion. This cannot be permitted, for, even assuming that the promissory notes were contracts of adhesion, such circumstance alone did not necessarily entitle her to bar their literal enforcement against her if their terms were unequivocal. It is preposterous on her part to disparage the promissory notes for being contracts of adhesion, for she thereby seems to forget that the validity and enforceability of contracts of adhesion were the same as those of other valid contracts. The Court has made this plain in *Avon Cosmetics, Inc. v. Luna,*[15] stating:

> A contract of adhesion is so-called because its terms are prepared by only one party while the other party merely affixes his signature signifying his adhesion thereto. Such contract is just as binding as ordinary contracts.
>
> It is true that we have, on occasion, struck down such contracts as void when the weaker party is imposed upon in dealing with the dominant bargaining party and is reduced to the alternative of taking it or leaving it, completely deprived of the opportunity to bargain on equal footing. Nevertheless, contracts of adhesion are not invalid per se and they are not entirely prohibited. The one who adheres to the contract is in reality free to reject it entirely, if he adheres, he gives his consent.

x x x x

> Accordingly, a contract duly executed is the law between the parties, and they are obliged to comply fully and not selectively with its terms. A contract of adhesion is no exception.

As a rule, indeed, the contract of adhesion is no different from any other contract. Its interpretation still aligns with the literal meaning of its terms and conditions absent any ambiguity, or with the intention of the parties.[16] The terms and conditions of the promissory notes involved herein, being clear and beyond doubt, should then be enforced accordingly. In this regard, we approve of the observation by the CA, citing *Cruz v. Court of Appeals,* [17] that the intention of the parties should be "deciphered not from the unilateral *post facto* assertions of one of the parties, but from the language used in the contract."[18] As fittingly declared in *The Insular Life Assurance Company, Ltd. vs. Court of Appeals and Sun Brothers & Company,*[19] "[w]hen the language of the contract is explicit leaving no doubt as to the intention of the drafters thereof, the courts may not read into it any other intention that would contradict its plain import." Accordingly, no court, even this Court, can "make new contracts for the parties or ignore those already made by them, simply to avoid seeming hardships. Neither abstract justice nor the rule of liberal construction justifies the creation of a contract for the parties which they did not make themselves or the imposition upon one party to a contract of an obligation not assumed."[20]

Secondly, the petitioner submits that the promissory notes were null and void for being simulated and fictitious; hence, the CA erred in enforcing them against her.

The submission contradicts the records and the law pertinent to simulated contracts.

Based on Article 1345[21] of the *Civil Code,* simulation of contracts is of two kinds, namely: (1) absolute; and (2) relative. Simulation is absolute when there is color of contract but without any substance, the parties not intending to be bound thereby. [22] It is relative when the parties come to an agreement that they hide or conceal in the guise of another contract.[23]

The effects of simulated contracts are dealt with in Article 1346 of the *Civil Code,* to wit:

> Art. 1346. An absolutely simulated or fictitious contract is void. A relative simulation, when it does not prejudice a third person and is not intended for any purpose contrary to law, morals, good customs, public order or public policy binds the parties to their real agreement.

The burden of showing that a contract is simulated rests on the party impugning the contract. This is because of the presumed validity of the contract that has been duly executed.[24] The proof required to overcome the presumption of validity must be convincing and preponderant. Without such proof, therefore, the petitioner's allegation that she had been made to believe that the promissory notes would be guaranties for the rediscounted checks, not evidence of her primary and direct liability under loan agreements,[25] could not stand.