

FIRST DIVISION

[G.R. No. 181873, November 27, 2013]

SPOUSES PIO DATO AND SONIA Y. SIA, PETITIONERS, VS. BANK OF THE PHILIPPINE ISLANDS, RESPONDENT.

DECISION

REYES, J.:

This is a petition for review on *certiorari*^[1] of the Decision^[2] dated July 25, 2007 and Resolution^[3] dated February 8, 2008 of the Court of Appeals (CA) in CA-G.R. CV No. 61289, affirming with modifications the Decision^[4] dated December 15, 1997 of the Regional Trial Court (RTC) of Cebu City, Branch 18. The RTC dismissed herein petitioners' complaint and declared the extrajudicial foreclosure sale, the subject of this petition valid and binding.

Antecedent Facts

On May 23, 1990, petitioners Spouses Pio Dato (Pio) and Sonia Y. Sia (Spouses Sia) applied for a P240,000.00 loan which was granted by the Bank of the Philippine Islands (BPI) with a term of six months and secured by a real estate mortgage over a parcel of land owned by Spouses Sia denominated as Lot 1, situated in Labangon, Cebu, covered by Transfer Certificate of Title (TCT) No. 102434. Subsequently, on August 8, 1990, Spouses Sia availed of a P4 Million Revolving Promissory Note Line with a term of one year, secured by the same real estate mortgage over TCT No. 102434.^[5]

Spouses Sia alleged that their loan was "precipitated by the representation of the [BPI] that the same will be indorsed to [Industrial Guarantee and Loan Fund] (IGLF) [in order] for the spouses to be able to avail of a much lower interest rate and longer payment terms."^[6]

Before the P240,000.00 and P4 Million loans matured, Spouses Sia approached BPI through Mona Padilla (Padilla), account officer of BPI for additional loans. One was for P2 Million, and another was for P2.8 Million. After some discussion with Padilla, Spouses Sia agreed to obtain a Credit Facility of P5.7 Million using the same collaterals offered in their previous loans and four additional parcels of land, namely, TCT Nos. 87010, 102435, 102436 and 102437.^[7]

On November 23, 1990, Spouses Sia obtained P800,000.00 from their Credit Facility of P5.7 Million which was credited to their current account with BPI after executing a Promissory Note for the same amount. While Spouses Sia paid some of the interest on their loans, the amount was insufficient to cover the principal amount of said loans. ^[8]

On February 13, 1991, Padilla sent a written reminder to Spouses Sia to settle all unpaid interest before February 22, 1991. Yet the spouses failed to pay the same. Their principal loans of P240,000.00 and P4 Million loan also remained unsettled. BPI, through Padilla and Assistant Vice President, Danilo A. Quinto sent another demand letter to them requesting payment of the outstanding loan.^[9]

Spouses Sia still failed to pay the principal amount of P4,240,000.00 exclusive of interest, penalties and other charges. But the amount of P800,000.00 from the P5.7 Million Credit Facility was paid through a Letter of Credit. As the P240,000.00 and P4 Million loans of Spouses Sia were not yet settled, BPI cancelled the P5.7 Million Credit facility. To facilitate and assist Spouses Sia in paying off their loans, the four lots which secured the P5.7 Million Credit Line Facility were released. Spouses Sia agreed to sell the lots and use the proceeds thereof to make partial payments of their loans. Consequently, BPI issued a cancellation of the real estate mortgage over the four lots which secured the P5.7 Million Credit Line Facility.^[10]

Despite the cancellation of the real estate mortgage, Spouses Sia failed to make good their promise to sell the lots to pay off their loans. BPI, through Padilla, sent a follow-up demand letter to Spouses Sia dated July 11, 1991 requesting payment of the principal loan amounting to P4,240,000.00 as well as all unpaid interests, penalties and charges thereon on or before July 30, 1991.^[11] Spouses Sia, through a letter dated July 19, 1991, acknowledged their account to BPI and stated therein that they are "seriously considering selling some of their 'choiced' real estate properties to service their debt to BPI x x x."^[12]

On August 3, 1993, Spouses Sia filed a complaint^[13] with the RTC of Cebu City praying for the issuance of a temporary restraining order (TRO) to maintain status *quo*, award of moral and exemplary damages, attorney's fees and litigation costs. In the said complaint, Spouses Sia alleged that BPI "deliberately refused to comply with the condition/undertaking of the loan for IGLF endorsement and approval" until the maturity date of the loan lapsed to their great prejudice and irreparable damage.^[14]

Spouses Sia failed to pay notwithstanding the numerous demands made by BPI, leading to the extrajudicial foreclosure of the real estate mortgage covered by TCT No. 102434 which secured Spouses Sia's loans of P240,000.00 and P4 Million. The lot was sold at a public auction held on August 9, 1993, with BPI as the sole bidder in the amount of P10,060,080.20.^[15] The certificate of sale was issued on August 10, 1993 upon payment of all the required registration fees.^[16]

In the course of the trial proceedings, Spouses Sia alleged that they discovered that the document embodying the cancellation of the real estate mortgage presented by BPI (over the four lots previously released by BPI for the Credit Line Agreement Facility), stated the following:

[T]he consideration for this cancellation being the full and complete payment made by the said debtor/s- mortgagor/s to the creditor-mortgagee of the obligation secured thereby in the principal amount of FIVE MILLION SEVEN HUNDRED THOUSAND ONLY PESOS

([P]5,700,000.00)_Philippine Currency, together with the corresponding interest thereon up to this date.^[17]

Spouses Sia thereafter amended their complaint claiming that the bank inserted and annotated a falsified/illegal Real Estate Mortgage of P5.7 Million, purportedly availed of by Spouses Sia.^[18] They alleged "that TCT No. 102434 was never intended to secure a fabricated and falsified loan of P5,700,000.00 or for any loan [by] whomsoever, accommodated by [BPI] using [Spouses Sia's] collaterals[.]"^[19]

Lastly, the spouses claimed extinguishment of their obligation. They alleged that as BPI credited the payment of P5.7 Million to their account, which is more than sufficient to cover their promissory notes of P240,000.00 and P4 Million, their obligation with the BPI was totally extinguished as of August 5, 1991 and that the foreclosure proceedings on TCT No. 102343 is illegal and baseless for they have the right as of August 5, 1991 to secure full release of said lot by such payment of P5.7 Million.^[20]

Spouses Sia prayed for P5 Million as moral damages, P2 Million as exemplary damages, attorney's fees equivalent to 25% of the adjudged amount plus P350.00 per court appearance but not less than P350,000.00 and for whatever proven damages of not less than P500,000.00. In their Second Supplemental Complaint, Spouses Sia prayed for additional P25 Million as moral damages, P6 Million as exemplary damages and 25% attorney's fees based on the additional damages but not less than P200,000.00.^[21]

During the pendency of the instant case, the one-year redemption period had lapsed without Spouses Sia exercising their right to redeem the subject property. Thus on January 27, 1995, BPI filed a supplemental answer with counterclaim, alleging therein that with the expiration of the period of redemption, BPI is entitled to a writ of possession over the foreclosed property and the occupancy of Spouses Sia on the foreclosed property entitles BPI to a reasonable compensation which is conservatively pegged at P10,000.00 per month from the date of the issuance of the certificate of sale in favor of BPI.^[22]

The RTC Ruling

On December 15, 1997, the RTC rendered its judgment in favor of BPI and against Spouses Sia, the dispositive portion of which states:

WHEREFORE, premises all considered, JUDGMENT is hereby rendered in favor of [BPI] and against [Spouses Sia] as follows:

1. Dismissing [Spouses Sia's] complaint, supplemental and amended complaint for lack of merit;
2. Declaring the extrajudi[c]ial foreclosure sale conducted on August 8, 1993 as valid and binding;

3. Declaring defendant [BPI] as absolute and legal owner of Lot No. 1 covered by TCT No. 102434 as well as the residential house and all improvements thereon;
4. Ordering [Spouses Sia] to pay defendant [BPI's] counsel the sum of P500,000.00 as attorney's fees; ordering to pay defendant [BPI] the sum of P10,000.00 per month from August 10, 1994 for use and occupancy of the foreclosed properties until the same are vacated and possession delivered to defendant [BPI]; to pay the sum of P1,000,000.00 as exemplary damages so as to prevent others from following [Spouses Sia's] filing a suit to prevent payment of a just and valid debt; the sum of P2,000,000.00 as compensatory damages; the sum of P50,000.00 as litigation expenses as well as costs of the suit.

SO ORDERED.^[23]

The RTC found that "there is no logical and valid reason to support the allegations in the complaint for Breach of Contract, Rescission and Cancellation of Contract with Damages."^[24]

The RTC also found that BPI could not be held guilty of delay in endorsing the loan to IGLF because BPI, through Padilla, never committed itself to make such endorsement. There was no contract, either oral or written, which would prove that there was any agreement between BPI and Spouses Sia to endorse their loans to the IGLF. Petitioner Pio asked for the restructuring of his loans after he failed to pay his P240,000.000 and P4 Million loans. As petitioner Pio wanted to obtain an industrial loan for a longer period, Padilla merely suggested to them to obtain loans through IGLF of the Development Bank of the Philippines, if qualified to do so. Spouses Sia could not however, qualify because their loans were on the "past due status' and there was also a diversion of the proceeds of their loans.^[25]

The alleged verbal agreement between [Spouses Sia] and [BPI] that the latter would endorse the P4 Million to IGLF is a clear violation of the parole evidence rule which provides that "[w]hen the terms of an agreement have been reduced to writing[,], it is to be considered as containing all such terms and therefore, there can be between the parties and the successors in interest no evidence of the terms of the agreement other than the contents of the writing" (Rule 130, Section 7 of the Rules of Court).^[26]

As regards the testimony of petitioner Pio that the real estate mortgage covering the P5.7 Million credit facility was falsified, the RTC also found no legal and factual basis therein because petitioner Pio admitted the authenticity of their signatures appearing on the Promissory Notes and Real Estate Mortgages evidencing the various loans and credit facility from BPI. Spouses Sia admitted under oath that their signatures appearing on the Real Estate Mortgage document (Exh. "23") to secure the P5.7 Million Credit facility are their signatures. They in effect admitted the authenticity of those documents as well as the correctness of the matters incorporated therein. As held by this Court in the case of *Heirs of Amparo del*

Rosario v. Aurora Santos, et al.,^[27] “when a party admits the genuineness of a document, he also admits that the words and figures of the documents are set out correctly.”^[28]

On the topic of extinguishment of obligation, Spouses Sia failed to sway the RTC to their assertions of payment by way of donation by an unknown third party. The RTC considered the explanation of the bank as worthy of credence, as it had extensively discussed, to wit:

Culled from the evidence on record, [Spouses Sia] in addition to the P240,000.00 and P4,000,000.00 loans, sometime in November 1990 requested for additional loans from defendant bank. Plaintiff Pio Dato Sia applied for P2,000,000.00 loan sometime in November, 1990 and P2.8 Million per loan application dated December 8, 1990 (Exh. “25”). **As there were several loans which Pio Dato Sia applied for, Mona Padilla advised him that it would be more practical to obtain Credit Facility or Credit Line to cover contingent financial requirements of his business. Plaintiff Pio Dato agreed to obtain a Credit Facility of P5.7 Million. To cover such facility, plaintiff Pio Dato Sia submitted four (4) additional collaterals covered by titles. Subsequently, he executed a Real Estate Mortgage to secure the Credit Line of P5.7 Million, dated November 22, 1990 (Exh. “23-C”). The signatures of [Spouses Sia] on this document are admitted by [Spouses Sia] to be genuine.** On the same date November 22, 1993, [Spouses Sia] made an initial availment from the P5.7 Million Credit Facility as evidenced by Exhibit “23”. **The amount of P800,000.00 was credited to [Spouses Sia’s] Current Account No. 1303-2188-97 per Credit Memo (Exh. “27”). Such availment was fully paid by [Spouses Sia].** After the first availment, [Spouses Sia] wanted to obtain another availment from said Credit facility but [BPI] could no longer approve such application due to [Spouses Sia’s] failure to pay the principal loan of P240,000.00 and interest thereof which matured on November 11, 1990. As clearly set forth in the agreement, [BPI] can suspend availments from the Credit Facility in the event of [Spouses Sia’s] default in the payment of any other existing loans with [BPI]. Thereafter, [Spouses Sia] also failed to pay their P4,000,000.00 loan with [BPI]. **As no additional loan could be granted to [Spouses Sia], the latter requested the release of their four (4) collaterals which were used to secure the P5.7 Million Credit Facility and per loan documents all other existing loans with [BPI]. x x x [Spouses Sia] admitted having received the four titles which were released by [BPI] upon [Spouses Sia’s] request as well as the cancellation of the mortgage on the P5.7 Million Credit Facility after [Spouses Sia’s] payment of the P800,000.00 availment. It is this cancellation of mortgage which [Spouses Sia] are trying to use to escape payment of their P240,000.00 and P4 Million loans as well as unpaid interest, penalties and charges.** [BPI] argued that it is the distorted concept of [Spouses Sia] that since the cancellation of the Real Estate Mortgage mentions the Credit facility of P5.7 Million, that someone paid [BPI] the sum of P5.7 Million. x x x.^[29] (Emphasis and underscoring ours)