

THIRD DIVISION

[G.R. No. 169457, October 19, 2015]

**THE CONSOLIDATED BANK AND TRUST CORPORATION,
PETITIONER, VS. THE COURT OF APPEALS, UNITED PACIFIC
LEASING AND FINANCE CORPORATION, RESPONDENTS.**

D E C I S I O N

JARDELEZA, J.:

This is a Petition for Review on *Certiorari*^[1] of the December 22, 2004 Decision^[2] and August 30, 2005 *Resolution*^[3] of the Court of Appeals in CA G.R. CV 50550, finding petitioner Consolidated Bank and Trust Corporation ("Solidbank") liable to respondent United Pacific Leasing and Finance Corporation ("UNAM") for excess payments received under a loan obligation.

Facts

In 1982, Solidbank extended loans to UNAM evidenced by the following promissory notes:^[4]

	<u>Promissory Note No.</u>	<u>Date Issued</u>	<u>Date Due</u>	<u>Amount (Peso).</u>
Exhibit "A"	82-115	Sept. 28, 1982	Sept. 28, 1985	P5,000,000.00
Exhibit "B"	82-120	Oct. 25, 1982	Oct. 25, 1985	1,000,000.00
Exhibit "C"	98-83-24112-1	July 27, 1983	July 27, 1985	4,300,000.00
Exhibit "D"	98-84-000480-4	Sept. 3, 1984	Mar. 4, 1985	4,000,000.00
Exhibit "E"	98-85-01035-9	Sept. 17, 1984	Mar. 15, 1985	300,000.00
Exhibit "F"	98-85-01034-0	Apr. 18, 1985	Feb. 2, 1985	2,500,000.00
		Value dated:	Sept. 24, 1984	
Exhibit "G"	97-85-01037-5	April 18, 1985	Dec. 10, 1984	500,000.00
		Value dated:	Sept. 24, 1984	
Exhibit "H"	98-85-01036-7	April 18, 1985	Mar. 4, 1985	700,000.00
		Value dated:	Sept. 19,	

			1984	
Exhibit "I"	97-85-01038-3	April 18, 1985	Dec. 3, 1984	600,000.00
		Value dated:	Sept. 24, 1984	

As security for the loans, UNAM executed Deeds of Assignment^[5] in Solidbank's favor. It also furnished Solidbank with a "Certified List of Assigned Receivables."^[6]

In 1985, UNAM's majority shareholder - Pacific Banking Corporation ("Pacific Bank") - was forbidden to do business^[7] and later placed under liquidation pursuant to Monetary Board Resolution No. 1233 dated November 22, 1985.^[8] Liquidation proceedings, docketed as Special Proceeding (SP) No. 86-35313, were thereafter commenced before Branch 31 of the Regional Trial Court of Manila ("Liquidation Court").^[9] These, in turn, resulted to UNAM's inability to properly comply with its loan obligations.^[10]

Faced with UNAM's default, Solidbank tried to collect payment from the account debtors stated in the List of Assigned Receivables. Upon learning that UNAM had already collected on some of the credits assigned, Solidbank sent letters to UNAM demanding for the turnover of the collected amounts.

Unsuccessful, Solidbank, on January 21, 1987, filed a Complaint for Sum of Money (with Prayer for Issuance of Writ of Preliminary Attachment)^[11] against UNAM, its executive vice-president Antonio Andal ("Andal") and his wife. Solidbank claimed payment for the amount of Sixteen Million Three Hundred Eighty-One Thousand Eight Hundred Eighty-Nine Pesos and Fifty-Three Centavos (P16,381,889.53) as UNAM's outstanding principal loan obligation.^[12] Its Complaint was docketed as Civil Case No. 87-39114 and raffled to Branch 46 of the Regional Trial Court of Manila ("Trial Court").

On February 17, 1987, Solidbank amended its Complaint to include as defendants the members of UNAM's Board of Directors and their spouses.^[13] The following were impleaded: Antonio Roxas Chua Jr. ("Chua"), Luis Tirso Rivilla, Jose F. Unson ("Unson"), Oscar T. Africa, Ricardo R. Zarate and Albert W. Ambros. Nevertheless, in the Pre-Trial Order dated May 4, 1992, only Andal, Unson and Chua remained as individual defendants.^[14]

Solidbank filed a Manifestation^[15] dated June 2, 1987 informing the Trial Court that it had earlier filed a claim worth Eight Million Twenty-Four Thousand Pesos and Twenty-Seven Centavos (P8,024,000.27) before the Office of the Pacific Bank Liquidator ("Liquidator").^[16] This claim represents the eight (8) receivables assigned by UNAM to Solidbank under the List of Assigned Receivables and which appear to be due from Pacific Bank.^[17] According to Solidbank, it filed the claim based on the July 29, 1986 Order of the Liquidation Court mandating the filing of claims even for credits under litigation.^[18]

On June 30, 1987, UNAM filed its Answer with Special and Affirmative Defenses,^[19]

which it later amended on June 21, 1991.^[20] UNAM stated that the Liquidation Court adjudged, per Decision dated July 12, 1989, Twenty-Four Million One Hundred Fifty-Eight Thousand Two Hundred Sixty-Three Pesos and Ten Centavos (P24,158,263.10) in Solidbank's favor ("loan award").^[21] In addition, and per Order dated June 25, 1990,^[22] the Liquidation Court also awarded Solidbank an additional Seventeen Million Six Hundred Twenty Thousand Six Hundred Fifty-Nine Pesos and Sixty Centavos (P17,620,659.60) representing unpaid rentals for, and value of, computer machines allegedly leased by Solidbank to Pacific Bank for the period of November 1988 to June 1990 ("lease award").^[23]

UNAM claims that Solidbank, by virtue of an agreement submitted to (and thereafter approved by) the Liquidation Court without UNAM's knowledge and consent, compromised the loan award of Twenty-Four Million One Hundred Fifty-Eight Thousand Two Hundred Sixty-Three Pesos and Ten Centavos (P24,158,263.10) to the much lower amount of Ten Million Seven Hundred Twenty-Two Thousand Seven Hundred Four Pesos and Eighty-Three Centavos (P10,722,704.83).^[24]

On January 12, 1989, the Liquidator made a partial payment of One Million Two Hundred Six Thousand Four Hundred Ninety-Five Pesos and Seventeen Centavos (P1,206,495.17), consequently reducing the outstanding loan balance to Nine Million Five Hundred Sixteen Thousand Two Hundred Nine Pesos and Sixty-Six Centavos (P9,516,209.66).^[25] Thereafter, on October 4, 1989, two (2) Philippine National Bank (PNB) checks representing the remaining balance were delivered to Solidbank.^[26]

In view of the foregoing, UNAM pleaded that (1) all amounts awarded to Solidbank by the Liquidation Court be credited by the Trial Court to UNAM's outstanding loan obligation; and, by way of counterclaim, (2) it be awarded the difference between the loan award of Twenty-Four Million One Hundred Fifty-Eight Thousand Two Hundred Sixty-Three Pesos and Ten Centavos (P24,158,263.10) and the compromised amount of Ten Million Seven Hundred Twenty-Two Thousand Seven Hundred Four Pesos and Eighty-Three Centavos (P10,722,704.83).^[27]

The Ruling of the Trial Court

In a Decision dated February 6, 1995, the Trial Court ruled in favor of UNAM.^[28] Finding that Solidbank had no authority to enter into the Compromise Agreement, the Trial Court deemed Solidbank to have received the *entire sum* of the initial loan award and deducted the same from its computation of the total amount owing to Solidbank:

Considering that the Compromise Agreement was entered into without UNAM's knowledge and consent, for purposes of this case, SOLIDBANK will be deemed to have received the entire sum of P24,158,263.10.

As of August 2, 1985, the total outstanding balance of UNAM's loans from SOLIDBANK was P3,620,677.94.

Computing interest thereon from August 2, 1985 to October 4, 1989 at

the rate of 24% per annum will come up to P3,620,677.94 for fifty (50) months. Penalty at the rate of 12% per annum, as per provision... will be P1,810,338.97. The total interests and penalties due from August 2, 1985 to October 4, 1989 (50 months) is [sic] in the amount of P5,431,016.91. Thus, as of October 4, 1989, balance of principal plus interests and penalties due SOLIDBANK from UNAM is in the total sum of P9,051,694.85.

It must be noted that this sum of P9,051,694.85 was arrived at because the interest was computed at 24% per annum as per provision in the ... notes. But SOLIDBANK, taking advantage of the provision... that allows increase or decrease of interest xxx has repeatedly used a higher interest rate than 24%... If the Court will use SOLIDBANK's procedure in computing interest, the total liability of UNAM as of October 4, 1989 will be in the vicinity of P10,722,704.83.

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... this Court rules that the correct total amount owing to SOLIDBANK as of Oct. 4, 1989 is P9,051,694.85. Thus, when the P24,158,263.10 was deemed paid as of October 4, 1989, the total obligation of UNAM to the tune of P9,051,694.85 as of October 4, 1989 was deemed FULLY PAID and the obligation was extinguished.^[29]

(Emphasis supplied.)

Considering its ruling that the compromise judgment had fully extinguished UNAM's loan obligation, the Trial Court also ordered Solidbank to return to UNAM the amount it received as lease award, thus:

UNAM also proved that in 1990 SOLIDBANK claimed in the Liquidation Court additional sums from UNAM and thru its motion, succeeded in amending a writ of execution... thru an Order dated June 25, 1990...

The total sum of the figures cited is P17,620,659.60 plus three per cent (3%) monthly penalty for delayed payment.

How SOLIDBANK can find a new cause for this further collection after full payment of UNAM's obligation is beyond the Court's comprehension. Not even in the name of error could this claim of SOLIDBANK be explained.

This award of P17,620,659.60 must be credited for UNAM, because SOLIDBANK went to the Liquidation Court in its sole personality as UNAM's Assignee of receivables and no other.

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xxx For SOLIDBANK to claim in the Liquidation Court that it was the owner of the computers subject matter of the assigned

Leasesm [sic] is to defy the provisions of the Deeds of Assignment.

Hence, SOLIDBANK cannot escape the liability to return to UNAM this sum of P17,620,659.60 including the interests it collected thereon. Not to require SOLIDBANK to return this sum to UNAM is to allow SOLIDBANK to be unjustly enriched by it. xxx^[30]

(Emphasis supplied.)

On February 27, 1995, Solidbank filed a motion seeking reconsideration of the Trial Court's decision.^[31] In an Order dated August 9, 1995,^[32] the Trial Court, this time through Pairing Judge Lorenzo B. Veneracion, reversed itself, ruling:

A review and analysis of the findings upon which the awards in favor of the defendants and against the plaintiff bank show that said awards were clearly arrived at principally from the records of the Liquidation Court of Pacific Bank, Branch 31 of this Court, Sp. Proc. No. 86-35313...

xxx

With respect to the claim of the plaintiff in the amounts prayed for in the complaint, **the Court believes that this Court does not possess the competence to rule on the said claims, the same properly falling within the jurisdiction of the Liquidation Court and we strongly feel that we cannot substitute our judgment for that of the liquidation court. Moreover, the records are in the possession of the said liquidation court and the latter Court can properly rule on the evidence adduced before it.**

(Emphasis supplied.)

Thus, the complaint and respective counterclaims were dismissed "without prejudice to said parties litigating their respective claims before the Liquidation Court in Special Proceeding No. 86-35313... which has jurisdiction over the subject matter in the complaint..."^[33]

Both Solidbank and UNAM appealed to the Court of Appeals ("CA").

The Ruling of the Court of Appeals

In a Decision dated December 22, 2004,^[34] the CA reversed and set aside the August 9, 1995 Order of the Trial Court, to wit:

WHEREFORE, premises considered, the Order dated August 9, 1995 is hereby **REVERSED** and **SET ASIDE**.

The Decision dated February 6, 1995 is hereby **REINSTATED** and