

SECOND DIVISION

[G.R. No. 175514, February 14, 2011]

**PHILIPPINE BANK OF COMMUNICATIONS, PETITIONER, VS.
SPOUSES JOSE C. GO AND ELVY T. GO, RESPONDENTS.**

DECISION

MENDOZA, J.:

This is a petition for review on certiorari under Rule 45 filed by petitioner Philippine Bank of Communications (*PBCom*) seeking to set aside the July 28, 2006 Decision, [1] and the November 27, 2006 Resolution [2] of the Court of Appeals (CA) in CA G.R. CV No. 77714. The CA decision reversed and set aside the January 25, 2002 Decision of the Regional Trial Court, Branch 42, Manila (*RTC*), which granted the motion for summary judgment and rendered judgment on the basis of the pleadings and attached documents.

THE FACTS

On September 30, 1999, respondent Jose C. Go (*Go*) obtained two loans from *PBCom*, evidenced by two promissory notes, embodying his commitment to pay P17,982,222.22 for the first loan, and P80 million for the second loan, within a ten-year period from September 30, 1999 to September 30, 2009. [3]

To secure the two loans, Go executed two (2) pledge agreements, both dated September 29, 1999, covering shares of stock in Ever Gotesco Resources and Holdings, Inc. The first pledge, valued at P27,827,122.22, was to secure payment of the first loan, while the second pledge, valued at P70,155,100.00, was to secure the second loan. [4]

Two years later, however, the market value of the said shares of stock plunged to less than P0.04 per share. Thus, *PBCom*, as pledgee, notified Go in writing on June 15, 2001, that it was renouncing the pledge agreements. [5]

Later, *PBCom* filed before the *RTC* a complaint [6] for sum of money with prayer for a writ of preliminary attachment against Go and his wife, Elvy T. Go (*Spouses Go*), docketed as Civil Case No. 01-101190. *PBCom* alleged that *Spouses Go* defaulted on the two (2) promissory notes, having paid only three (3) installments on interest payments--covering the months of September, November and December 1999. Consequently, the entire balance of the obligations of Go became immediately due and demandable. *PBCom* made repeated demands upon *Spouses Go* for the payment of said obligations, but the couple imposed conditions on the payment, such as the lifting of garnishment effected by the *Bangko Sentral ng Pilipinas* (*BSP*) on Go's accounts. [7]

Spouses Go filed their Answer with Counterclaim^[8] denying the material allegations in the complaint and stating, among other matters, that:

8. The promissory note referred to in the complaint expressly state that the loan obligation is payable within the period of ten (10) years. Thus, from the execution date of September 30, 1999, its due date falls on September 30, 2009 (and not 2001 as erroneously stated in the complaint). Thus, prior to September 30, 2009, the loan obligations cannot be deemed due and demandable.

In conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event which constitutes the condition. (Article 1181, New Civil Code)

9. Contrary to the plaintiff's profference, defendant Jose C. Go had made substantial payments in terms of his monthly payments. There is, therefore, a need to do some accounting works (sic) to reconcile the records of both parties.

10. While demand is a necessary requirement to consider the defendant to be in delay/default, such has not been complied with by the plaintiff since the former is not aware of any demand made to him by the latter for the settlement of the whole obligation.

11. Undeniably, at the time the pledge of the shares of stock were executed, their total value is more than the amount of the loan or at the very least, equal to it. Thus, plaintiff was fully secured insofar as its exposure is concerned.

12. And even assuming without conceding, that the present value of said shares x x x went down, it cannot be considered as something permanent since the prices of stocks in the market either increases (sic) or decreases (sic) depending on the market forces. Thus, it is highly speculative for the plaintiff to consider said shares to have suffered tremendous decrease in its value. More so, it is unfair for the plaintiff to renounce or abandon the pledge agreements.

On September 28, 2001, PBCom filed a verified motion for summary judgment^[9] anchored on the following grounds:

I. MATERIAL AVERMENTS OF THE COMPLAINT ADMITTED BY DEFENDANT-SPOUSES IN THEIR ANSWER TO OBVIATE THE NECESSITY OF TRIAL

II. NO REAL DEFENSES AND NO GENUINE ISSUES AS TO ANY MATERIAL FACT WERE TENDERED BY THE DEFENDANT-SPOUSES IN THEIR ANSWER

III. PLAINTIFF'S CAUSES OF ACTIONS ARE SUPPORTED BY VOLUNTARY

ADMISSIONS AND AUTHENTIC DOCUMENTS WHICH MAY NOT BE CONTRADICTED.^[10]

PBCom contended that the Answer interposed no specific denials on the material averments in paragraphs 8 to 11 of the complaint such as the fact of default, the entire amount being already due and demandable by reason of default, and the fact that the bank had made repeated demands for the payment of the obligations.^[11]

Spouses Go opposed the motion for summary judgment arguing that they had tendered genuine factual issues calling for the presentation of evidence.^[12]

The RTC granted PBCom's motion in its Judgment^[13] dated January 25, 2002, the dispositive portion of which states:

WHEREFORE, in view of all the foregoing, judgment is rendered for the plaintiff and against the defendants ordering them to pay plaintiff jointly and severally the following:

1. The total amount of P117,567,779.75, plus interests and penalties as stipulated in the two promissory notes;
2. A sum equivalent to 10% of the amount involved in this case, by way of attorney's fees; and
3. The costs of suit.

SO ORDERED.^[14]

Spouses Go moved for a reconsideration but the motion was denied in an order^[15] dated March 20, 2002.

RULING OF THE COURT OF APPEALS

In its Decision dated July 28, 2006, the CA *reversed* and *set aside* the assailed judgment of the RTC, denied PBCom's motion for summary judgment, and ordered the remand of the records to the court of origin for trial on the merits. The dispositive portion of the decision states:

WHEREFORE, premises considered, the assailed judgment of the Regional Trial Court, Branch 42 of Manila in Civil Case No. 01-101190 is hereby **REVERSED and SET ASIDE**, and a new one entered denying plaintiff-appellee's motion for summary judgment. Accordingly, the records of the case are hereby remanded to the court of origin for trial on the merits.

SO ORDERED.^[16]

The CA could not agree with the conclusion of the RTC that Spouses Go admitted

paragraphs 3, 4 and 7 of the complaint. It found the supposed admission to be insufficient to justify a rendition of summary judgment in the case for sum of money, since there were other allegations and defenses put up by Spouses Go in their Answer which raised genuine issues on the material facts in the action.^[17]

The CA agreed with Spouses Go that paragraphs 3 and 4 of the complaint merely dwelt on the fact that a contract of loan was entered into by the parties, while paragraph 7 simply emphasized the terms of the promissory notes executed by Go in favor of PBCom. The fact of default, the amount of the outstanding obligation, and the existence of a prior demand, which were all material to PBCom's claim, were "hardly admitted"^[18] by Spouses Go in their Answer and were, in fact, effectively questioned in the other allegations in the Answer.^[19]

PBCom's motion for reconsideration was denied in a resolution^[20] dated November 27, 2006.

Thus, this petition for review.

THE ISSUES

I

WHETHER THE COURT OF APPEALS ERRED OR ACTED IN GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK, OR EXCESS OF JURISDICTION IN RULING THAT THERE EXISTS A GENUINE ISSUE AS TO MATERIAL FACTS IN THE ACTION IN SPITE OF THE UNEQUIVOCAL ADMISSIONS MADE IN THE PLEADINGS BY RESPONDENTS; AND

II

WHETHER THE COURT OF APPEALS ERRED OR ACTED IN GRAVE ABUSE OF JURISDICTION [DISCRETION] IN HOLDING THAT ISSUES WERE RAISED ABOUT THE FACT OF DEFAULT, THE AMOUNT OF THE OBLIGATION, AND THE EXISTENCE OF PRIOR DEMAND, EVEN WHEN THE PLEADING CLEARLY POINTS TO THE CONTRARY.

Petitioner PBCom's Position:

Summary judgment was proper, as there were no genuine issues raised as to any material fact.

PBCom argues that the material averments in the complaint categorically admitted by Spouses Go obviated the necessity of trial. In their Answer, Spouses Go admitted the allegations in paragraphs 3 and 4 of the Complaint pertaining to the security for the loans and the due execution of the promissory notes,^[21] and those in paragraph 7 which set forth the acceleration clauses in the promissory note. Their denial of paragraph 5 of the Complaint pertaining to the Schedules of Payment for the

liquidation of the two promissory notes did not constitute a specific denial required by the Rules.^[22]

Even in the Comment^[23] of Spouses Go, the clear, categorical and unequivocal admission of paragraphs 3, 4, and 7 of the Complaint had been conceded.^[24]

PBCom faults the CA for having formulated non-existent issues pertaining to the fact of default, the amount of outstanding obligation and the existence of prior demand, none of which is borne by the pleadings or the records.^[25]

The Spouses Go, PBCom argues, cannot negate or override the legal effect of the acceleration clauses embodied in each of the two promissory notes executed by Go. Moreover, the non-payment of arrearages constituting default was admitted by Go in his letters to PBCom dated March 3 and April 7, 2000, respectively.^[26] Therefore, by such default, they have lost the benefit of the period in their favor, pursuant to Article 1198^[27] of the Civil Code.

Further, PBCom claims that its causes of action are supported by authentic documents and voluntary admissions which cannot be contradicted. It cites the March 3 and April 7, 2000 letters of Go requesting deferment of interest payments on his past due loan obligations to PBCom, as his assets had been placed under attachment in a case filed by the BSP.^[28] PBCom emphasizes that the said letters, in addition to its letters of demand duly acknowledged and received by Go, negated their claim that they were not aware of any demand having been made.^[29]

Respondent spouses' position:
Summary judgment was not proper.

The core contention of Spouses Go is that summary judgment was not proper under the attendant circumstances, as there exist genuine issues with respect to the fact of default, the amount of the outstanding obligation, and the existence of prior demand, which were duly questioned in the special and affirmative defenses set forth in the Answer. Spouses Go agree with the CA that the admissions in the pleadings pertained to the highlight of the terms of the contract. Such admissions merely recognized the existence of the contract of loan and emphasized its terms and conditions.^[30] Moreover, although they admitted paragraphs 3, 4, and 7, the special and affirmative defenses contained in the Answer tendered genuine issues which could only be resolved in a full-blown trial.^[31]

On the matter of specific denial, Spouses Go posit that the Court decisions cited by PBCom^[32] do not apply on all fours in this case. Moreover, the substance of the repayment schedule was not set forth in the complaint. It, therefore, follows that the act of attaching copies to the complaint is insufficient to secure an implied admission. Assuming *arguendo* that it was impliedly admitted, the existence of said schedule and the promissory notes would not immediately make private respondents liable for the amount claimed by PBCom.^[33] Before respondents may be held liable, it must be established, first, that they indeed defaulted; and second, that the obligations has remained outstanding.^[34]