

[G.R. No. 186738, September 27, 2010]

**PRUDENTIAL BANK AND TRUST COMPANY (NOW BANK OF THE
PHILIPPINE ISLANDS,^[1] PETITIONER, VS. LIWAYWAY
ABASOLO, RESPONDENT.**

D E C I S I O N

CARPIO MORALES, J.:

Leonor Valenzuela-Rosales inherited two parcels of land situated in Palanan, Sta. Cruz, Laguna (the properties), registered as Original Certificates of Title Nos. RO-527 and RO-528. After she passed away, her heirs executed on June 14, 1993 a Special Power of Attorney (SPA) in favor of Liwayway Abasolo (respondent) empowering her to sell the properties.^[2]

Sometime in 1995, Corazon Marasigan (Corazon) wanted to buy the properties which were being sold for P2,448,960, but as she had no available cash, she broached the idea of first mortgaging the properties to petitioner Prudential Bank and Trust Company (PBTC), the proceeds of which would be paid directly to respondent. Respondent agreed to the proposal.

On Corazon and respondent's consultation with PBTC's Head Office, its employee, Norberto Mendiola (Mendiola), allegedly advised respondent to issue an authorization for Corazon to mortgage the properties, and for her (respondent) to act as one of the co-makers so that the proceeds could be released to both of them.

To guarantee the payment of the property, Corazon executed on August 25, 1995 a Promissory Note for P2,448,960 in favor of respondent.

By respondent's claim, in October 1995, Mendiola advised her to transfer the properties first to Corazon for the immediate processing of Corazon's loan application with assurance that the proceeds thereof would be paid directly to her (respondent), and the obligation would be reflected in a bank guarantee.

Heeding Mendiola's advice, respondent executed a Deed of Absolute Sale over the properties in favor of Corazon following which or on December 4, 1995, Transfer Certificates of Title Nos. 164159 and 164160 were issued in the name of Corazon.

Corazon's application for a loan with PBTC's Tondo Branch was approved on December 1995. She thereupon executed a real estate mortgage covering the properties to secure the payment of the loan. In the absence of a written request for a bank guarantee, the PBTC released the proceeds of the loan to Corazon.

Respondent later got wind of the approval of Corazon's loan application and the release of its proceeds to Corazon who, despite repeated demands, failed to pay the purchase price of the properties.

Respondent eventually accepted from Corazon partial payment in kind consisting of one owner type jeepney and four passenger jeepneys,^[3] plus installment payments, which, by the trial court's computation, totaled P665,000.

In view of Corazon's failure to fully pay the purchase price, respondent filed a complaint for collection of sum of money and annulment of sale and mortgage with damages, against Corazon and PBTC (hereafter petitioner), before the Regional Trial Court (RTC) of Sta. Cruz, Laguna.^[4]

In her Answer,^[5] Corazon denied that there was an agreement that the proceeds of the loan would be paid directly to respondent. And she claimed that the vehicles represented full payment of the properties, and had in fact overpaid P76,040.

Petitioner also denied that there was any arrangement between it and respondent that the proceeds of the loan would be released to her.^[6] It claimed that it "may process a loan application of the registered owner of the real property who requests that proceeds of the loan or part thereof be payable directly to a third party [but] the applicant must submit a letter request to the Bank."^[7]

On pre-trial, the parties stipulated that petitioner was not a party to the contract of sale between respondent and Corazon; that there was no written request that the proceeds of the loan should be paid to respondent; and that respondent received five vehicles as partial payment of the properties.^[8]

Despite notice, Corazon failed to appear during the trial to substantiate her claims.

By Decision of March 12, 2004,^[9] Branch 91 of the Sta. Cruz, Laguna RTC rendered judgment in favor of respondent and against Corazon who was made directly liable to respondent, and against petitioner who was made subsidiarily liable in the event that Corazon fails to pay. Thus the trial court disposed:

WHEREFORE, premises considered, finding the plaintiff has established her claim against the defendants, Corazon Marasigan and Prudential Bank and Trust Company, judgment is hereby rendered in favor of the plaintiff ordering:

Defendant Corazon Marasigan to pay the plaintiff the amount of P1,783,960.00 plus three percent (3%) monthly interest per month from August 25, 1995 until fully paid. Further, to pay the plaintiff the sum equivalent to twenty percent five [*sic*] (25%) of P1,783,960.00 as attorney's fees.

Defendant Prudential Bank and Trust Company to pay the plaintiff the amount of P1,783,960.00 or a portion thereof plus the legal rate of interest per annum until fully paid **in the event that Defendant Corazon Marasigan fails to pay** the said amount or a portion thereof.

Other damages claimed not duly proved are hereby dismissed.

So Ordered.^[10] (emphasis in the original; underscoring partly in the original, partly supplied)

In finding petitioner subsidiarily liable, the trial court held that petitioner breached its understanding to release the proceeds of the loan to respondent:

Liwayway claims that the bank should also be held responsible for breach of its obligation to directly release to her the proceeds of the loan or part thereof as payment for the subject lots. The evidence shows that her claim is valid. The Bank had such an obligation as proven by evidence. It failed to rebut the credible testimony of Liwayway which was given in a frank, spontaneous, and straightforward manner and withstood the test of rigorous cross-examination conducted by the counsel of the Bank. Her credibility is further strengthened by the corroborative testimony of Miguela delos Reyes who testified that she went with Liwayway to the bank for several times. In her presence, Norberto Mendiola, the head of the loan department, instructed Liwayway to transfer the title over the subject lots to Corazon to facilitate the release of the loan with the guarantee that Liwayway will be paid upon the release of the proceeds.

Further, Liwayway would not have executed the deed of sale in favor of Corazon had Norberto Mendiola did not promise and guarantee that the proceeds of the loan would be directly paid to her. Based on ordinary human experience, she would not have readily transferred the title over the subject lots had there been no strong and reliable guarantee. In this case, what caused her to transfer title is the promise and guarantee made by Norberto Mendiola that the proceeds of the loan would be directly paid to her. ^[11] (emphasis underscoring supplied)

On appeal, the Court of Appeals, by Decision of January 14, 2008^[12], **affirmed** the trial court's decision with modification on the amount of the balance of the purchase price which was reduced from P1,783,960 to P1,753,960. It disposed:

WHEREFORE, premises considered, the assailed Decision dated March 12, 2004 of the Regional Trial Court of Sta. Cruz, Laguna, Branch 91, is **AFFIRMED WITH MODIFICATION** as to the amount to be paid which is P1,753,960.00.

SO ORDERED.^[13] (emphasis in the original; underscoring supplied)

Petitioner's motion for reconsideration having been denied by the appellate court by Resolution of February 23, 2009, the present petition for review was filed.

The only issue petitioner raises is whether it is subsidiarily liable.

The petition is meritorious.