

SECOND DIVISION

[G.R. No. 183034, March 12, 2014]

**SPOUSES FERNANDO AND MA. ELENA SANTOS, PETITIONERS,
VS. LOLITA ALCAZAR, REPRESENTED BY HER ATTORNEY-IN-
FACT DELFIN CHUA, RESPONDENT.**

D E C I S I O N

DEL CASTILLO, J.:

The rule that the genuineness and due execution of the instrument shall be deemed admitted, unless the adverse party specifically denies them under oath, applies only to parties to such instrument.

Assailed in this Petition for Review on *Certiorari*^[1] are the September 27, 2007 Decision^[2] of the Court of Appeals (CA) in CA-G.R. CV No. 87935, entitled "*Lolita Alcazar, represented by her Attorney-in-Fact, Delfin Chua, Plaintiff-Appellee, versus Spouses Fernando T. Santos, Defendants-Appellants,*" and its May 23, 2008 Resolution^[3] denying petitioners' Motion for Reconsideration.

Factual Antecedents

In February 2001, respondent Lolita Alcazar, proprietor of Legazpi Color Center (LCC), instituted through her attorney-in-fact Delfin Chua a Complaint^[4] for sum of money against the petitioners, spouses Fernando and Ma. Elena Santos, to collect the value of paint and construction materials obtained by the latter from LCC amounting to P1,456,000.00, which remained unpaid despite written demand. The case was docketed as Civil Case No. 9954 and assigned to Branch 5 of the Regional Trial Court of Legazpi City. Respondent's cause of action is based on a document entitled "Acknowledgment"^[5] apparently executed by hand by petitioner Fernando, thus:

ACKNOWLEDGMENT

This is to certify that I acknowledge my obligation in the amount of One Million Four Hundred Fifty Six Thousand (P1,456,000), Philippine Currency with LEGAZPI COLOR CENTER, LEGAZPI CITY.

Signed at No. 32 Agno St. Banaue, Quezon City on December 12, 2000.

(signed)
FERNANDO T. SANTOS
Debtor

Signed in the presence of:

(signed)
TESS ALCAZAR
Proprietress
Legazpi Color Center

Witnesses in the signing:

(signed)
DELFIN A. CHUA

(signed)
AILEEN C.

EDADES^[6]

Respondent alleged in her Complaint:

x x x x

4. That as part of the agreement, defendants also obligated themselves to pay plaintiff at the rate of 3% interest per month based on the unpaid principal, to cover the cost of money;

5. That as of December, 2000, the total obligation of defendants with plaintiff which consists of principal and interest was P1,456,000.00, a copy of the document where defendants acknowledged their unpaid obligation is hereto attached as Annex "B"; (referring to the above Acknowledgment)

6. That on January 5, 2001, plaintiff sent a final demand to defendants to pay the indebtedness, but said demand fell on deaf ears and defendants did not even bother to communicate with plaintiff, copy of the demand letter is hereto attached as Annex "C";^[7]

She thus prayed that judgment be rendered ordering petitioners to pay her the sum of P1,456,000.00, with interest at the rate of 3% per month; attorney's fees in the amount of P72,800.00, and P1,500.00 per court appearance; and costs of the suit.

In their Answer,^[8] petitioners sought the dismissal of the Complaint, alleging among others that –

4. Paragraph 5 is specifically denied as the document which Defendant Fernando T. Santos signed does not reflect the true contract or intention of the parties, the actionable document is incorrect and has to be reformed to reflect the real indebtedness of the defendants;

5. Paragraph 6 of the complaint is specifically denied as the same does not reflect the correct amount. The defendants['] computation is that the amount of P600,000.00 is the only amount due and the instrument used as the actionable document does not reflect the correct substance of the transaction and indicates a reformation of the actionable document;

6. Paragraph 7 is specifically denied as defendants are willing to pay the

correct amount, not the amount in the complaint as the same does not indicate the correct amount owing to the plaintiff;

x x x x

VERIFICATION

I, Fernando T. Santos[,] of legal age, Filipino[,] married and resident of Banawe, Quezon City[,] under oath declare:

1. That I am the defendant in the above entitled case;
2. That I have read and understood the contents thereof and affirm that the allegations contained therein are true and correct of my personal knowledge[;]
3. That I have not commenced any other action or proceeding involving x x x the same issues in the Supreme Court, Court of Appeals or any other tribunal/agency[;]
4. That to the best of my knowledge, no such action or proceeding involving the same issues in the Supreme Court, Court of Appeals or any other tribunal/agency [is pending];
5. That if I should thereafter learn that a similar action or proceeding has been filed or is pending before the Supreme Court, Court of Appeals or any other tribunal/agency, I undertake to report the fact within 5 days therefrom to this court.

IN WITNESS WHEREOF, I have hereunto set [my] hand this April 18, 2001 x x x.

(signed)
Fernando T. Santos
Defendant^[9]

Pre-trial was conducted. On September 26, 2005, the trial court issued its Pre-trial Order^[10] setting forth the matters taken up during the pre-trial conference and the schedule of hearings. The presentation of respondent's evidence was set on October 10; November 8 and 21; and December 6 and 13, 2005. Petitioners were scheduled to present their case on January 9 and 23; and February 6, 2006.^[11]

On November 8, 2005, respondent presented her evidence and testified in court as the lone witness. On November 21, 2005, she made a formal offer of her evidence and rested her case.

On January 17, 2006, petitioners filed a Demurrer to Evidence,^[12] which

respondent opposed. Petitioners argued that the Acknowledgment – respondent's Exhibit "A" which was presented in court – was not an original copy and thus inadmissible; petitioners' receipt of the written demand was not proved; the alleged deliveries of paint and construction materials were not covered by delivery receipts; and respondent's testimony was merely hearsay and uncorroborated.

On January 26, 2006, the trial court issued an Order^[13] denying petitioners' demurrer for lack of merit. In the same Order, the trial court scheduled the presentation of petitioners' evidence in the morning and afternoon sessions of February 20, 2006.

Petitioners moved to reconsider the trial court's January 26, 2006 Order. On February 20, 2006, the trial court issued an Order^[14] denying petitioners' Motion for Reconsideration and scheduled the presentation of evidence for the petitioners on March 20, 2006.

On March 15, 2006, petitioners moved to reset the March 20, 2006 scheduled hearing, on the ground that on said date and time, their counsel was to appear in another scheduled case.

On March 20, 2006, or the day of the scheduled hearing, petitioners' counsel failed to appear, prompting the trial court to issue an Order^[15] 1) denying petitioners' March 15, 2006 motion to reset for lack of merit and for violating Section 4, Rule 15 of the 1997 Rules of Civil Procedure;^[16] 2) declaring that petitioners have waived their right to present evidence; and 3) declaring that Civil Case No. 9954 is deemed submitted for decision.

Petitioners went up to the CA on *certiorari*. Docketed as CA-G.R. SP. No. 93889, the Petition questioned the denial of petitioners' demurrer. Meanwhile, they filed a Motion for Reconsideration^[17] of the March 20, 2006 Order denying their motion to reset, but the trial court denied the same in an Order dated April 24, 2006.^[18]

The Decision of the Regional Trial Court

On June 27, 2006, the trial court rendered its Decision^[19] in Civil Case No. 9954, which contained the following decretal portion:

WHEREFORE, Premises Considered, judgment is rendered ordering the defendants to pay the plaintiff the following amounts, to wit:

1. The sum of 1,456,000 pesos plus interest thereon at the legal rate commencing from the time the complaint was filed in court until such time such amount has been paid in full;
2. The sum of 10,000 pesos as litigation expenses; and
3. The sum of 25,000 pesos as attorney's fees.

The defendants shall pay the costs of suit.

Needless to say, the counterclaim in the Answer is Dismissed.

SO ORDERED.^[20]

The trial court essentially held that petitioners, in their Answer, admitted that they entered into transactions with the respondent for the delivery of paint and construction materials, which remained unpaid; that from the Acknowledgment, Exhibit "A," signed by Fernando and duly presented, authenticated, and identified by respondent during trial, petitioners admitted that their unpaid obligation – including interest – amounted to P1,456,000.00; and that petitioners' plea for reformation has no basis.

Petitioners filed their Motion for Reconsideration,^[21] arguing that the trial court should not have pre-empted CA-G.R. SP No. 93889, and instead should have awaited the resolution thereof; that the Acknowledgment was signed by Fernando alone, and thus the judgment should not bind his co-defendant and herein petitioner Ma. Elena Santos; that petitioners' liability has not been established since no delivery receipts, invoices and statements of account were presented during trial to show delivery of paint and construction materials; that respondent was unable to present the original of the Acknowledgment, which puts the Decision of the trial court – declaring that the original thereof was presented and authenticated by respondent – in serious doubt; and that there is no evidentiary basis to hold petitioners liable for P1,456,000.00.

In an Order^[22] dated August 8, 2006, the trial court denied petitioners' Motion for Reconsideration.

The Assailed Court of Appeals Decision

Petitioners interposed an appeal with the CA. Docketed as CA-G.R. CV No. 87935, the ruling in the appeal is the subject of the present Petition. Petitioners claimed that the trial court erred in allowing respondent to present her evidence ex parte; the Acknowledgment has not been authenticated; the adjudged liability in the amount of P1,456,000.00 was not sufficiently proved by respondent, as she failed to present receipts and statements of account which would show the true amount of their obligation, including interest; the trial court based its findings on erroneous conclusions, assumptions and inferences; and the trial court erred in declaring them to have waived their right to present evidence.

Meanwhile, in CA-G.R. SP. No. 93889, the CA issued its Decision^[23] dated March 30, 2007, dismissing petitioners' *certiorari* petition and sustaining the trial court's denial of their demurrer. The CA held that petitioners failed to deny specifically under oath the genuineness and due execution of the Acknowledgment; consequently, 1) its genuineness and due execution are deemed admitted, 2) there was thus no need to present the original thereof, and 3) petitioners' liability was sufficiently established.

^[24] The CA added that under the circumstances, *certiorari* was not the proper remedy; petitioners should have gone to trial and awaited the trial court's Decision, which they could appeal if adverse. The Decision became final and executory on April 27, 2007.^[25]

On September 27, 2007, the CA issued the herein assailed Decision in CA-G.R. CV