574 Phil. 609

THIRD DIVISION

[G.R. No. 154740, April 16, 2008]

HENRY DELA RAMA CO, Petitioner, vs. ADMIRAL UNITED SAVINGS BANK, Respondent.

D E C I S I O N

NACHURA, J.:

On appeal is the February 19, 2002 Decision[1] of the Court of Appeals (CA) in CA-G.R. CV No. 42167, setting aside the May 18, 1991 Decision[2] of the Regional Trial Court (RTC) of Quezon City, Branch 100, as well as its subsequent Resolution,[3] denying petitioner's motion for reconsideration.

On February 28, 1983, Admiral United Savings Bank (ADMIRAL) extended a loan of Five Hundred Thousand Pesos (P500,000.00) to petitioner Henry Dela Rama Co (Co), with Leocadio O. Isip (Isip) as co-maker. The loan was evidenced by Promissory Note No. A1-041[4] dated February 28, 1983 and payable on or before February 23, 1984, with interest at the rate of 18% per annum and service charge of 10% per annum. The note also provided for liquidated damages at the rate of 3% per month plus incidental cost of collection and/or legal fees/cost, in the event of non-payment on due date.

Co and Isip failed to pay the loan when it became due and demandable. Demands for payment were made by ADMIRAL, but these were not heeded. Consequently, ADMIRAL filed a collection case against Co and Isip with the RTC of Quezon City, docketed as Civil Case No. Q-48543.

Co answered the complaint alleging that the promissory note was sham and frivolous; hence, void *ab initio*. He denied receiving any benefits from the loan transaction, claiming that ADMIRAL merely induced him into executing a promissory note. He also claimed that the obligations, if any, had been paid, waived or otherwise extinguished. Co allegedly ceded several vehicles to ADMIRAL, the value of which was more than enough to cover the alleged obligation. He added that there was condonation of debt and novation of the obligation. ADMIRAL was also guilty of laches in prosecuting the case. Finally, he argued that the case was prematurely filed and was not prosecuted against the real parties-in-interest.[5]

Pending resolution of the case, Isip died. Accordingly, he was dropped from the complaint.

Co then filed a third party complaint against Metropolitan Rentals & Sales, Inc. (METRO RENT). He averred that the incorporators and officers of METRO RENT were the ones who prodded him in obtaining a loan of P500,000.00 from ADMIRAL. The proceeds of the loan were given to the directors and officers of METRO RENT, who

assured him of prompt payment of the loan obligation. METRO RENT also assured him that he would be discharged from all liabilities under the promissory note, but it did not make good its promise. Co, thus, prayed that METRO RENT be adjudged liable to ADMIRAL for the payment of the obligation under the promissory note.[6]

Traversing the third party complaint, METRO RENT denied receiving the loan proceeds from Co. It claimed that the loan was Co's personal loan from which METRO RENT derived no benefit, thus, it cannot be held liable for the payment of the same.[7]

In due course and after hearing, the RTC rendered a Decision[8] on May 18, 1991, dismissing the complaint on the ground that the obligation had already been paid or otherwise extinguished. It primarily relied on the release of mortgage executed by the officers of ADMIRAL, and on Co's testimony that METRO RENT already paid the loan. The RTC also dismissed Co's third party complaint against METRO RENT, as well as his counterclaim against ADMIRAL for lack of basis.

ADMIRAL appealed the dismissal of the complaint to the CA.[9] On February 19, 2002, the CA rendered the assailed decision.[10] Reversing the RTC, the CA found preponderance of evidence to hold Co liable for the payment of his loan obligation to ADMIRAL. It rejected Co's assertion that he merely acted as an accommodation party for METRO RENT, declaring that Co's liability under the note was apparent in his express, absolute and unconditional promise to pay the loan upon maturity. The CA further held that whatever agreement Co had with METRO RENT cannot bind ADMIRAL since there is no showing that the latter was aware of the agreement, let alone consented to it. The CA also rejected Co's alternative defense that METRO RENT already paid the loan, finding the testimonial evidence in support of the assertion as pure hearsay.

The CA disposed, thus:

> **UPON THE VIEW WE TAKE OF THIS CASE, THUS**, the judgment appealed from must be as it hereby is, **REVERSED** and **SET ASIDE**, and a new one entered **CONDEMNING** [petitioner] Henry Dela Rama Co to pay [respondent] Admiral United Savings Bank: (1) the sum of **FIVE HUNDRED THOUSAND (P500,000.00) PESOS**, Philippine Currency, with interest at eighteen percent (18%) per annum, and charges of ten percent (10%) per annum, reckoned from 28 February 1984, until fully paid; (2) the sum equivalent to three percent (3%) per month from said due date until fully paid, by way of liquidated damages; and, (3) the sum equivalent to twenty-five percent (25%) of the total amount due in the concept of attorney's fees.
>
> For insufficiency of evidence, the third party complaint against third party defendant Metropolitan Rental and Sales, Incorporated, is **DISMISSED**. Without costs.
>
> **SO ORDERED**.[11]

Co filed a motion for reconsideration, but the CA denied the same on August 7, 2002.[12]

Hence, this appeal by Co faulting the CA for reversing the RTC.

The appeal lacks merit.

Co has not denied the authenticity and due execution of the promissory note. He, however, asserts that he is not legally bound by said document because he merely acted as an accommodation party for METRO RENT. He claimed the he signed the note only for the purpose of lending his name to METRO RENT, without receiving value therefor.

The argument fails to persuade.

The document, bearing Co's signature, speaks for itself. To repeat, Co has not questioned the genuineness and due execution of the note. By signing the promissory note, Co acknowledged receipt of the loan amounting to P500,000.00, and undertook to pay the same, plus interest, to ADMIRAL on or before February 28, 1984. Thus, he cannot validly set up the defense that he did not receive the value of the note or any consideration therefor.

At any rate, Co's assertion that he merely acted as an accommodation party for METRO RENT cannot release him from liability under the note. An accommodation party who lends his name to enable the accommodated party to obtain credit or raise money is liable on the instrument to a holder for value even if he receives no part of the consideration.[13] He assumes the obligation to the other party and binds himself to pay the note on its due date. By signing the note, Co thus became liable for the debt even if he had no direct personal interest in the obligation or did not receive any benefit therefrom.

In *Sierra v. Court of Appeals*,[14] we held that:

> A promissory note is a solemn acknowledgment of a debt and a formal commitment to repay it on the date and under the conditions agreed upon by the borrower and the lender. A person who signs such an instrument is bound to honor it as a legitimate obligation duly assumed by him through the signature he affixes thereto as a token of his good faith. If he reneges on his promise without cause, he forfeits the sympathy and assistance of this Court and deserves instead its sharp repudiation.

Co is not unfamiliar with commercial transactions. He is a certified public accountant, who obtained his bachelor's degree in accountancy from De La Salle University. Certainly, he fully understood the import and consequences of what he was doing when he signed the promissory note. He even mortgaged his own properties to secure payment of the loan. His disclaimer, therefore, does not inspire belief.

Co also offered the alternative defense that the loan had already been extinguished by payment. He testified that METRO RENT paid the loan *a week before April 11, 1983*.[15]

In *Alonzo v. San Juan*,[16] we held that the receipts of payment, although not

exclusive, were deemed to be the best evidence of the fact of payment.

In this case, no receipt was presented to substantiate the claim of payment. Instead, Co presented a Release of Real Estate Mortgage[17] dated April 11, 1983 to prove his assertion. But a cancellation of mortgage is not conclusive proof of payment of a loan, even as it may serve as basis for an inference that payment of the principal obligation had been made.

Unfortunately for Co, no such inference can be made from the deed he presented. The Release of Real Estate Mortgage reads:

> The ADMIRAL UNITED SAVINGS BANK, a banking institution duly organized and existing under and by virtue of the laws of the Philippines, with offices at S. Medalla Building, EDSA corner Gen. MacArthur, Cubao, Quezon City, Metro-Manila, represented in this act by its First Vice-President, MR. EMMANUEL ALMANZOR, and its Asst. Vice President, MR. ROSSINI PETER G. GAMALINDA, the mortgagee of the properties described in Transfer Certificates of Title Nos. 3478 and 95759 of the Registry of Deeds of Laguna in the MORTGAGE executed on February 24, 1983 and acknowledged on the same date before Atty. Benjamin Baens del Rosario, Notary Public for and in Quezon City, Metro Manila who entered in his notarial protocol as Doc. No. 70, Page No. 15, Book No. IV, Series of 1983, in favor of the said Bank, by HENRY DE[LA] RAMA CO, hereby RELEASES and DISCHARGES the mortgage on the aforesaid Transfer Certificates of Title Nos. 3478 and 95759 of the Registry of Deeds of Laguna.[18]

The record is bereft of any showing that the promissory note was secured by a mortgage over properties covered by TCT Nos. 3478 and 95759. Thus, it cannot be assumed that the mortgage executed on February 28, 1983, and released on April 11, 1983, was the security for the subject promissory note.

In addition, TCT Nos. 3478 and 95759, the supposed collaterals for the loan, are still with the bank.[19] If indeed there was payment of the principal obligation and cancellation of the mortgage in 1983, Co should have immediately demanded for the return of the TCTs. This he failed to do.[20] It was only on June 11, 1987, after the filing of the complaint with the RTC, that Co demanded for the return of TCT Nos. 3478 and 95759.[21] Co's inaction militates against his assertion.

Jurisprudence is replete with rulings that in civil cases, the party who alleges a fact has the burden of proving it. Burden of proof is the duty of a party to present evidence on the facts in issue necessary to prove the truth of his claim or defense by the amount of evidence required by law.[22] Thus, a party who pleads payment as a defense has the burden of proving that such payment had, in fact, been made. When the plaintiff alleges nonpayment, still, the general rule is that the burden rests on the defendant to prove payment, rather than on the plaintiff to prove nonpayment.[23]

Verily, Co failed to discharge this burden. His bare testimonial assertion that METRO RENT paid the loan *a week before April 11, 1983* or *forty-five (45) days after [the] release of the loan*, cannot be characterized as adequate and competent proof of