

SECOND DIVISION

[G.R. No. 186332, October 23, 2013]

PLANTERS DEVELOPMENT BANK, PETITIONER, VS. SPOUSES ERNESTO LOPEZ AND FLORENTINA LOPEZ, SUBSTITUTED BY JOSEPH WILFRED JOVEN, JOSEPH GILBERT JOVEN AND MARLYN JOVEN, RESPONDENTS.

D E C I S I O N

BRION, J.:

We resolve the petition for review on *certiorari*^[1] filed by petitioner Planters Development Bank (*Planters Bank*) to challenge the July 30, 2007 amended decision^[2] and the February 5, 2009 resolution^[3] of the Court of Appeals (CA) in CA-G.R. CV No. 61358.

The Factual Antecedents

Sometime in 1983, the spouses Ernesto and Florentina Lopez applied for and obtained a real estate loan in the amount of P3,000,000.00 from Planters Bank. The loan was intended to finance the construction of *a four-story concrete dormitory building*. The **loan agreement**^[4] dated May 18, 1983 provided that the loan is payable for fourteen (14) years and shall bear a monetary interest at twenty-one percent (21%) per annum (*p.a.*). *Furthermore, partial drawdowns on the loan shall be based on project completion, and shall be allowed upon submission of job accomplishment reports by the project engineer.* To secure the payment of the loan, the spouses Lopez **mortgaged** a parcel of land covered by Transfer Certificate of Title No. T-16233.^[5]

On July 21, 1983, the parties signed an **amendment to the loan agreement**. Accordingly, the interest rate was increased to twenty-three percent (23%) p.a. and the term of the loan was shortened to three years.^[6] On March 9, 1984, the parties executed a **second amendment to the loan agreement**. The interest rate was further increased to twenty-five percent (25%) p.a. The contract also provided that releases on the loan shall be subject to Planters Bank's availability of funds.^[7]

Meanwhile, the Philippine economy deteriorated as the political developments in the country worsened. The value of the peso plunged. The price of the materials and the cost of labor escalated.^[8] Eager to finish the project, the spouses Lopez obtained an additional loan in the amount of P1,200,000.00 from Planters Bank.

On April 25, 1984, they entered into a **third amendment to the loan agreement**. The amount of the loan and the interest rate were increased to P4,200,000.00 and twenty-seven percent (27%) p.a., respectively. Furthermore, the term of the loan was shortened to one year. The contract also provided that the remaining loan shall

only be available to the spouses Lopez until June 30, 1984.^[9] On the same date, the spouses Lopez **increased the amount secured by the mortgage** to P4,200,000.00. ^[10] On August 15, 1984, Planters Bank unilaterally increased the interest rate to thirty-two percent (32%) p.a.^[11]

The spouses Lopez failed to avail the full amount of the loan because Planters Bank refused to release the remaining amount of P700,000.00. On October 13, 1984, the spouses Lopez filed against Planters Bank a complaint for rescission of the loan agreements and for damages with the Regional Trial Court (RTC) of Makati City.^[12] They alleged that they could not continue the construction of the dormitory building because Planters Bank had refused to release the remaining loan balance.

In defense, Planters Bank argued that the spouses Lopez had no cause of action. It pointed out that its refusal to release the loan was the result of the spouses Lopez's violations of the loan agreement, namely: (1) non-submission of the accomplishment reports; and (2) construction of a six-story building. As a counterclaim, Planters Bank prayed for the payment of the overdue released loan in the amount of P3,500,000.00, with interest and damages.^[13]

On November 16, 1984, Planters Bank foreclosed the mortgaged properties in favor of third parties after the spouses Lopez defaulted on their loan.^[14]

The RTC Ruling

In a decision^[15] dated August 18, 1997, the RTC ruled in Planters Bank's favor. It held that the spouses Lopez had no right to rescind the loan agreements because they were not the injured parties. It maintained that the spouses Lopez violated the loan agreement by failing to submit accomplishment reports and by deviating from the construction project plans. It further declared that rescission could not be carried out because the mortgaged properties had already been sold in favor of third parties. The dispositive portion of the RTC decision provides:

IN VIEW OF THE FOREGOING, judgment is hereby rendered ordering the plaintiffs to pay the defendant-bank the amount of Three Million Five Hundred Thousand Pesos (P3,500,000.00) plus the 27% stipulated interest per annum commencing on **June 22, 1994** until fully paid minus the proceeds of the foreclosed mortgaged property in the auction sale.
^[16] (emphasis ours)

Subsequently, the RTC amended^[17] its decision, upon Planters Bank's filing of a Motion for Partial Reconsideration and/or Amendment of the Decision dated August 18, 1997.^[18] It clarified that the interest rate shall commence on June 22, 1984, as proven during trial, thus:

IN VIEW OF THE FOREGOING, judgment is hereby rendered ordering the plaintiffs to pay the defendant-bank the amount of Three Million Five Hundred Thousand Pesos (P3,500,000.00) plus the 27% stipulated interest per annum commencing on **June 22, 1984** until fully paid minus

the proceeds of the foreclosed mortgaged property in the auction sale.
[19] (emphasis ours)

CA Ruling

The spouses Lopez died during the pendency of the case. On appeal to the CA, compulsory heirs Joseph Wilfred, Joseph Gilbert and Marlyn, all surnamed Joven^[20] (*respondents*) substituted for the deceased Florentina Lopez.

On November 27, 2006, the CA reversed the RTC ruling.^[21] It held that Planters Bank's refusal to release the loan was a substantial breach of the contract. It found that the spouses Lopez submitted accomplishment reports. It gave weight to Engineer Edgard Fianza's testimony that he prepared accomplishment reports prior to the release of the funds. Moreover, Planters Bank's appraisal department head, Renato Marayag, testified that accomplishment reports were a prerequisite for the release of the loan.

It also declared that Planters Bank was estopped from raising the issue of the spouses Lopez's deviation from the construction project. Planters Bank conducted several ocular inspections of the building from 1983 to 1987. Planters Bank continuously released partial amounts of the loan despite its knowledge of the construction of a six-story building.

It further concluded that Planters Bank did not release the loan because the Development Bank of the Philippines (*DBP*) lacked funds. Ma. Agnes Jopson Angeles, Planters Bank's senior accountant for the marketing group, testified that Planters Bank's source of funds in real estate loans was DBP. According to the CA, Angeles admitted DBP's non-availability of funds in her testimony. The dispositive ruling of the CA decision provides:

WHEREFORE, the appealed Decision is MODIFIED in that the loan interest to be paid by plaintiff-appellant to defendant-appellee is hereby reduced to 12% per annum computed from finality of this Decision until full payment of the amount of P3.5 million, minus the proceeds of auction sale of the foreclosed mortgaged property.^[22]

Subsequently, the respondents filed a motion for reconsideration. They sought clarification of the dispositive portion which does not declare the rescission of the loan and accessory contracts. On the other hand, Planters Bank filed a Comment on March 2, 2007, praying for the reinstatement of the RTC ruling. The CA **re-examined** the case and treated the comment as a motion for reconsideration. It affirmed its previous decision but modified the dispositive portion, thus:

ACCORDINGLY, defendant-appellee's motion for reconsideration is **DENIED** while plaintiffs-appellants' motion for reconsideration is **PARTLY GRANTED**. The dispositive part of Our Decision dated November 27, 2006 is hereby clarified and corrected to read as follows:

WHEREFORE, the appealed Decision is **REVERSED and SET ASIDE**. The loan agreement between the parties, including all its accessory contracts, is declared RESCINDED.

Plaintiffs-appellants are ordered to return to defendant-appellee bank the amount of P2,885,830.56 with interest of twelve percent (12%) per annum from the time this Decision becomes final and executory until it is fully paid.

Defendant-appellee bank is ordered to convey and restore to plaintiffs-appellants the foreclosed property.^[23] (emphases and underscores supplied)

The CA also denied Planters Bank's Motion for Reconsideration dated August 22, 2007, prompting it to file the present petition.

The Petitioner's Position

Planters Bank reiterates in its petition before this Court that the respondents had no cause of action. It posits that the spouses Lopez violated the loan agreements for their failure to submit accomplishment reports and by constructing a six-story building instead of a four-story building. It maintains that there was no estoppel because only one year and twenty days have elapsed from the violation of the contract until the spouses Lopez's filing of the complaint. It argues that there must be an unjustifiable neglect for an unreasonable period of time for estoppel to apply. It also avers that even assuming that it breached the contract, it was only a slight breach because only P700,000.00 of the P4,200,000.00 loan was not released. Moreover, it highlights that it cannot convey the foreclosed properties because they were already sold to third parties.^[24]

Planters Bank also clarifies its date of receipt of the CA amended decision in a Manifestation dated March 13, 2009.^[25] It states that it received the amended decision on August 7, 2007, as evidenced by the attached certifications from the Makati and Manila Central Post Offices.

The Respondents' Position

In their *Comments*,^[26] the respondents reiterate the CA's arguments. They also assert that the amended decision has already become final and executory due to Planters Bank's belated filing of a motion for reconsideration on August 22, 2007. They point out that Planters Bank unequivocally stated in the pleadings that it received a copy of the amended decision on August 2, 2007. Furthermore, they aver that Planters Bank's motion for reconsideration is a second motion for reconsideration disallowed by the Rules of Court. They highlight that Planters Bank's comment to the respondents' motion for reconsideration sought the reinstatement of the RTC ruling. Consequently, the comment is Planters Bank's first motion for reconsideration.

The Issues

This case presents to us the following issues:

- 1) Whether the CA's amended decision dated July 30, 2007 is final and executory;
- 2) Whether the spouses Lopez violated the loan agreement;
 - a) Whether the spouses Lopez submitted accomplishment reports, and
 - b) Whether the spouses Lopez deviated from the construction project;
- 3) Whether Planters Bank substantially breached the loan agreement; and
- 4) Whether the amount of awards rendered by the CA is proper.

The Court's Ruling

We reverse the CA's decision.

The CA's amended decision dated July 30, 2007 is not yet final and executory

Section 13, Rule 13 of the Rules of Court provides that if service is made by registered mail, proof shall be made by an **affidavit** of the person mailing of facts showing compliance with Section 7, Rule 13 of the Rules of Court and the **registry receipt** issued by the mailing office. **However, the presentation of an affidavit and a registry receipt is not indispensable in proving service by registered mail.** Other competent evidence, such as the certifications from the Philippine Post Office, may establish the fact and date of actual service. These certifications are direct and primary pieces of evidence of completion of service. ^[27]

We believe Planters Bank's assertion that its motion for reconsideration dated August 22, 2007 was filed on time. The Manila Central Post Office's certification states that the amended decision was only dispatched from the Manila Central Post Office to the Makati Central Post Office on August 2, 2007.^[28] On the other hand, the Makati Central Post Office's certification provides that Planters Bank's actual receipt of the decision was on August 7, 2007.^[29] These certifications conclusively show that Planters Bank's counsel received the amended decision on August 7, 2007 and not on August 2, 2007.

There is also no merit to the respondents' argument that Planters Bank's motion for reconsideration is disallowed under Section 2, Rule 52 of the Rules of Court.^[30] We point out in this respect that there is a difference between an *amended judgment* and a *supplemental judgment*. In an amended judgment, the lower court makes a thorough study of the original judgment and renders the amended and clarified judgment only after considering all the factual and legal issues. **The amended and clarified decision is an entirely new decision which supersedes or takes the place of the original decision.** On the other hand, a supplemental decision does