

SECOND DIVISION

[G.R. No. 171982, August 18, 2010]

DEVELOPMENT BANK OF THE PHILIPPINES, PETITIONER, VS. TRADERS ROYAL BANK and PRIVATIZATION AND MANAGEMENT OFFICE (VICE ASSET PRIVATIZATION TRUST), RESPONDENTS.

R E S O L U T I O N

CARPIO, J.:

The Case

This petition for review^[1] assails the 19 December 2003 Decision^[2] and the 16 March 2006 Resolution^[3] of the Court of Appeals in CA-G.R. CV No. 42965.

The Facts

In 1980, Phil-Asia Food Industries Corporation (Phil-Asia) obtained a loan accommodation from Traders Royal Bank (TRB) in the form of four letters of credit with a total amount of P92,290,845.58. The loan was used for the importation of machineries and equipment for the establishment of a soya beans processing plant. In a letter dated 30 April 1980, Development Bank of the Philippines (DBP) issued a guaranty in favor of TRB to answer for the cost of the importation covered by the letters of credit to the extent of \$8,015,447.13.

Phil-Asia and DBP made partial payments on the loan covered by the letters of credit, leaving a balance of P8,432,381.78. When Phil-Asia and DBP failed to pay the balance despite demands, TRB filed with the trial court a complaint to collect the unpaid balance of the letters of credit against Phil-Asia and DBP. The Asset Privatization Trust (APT)^[4], now the Privatization and Management Office (PMO)^[5], was later impleaded as defendant because it allegedly acquired the distressed accounts of DBP, which includes that of Phil-Asia.

DBP claimed that it was not liable for the importation from the supplier Emi Disc Corporation since its guaranty covers only importation from Archer Daniels Midland Corporation. DBP alleged that the change in supplier was without its consent and thus, not covered by its guaranty. DBP also alleged that there was overpayment of the loan covered by the letters of credit.

For its part, Phil-Asia likewise alleged that there was in fact overpayment since the total amount of the letters of credit was only P92,290,845.58, whereas the payments of Phil-Asia and DBP totaled P100,395,434.10, resulting in an overpayment of P8,104,588.52. Furthermore, Phil-Asia averred that its obligation had been extinguished by novation.

TRB denied that there was overpayment. TRB explained that the amount applied to

the principal credited to Phil-Asia was reduced or adjusted because some payments made by DBP were erroneously credited to Phil-Asia. Besides, as stated in the adjusted Statement of Account, there were some payments which were erroneously reflected as principal payments which should have been applied to outstanding and unpaid interests.

On the other hand, APT maintained that it did not assume the obligations incurred or might have been incurred by DBP with Phil-Asia's creditors.

On 13 May 1993, the trial court rendered a decision, the dispositive portion of which reads:

WHEREFORE, defendant Phil-Asia Food Industries Corporation and Development Bank of the Philippines are ordered to pay, jointly and severally, to plaintiff Traders Royal Bank the sum of P8,432,381.78, together with interest thereon at six percent (6%) per annum from September 19, 1986, until the amount is fully paid, plus attorney's fees equivalent to ten percent (10%) of the said unpaid balance. The said defendants are also required to pay the costs of the suit.

The complaint is dismissed with respect to defendant Asset Privatization Trust.

The counterclaims and cross-claims of defendants Phil-Asia Food Industries Corporation, Development Bank of the Philippines and Asset Privatization Trust, for lack of merit, are also dismissed.

SO ORDERED.^[6]

Both TRB and DBP appealed the trial court's decision. The Court of Appeals affirmed the trial court's decision with modification. The dispositive portion of the 19 December 2003 Decision of the Court of Appeals reads:

WHEREFORE, the appealed decision is AFFIRMED with the MODIFICATIONS (i) that the amount [of] P8,432,381.78 awarded in favor of plaintiff shall bear interest at the rate of 12% per annum from the filing of the complaint until fully paid and (ii) that cross-defendant Phil-Asia Food Industries Corporation is ordered to indemnify cross-claimant Development Bank of the Philippines for whatever amount the latter may be compelled to pay plaintiff under this decision plus interest thereon at the rate of 12% per annum from the date of such payment until full indemnification.^[7]

Both DBP and TRB moved for reconsideration, which the Court of Appeals denied in its Resolution dated 16 March 2006.

The Ruling of the Court of Appeals

The Court of Appeals held that DBP's act of paying TRB's letters of credit covering

the importation from Emi Disc Corporation constituted implied approval and ratification of the change of supplier from Archer Daniels Midland Corporation to Emi Disc Corporation. Thus, DBP is still liable under its guaranty. Citing Articles 2066 and 2067 of the Civil Code, [8] the Court of Appeals ruled that as guarantor of Phil-Asia's obligations to TRB under the letters of credit, DBP is entitled to indemnity from Phil-Asia.

Contrary to the claims of DBP and Phil-Asia that there was overpayment, the Court of Appeals found that out of Phil-Asia's P92,290,845.58 loan accommodation from TRB, the payments of DBP and Phil-Asia only totaled P83,858,463.80, thus, leaving a balance of P8,432,381.78. Furthermore, the Court of Appeals ruled that since there was no evidence of any stipulation on the rate of interest, a 12% interest rate per annum should apply from the filing of the complaint until full payment of the obligation.

As regards APT, the Court of Appeals held that no evidence was presented to show that the obligations of DBP and Phil-Asia under the letters of credit were transferred to or assumed by APT.

The Issues

Petitioner submits the following issues:

1. WHETHER THE IMPORTATION OF MACHINERIES COVERED BY THE SUBJECT LETTERS OF CREDIT ARE COVERED BY THE DBP GUARANTEE.
2. WHETHER THE LETTERS OF CREDIT SUBJECT TO RESPONDENT TRADERS ROYAL BANK'S CLAIM HAVE BEEN PAID.
3. ASSUMING THAT DBP CAN BE HELD LIABLE FOR RESPONDENT TRADERS ROYAL BANK'S CLAIM, WHETHER THE PRIVATIZATION AND MANAGEMENT OFFICE SHOULD BE MADE TO PAY FOR THE SAME.[9]

The Ruling of the Court

The petition has no merit.

The issues presented in this case involve questions of fact which are not reviewable in a petition for review under Rule 45. The Court is not a trier of facts. Section 1 of Rule 45 provides that "[t]he petition shall raise only questions of law which must be distinctly set forth."

A question of fact exists when the doubt centers on the truth or falsity of the alleged facts while a question of law exists if the doubt centers on what the law is on a certain set of facts.[10] There is a question of fact if the issue requires a review of the evidence presented or requires the re-evaluation of the credibility of witnesses. [11] However, if the issue raised is capable of being resolved without need of