

THIRD DIVISION

[G.R. No. 177828, February 13, 2009]

**ANNABELLE DELA PEÑA AND ADRIAN VILLAREAL, PETITIONERS,
VS. THE COURT OF APPEALS AND RURAL BANK OF BOLINAO,
INC., RESPONDENTS.**

D E C I S I O N

NACHURA, J.:

This petition for review on *certiorari* filed by petitioners Annabelle dela Peña and Adrian Villareal (petitioners) seeks to nullify and set aside the October 31, 2006 Decision^[1] and May 8, 2007 Resolution^[2] of the Court of Appeals (CA) in CA-G.R. SP No. 91338.

On October 20, 1983, respondent Rural Bank of Bolinao, Inc. (respondent) extended a loan of Eighty-One Thousand Pesos (P81,000.00) to petitioners. The loan was evidenced by a promissory note,^[3] and was payable on or before October 14, 1984.

Petitioners failed to pay their obligation in full when it became due. Demands for payment^[4] were made by respondent, but these were not heeded. Consequently, respondent filed a collection case against the petitioners with the Municipal Trial Court (MTC) of Bolinao, Pangasinan, docketed as Civil Case No. 838.^[5]

At the pre-trial conference set on October 17, 1995, petitioners did not appear. Consequently, upon motion by respondent, petitioners were declared as in default, and respondent was allowed to present its evidence *ex parte*.

On November 2, 1995, the MTC rendered a Decision^[6] decreeing that:

WHEREFORE, the Court hereby renders judgment in favor of the [respondent] and against the [petitioners], to wit:

1. ORDERING, the [petitioners] to jointly and severally pay the [respondent] the remaining principal loan in the sum of P77,722.67 outstanding as of October 17, 1995, plus interest of 12% per annum and penalty of 3% per annum, until full payment of the principal loan thereof;
2. ORDERING, the [petitioners] to jointly and severally pay the [respondent] the interest due as of October 17, 1995, in the sum of P105,951.91;
3. ORDERING, the [petitioners] to jointly and severally pay the [respondent] the penalty due as of October 17, 1995, in the sum of

P25,670.21;

4. ORDERING, the [petitioners] to jointly and severally pay the [respondent] the litigation expenses, in the sum of P4,500.00;
5. ORDERING, the [petitioners] to jointly and severally pay attorney's fees in the sum of P7,722.27;
6. ORDERING, the [petitioners] to jointly and severally pay the [respondent bank] the collection fees in the sum of P50.00; and
7. To pay the cost of suit.

SO ORDERED. ^[7]

On appeal by petitioners, the Regional Trial Court (RTC) remanded the case to the MTC for further proceedings, viz.:

This Court finds Exhibit A, which is Annex A to the complaint, as not material to the allegations in paragraph 2 of the complaint since the Promissory Note was allegedly granted on October 20, 1983 and the due date October 14, 1984. By the allegations of paragraph 2 of the complaint stating that the [petitioners] obtained a loan from the [respondent] on October 20, 1993 for P81,000.00 which was to be paid on October 20, 1984, hence, it is indeed a very great error to state in the complaint the date of October 20, 1993 as the date of the loan was obtained when the evidence shows that it was granted on October 20, 1983.

WHEREFORE, in view of the foregoing, this case is ordered remanded back to the lower court for further proceedings in order to determine what was the exact date when the loan was taken from the [respondent] by the [petitioners] and the due date of such Promissory Note and for other matters. The declaration of the petitioners as in default is hereby set aside for purposes of continuation of reception of parties.

IT IS SO ORDERED. ^[8]

After the case was remanded, respondent moved for leave to amend its complaint to conform to the promissory note.^[9] The motion was granted by the MTC^[10] and the amended complaint^[11] was admitted. The case was then set for hearing on November 16, 2000,^[12] but petitioners failed to appear, thus, respondent introduced and offered the pieces of evidence which it had earlier presented *ex parte*. Subsequently, on November 28, 2000, the MTC promulgated a Decision^[13] reiterating in full its November 2, 1995 judgment.

Petitioners again elevated this adverse decision to the RTC. On June 14, 2001, the RTC set aside the MTC decision and remanded the case for further proceedings. In so ruling, it held that the MTC did not adhere to the RTC order to conduct further proceedings. Despite its earlier ruling setting aside the declaration of default against the petitioners, the MTC did not require petitioners to file their answer. Likewise, it

did not set the case anew for pre-trial and presentation of evidence of both parties. Petitioners' failure to attend the scheduled hearing can only be construed as waiver of their right to cross-examine the witnesses, but not a waiver of their right to present evidence. The RTC declared that petitioners' right to due process had been violated when they were not given an opportunity to present countervailing evidence.^[14] The dispositive portion of the decision reads:

In view of the foregoing consideration, the Court renders judgment declaring the proceedings of the MTC of Bolinao in this case from after its admission of [respondent's] amended [complaint] as null and void; and setting aside the decision dated November 28, 2000, and ordering the remand of this case to the said Court for further proceedings by allowing the [petitioners] to file their answer to the amended complaint conducting the mandatory pre-trial conference of the parties and hearing their respective evidences before rendering decision thereon.

SO ORDERED.^[15]

Upon remand, respondent caused the re-service of summons upon petitioners,^[16] who filed their Answer^[17] on July 7, 2003. Petitioners admitted obtaining a loan from respondent bank, but alleged that they substantially paid their obligation.

On July 28, 2003, the MTC issued a notice setting the case for pre-trial on August 29, 2003.^[18] However, a day before the scheduled pre-trial, petitioners moved for postponement;^[19] thus, the pre-trial was reset to September 26, 2003.^[20] On September 16, 2003, petitioners again moved for postponement of pre-trial,^[21] which was also granted by the MTC. The pre-trial was again reset to November 14, 2003.^[22]

On November 14, 2003, respondent appeared, but no pre-trial was held because petitioners, for the third time, moved for its postponement in a motion filed on November 11, 2003.^[23] The MTC again granted the motion and rescheduled the pre-trial to December 12, 2003,^[24] but again no pre-trial was held as it was further moved to January 30, 2004. On December 17, 2003, petitioners filed another motion for postponement reiterating their request to conduct pre-trial on January 30, 2004.^[25]

On January 30, 2004, respondent appeared, while petitioners did not. Consequently, the MTC, upon motion of respondent, allowed the presentation of its evidence *ex parte*. Thereafter, on February 9, 2004, respondent filed a Motion to Render Judgment.^[26]

Petitioners then filed a Motion for Reconsideration (with Motion to Set Aside Order of Default).^[27] They averred that they were not able to attend the pre-trial conference on January 30, 2004 because petitioner Villareal suddenly felt weak, and petitioner Dela Peña took care of him. They were not able to inform the court that they could not make it to the pre-trial because there was no way they could immediately communicate with the court. Finally, they averred that they have a meritorious defense. Accordingly, they prayed that they be allowed to regain their standing in court.

Respondent opposed the motion. Citing Section 5, Rule 18 of the 1997 Revised Rules of Civil Procedure, respondent averred that the MTC was correct in allowing the presentation of evidence *ex parte* in view of petitioners' failure to appear at the pre-trial conference. It also claimed that the motion for reconsideration is already moot and academic, considering that the case had already been submitted for resolution.^[28]

On March 12, 2004, the MTC issued an Order^[29] denying petitioners' motion for reconsideration for lack of merit. It agreed with respondent that the motion is already moot and academic, and further declared that granting the motion would give rise to endless litigation.

On August 16, 2004, the MTC rendered a Decision^[30] ordering petitioners to pay respondent bank their unpaid obligation of P77,722.67 with interest at 3% per annum, from October 17, 1995 until its full payment. Petitioners were likewise held liable for the payment of the interests and penalties due as of October 17, 1995 amounting to P105,951.91 and P25,670.21, respectively, litigation expenses of P4,500.00, attorney's fees of P7,722.27, collection fees of P50.00 and the cost of suit.

Petitioners appealed to the RTC. They objected to the form and substance of the MTC decision on the ground that it did not state the law on which its findings were based, in utter disregard of Section 1, Rule 36 of the 1997 Rules of Civil Procedure. Petitioners further claimed denial of due process, for they were not given an opportunity to present countervailing evidence.^[31]

On May 25, 2005, the RTC set aside the MTC decision and remanded the case for further proceedings.^[32] It declared that the assailed MTC decision was a nullity for lack of legal basis. According to the RTC, the MTC failed to clearly and distinctly state the law which was made the basis of its decision. The RTC also found that petitioners were not duly notified of the scheduled pre-trial conference as the record is bereft of proof that an order setting the case for pre-trial conference on January 30, 2004 was issued. Neither was there any order allowing the respondent to adduce evidence *ex parte* in view of petitioners' failure to appear on the said date. The RTC concluded that the MTC decision was issued without due process. Accordingly, the case was remanded for pre-trial conference and for presentation of evidence.

Dissatisfied with the RTC decision, respondent appealed to the CA. On October 31, 2006, the CA rendered the assailed Decision. Reversing the RTC, the CA found that petitioners had sufficient notice that the pre-trial conference will be held on January 30, 2004 for this setting had been chosen and confirmed twice by the petitioners. According to the CA, petitioners should have appointed a representative, armed with a special power of attorney, to appear on their behalf if they could not make it to the scheduled pre-trial, especially in this case where several postponements had already been granted. It added that petitioners cannot repeatedly ask for the postponement of a pre-trial on account of their insistence to personally attend and participate in the same; otherwise, the entire proceedings would be left at the mercy and whims of a cunning litigant. Accordingly, the CA upheld the MTC in allowing the *ex parte* presentation of evidence, and in rendering judgment on the basis of the evidence

presented.

Petitioners filed a motion for reconsideration, but the CA denied the same on May 8, 2007.

Hence, this recourse by petitioners arguing that:

1. THE COURT OF APPEALS ERRED IN REIN[ST]ATING THE DECISION OF THE MUNICIPAL TRIAL COURT OF BOLINAO WHICH IS NULL AND VOID FOR FAILURE TO STATE THE LAW ON WHICH ITS FINDINGS OF FACTS ARE BASED CONTRARY TO THE REQUIREMENT UNDER SECTION 1, RULE 36 OF THE 1997 RULES OF CIVIL PROCEDURE.
2. THE COURT OF APPEALS ERRED WHEN IT REINSTATED THE DECISION OF THE MUNICIPAL TRIAL COURT OF BOLINAO EVEN WHEN THE LOWER COURT OMITTED AND FAILED TO ISSUE AN ORDER AFTER THE PRE-TRIAL CONFERENCE PROCEEDINGS.
3. THE COURT OF APPEALS' AFFIRMATION OF THE DECISION OF THE MUNICIPAL TRIAL COURT OF BOLINAO AMOUNTS TO DENIAL OF THE PETITIONERS' CONSTITUTIONAL RIGHT TO DUE PROCESS OF LAW ON MERE TECHNICALITY.^[33]

Petitioners fault the CA for reversing the RTC, and for reinstating and upholding the MTC decision. Reiterating their arguments before the RTC, they assert that the MTC decision is null and void for it does not conform to the requirement of Section 14, Article VIII of the Constitution and of the Rules of Court.

Section 14, Article VIII of the 1987 Constitution directs that:

SEC. 14. No decision shall be rendered by any court without expressing therein clearly and distinctly the facts and the law on which it is based.

Section 1, Rule 36 of the Rules of Court reflects the foregoing mandate, thus:

SECTION 1. *Rendition of judgments and final orders.* - A judgment or final order determining the merits of the case shall be in writing personally and directly prepared by the judge, stating clearly and distinctly the facts and the law on which it is based, signed by him, and filed with the clerk of court.

The August 16, 2004 MTC decision reads in full:

This is an inherited case by the undersigned Judge-Designate, filed way back in September 14, 1994.

Likewise, the instant case is an off-shoot of the appealed decision of this court to the Regional Trial Court, Alaminos, Pangasinan, which remanded back in its order dated August 29, 1996 x x x.

Proceedings were held whereby [respondent] moved with leave of court to amend paragraph 2 of the complaint to conform to evidence.