

FIRST DIVISION

[G.R. NO. 153867, February 17, 2005]

**WOOD TECHNOLOGY CORPORATION, CHI TIM CORDOVA AND
ROBERT TIONG KING YOUNG, PETITIONERS, VS. EQUITABLE
BANKING CORPORATION, RESPONDENT.**

DECISION

QUISUMBING, J.:

This petition for review seeks to reverse and set aside the **Decision**^[1] dated April 11, 2001 of the Court of Appeals in CA-G.R. CV No. 57371 and its **Resolution**^[2] dated June 3, 2002 which denied the motion for reconsideration.

The case originated from a Complaint for Sum of Money filed on October 21, 1996, before the Regional Trial Court of Manila, Branch 29, by respondent Equitable Banking Corporation^[3] against the petitioners, Wood Technology Corporation (WTC), Chi Tim Cordova, and Robert Tiong King Young.

The **Complaint** alleged that on December 9, 1994, WTC obtained from respondent a loan in the amount of US\$75,000, with 8.75% interest per annum, as evidenced by a Promissory Note, No. FXBD94-00881, signed by Cordova and Young as representatives of WTC. Cordova and Young executed a Surety Agreement binding themselves as sureties of WTC for the loan. Respondent bank made a final demand on April 19, 1996, for WTC to pay its obligation, but petitioners failed to pay. Respondent prayed that petitioners be ordered to pay it \$75,603.65 or P2,018,617.46 (computed as of October 10, 1995) plus interest, penalty, attorney's fees and other expenses of litigation; and the cost of suit.

In their Answer, petitioners stated that WTC obtained the \$75,000 loan; that Cordova and Young bound themselves as its sureties. They claimed that only one demand letter, dated April 19, 1996, was made by respondent. They added that the promissory note did not provide the due date for payment. Petitioners also claimed that the loan had not yet matured as the maturity date was purposely left blank, to be agreed upon by the parties at a later date. Since no maturity date had been fixed, the filing of the Complaint was premature, and it failed to state a cause of action. They further claimed that the promissory note and surety agreement were contracts of adhesion with terms on interest, penalty, charges and attorney's fees that were excessive, unconscionable and not reflective of the parties' real intent. Petitioners prayed for the reformation of the promissory note and surety agreement to make their terms and conditions fair, just and reasonable. They also asked payment of damages by respondent.

On May 5, 1997, respondent moved for a judgment on the pleadings. The RTC, Branch 29 rendered judgment^[4] and disposed as follows:

WHEREFORE, in view of the foregoing, and to abbreviate this case, judgment is hereby rendered based on the pleading[s] filed by the opposing parties and the documents annexed thereto. The defendant[s] Wood Technology Corporation, Robert Tiong King Young and Chi Tim Cordova are hereby ordered to pay solidarily to herein plaintiff the sum of \$75,000.00 or its equivalent in Philippine Currency and to pay the stipulated interest of 8.75% per annum to be reckoned from the date that the obligation was contracted until the filing of this suit. Thereafter, the legal rate shall apply.

SO ORDERED.

Petitioners appealed, but the Court of Appeals affirmed the RTC's judgment. The appellate court noted that petitioners admitted the material allegations of the Complaint, with their admission of the due execution of the promissory note and surety agreement as well as of the final demand made by the respondent. The appellate court ruled that there was no need to present evidence to prove the maturity date of the promissory note, since it was payable on demand. In addition, the Court of Appeals held that petitioners failed to show any ambiguity in the promissory note and surety agreement in support of their contention that these were contracts of adhesion. Finally, it ruled that the interest rate on the loan was not exorbitant.

The appellate court also denied petitioners' motion for reconsideration.

Before us, petitioners now raise the following issues:

1. WHETHER OR NOT THE ANSWER OF PETITIONERS WITH SPECIAL AND AFFIRMATIVE DEFENSES FAILS TO TENDER AN ISSUE OR ADMITS THE MATERIAL ALLEGATIONS IN THE COMPLAINT SO AS TO JUSTIFY THE RENDITION OF JUDGMENT ON THE PLEADINGS BY TRIAL COURT;
2. WHETHER OR NOT PETITIONERS SHOULD HAVE BEEN GIVEN THE RIGHT TO PRESENT EVIDENCE ON THEIR SPECIAL AND AFFIRMATIVE DEFENSES;
3. WHETHER OR NOT THE PROMISSORY NOTE IS A CONTRACT OF ADHESION CONTAINING UNREASONABLE CONDITIONS WHICH PETITIONERS SIGNED WITHOUT REAL FREEDOM OF WILL TO CONTRACT THE OBLIGATIONS THEREIN; AND
4. WHETHER OR NOT THE FILING OF THE COMPLAINT WAS PREMATURE AND/OR THE COMPLAINT FAIL[ED] TO STATE A CAUSE OF ACTION.^[5]

Simply put, the basic issue is whether the appellate court erred when it affirmed the RTC's judgment on the pleadings.

Petitioners argue that a judgment on the pleadings cannot be rendered because their Answer tendered genuine issues and disputed the material allegations in the Complaint. They claim that they did not totally or unqualifiedly admit all the material allegations in the Complaint, and that they had alleged special and affirmative defenses. If they were given the chance, they could have presented witnesses to prove their special and affirmative defenses.^[6]

For its part, respondent Equitable Banking Corporation states that the Court of Appeals was correct in affirming the judgment on the pleadings granted by the RTC. It adds that petitioners had admitted the material allegations of the Complaint and they did not raise genuine issues of fact that necessitate submission of evidence. It also contends that the special and affirmative defenses raised by petitioners concern the proper interpretation of the provisions of the promissory note and surety agreement. Respondent asserts that these defenses may be resolved based on the pleadings and the applicable laws and jurisprudence, without the need to present evidence.^[7]

At the outset, we must stress the Court's policy that cases and controversies should be promptly and expeditiously resolved. The Rules of Court seeks to shorten the procedure in order to allow the speedy disposition of a case. Specifically, we have rules on demurrer to evidence, judgment on the pleadings, and summary judgments. In all these instances, a full blown trial is dispensed with and judgment is rendered on the basis of the pleadings, supporting affidavits, depositions and admissions of the parties.^[8]

In this case, at issue is the propriety and validity of a judgment on the pleadings. A judgment on the pleadings is proper when an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading.^[9]

Both the RTC and Court of Appeals recognize that issues were raised by petitioners in their Answer before the trial court. This may be gleaned from their decisions which we partly quote below:

RTC's ORDER:

. . .

Defendants raised the following defenses:

- a. That the contract is one of adhesion and they were "forced to sign the same";
- b. That the interest [8.75% per annum], penalties and fees are unconscionable;
- c. That plaintiff's demand is premature.^[10]

. . .

Court of Appeals' DECISION:

. . . They neither raise **genuine issues** of fact needing submission of evidence. Rather, **these issues** hoist questions concerning the proper interpretation of the provisions of the promissory note and the surety agreement...^[11] (Emphasis supplied.)

Petitioners also contend that their Answer below raised issues that "are very material and **genuine**."^[12] Hence, according to petitioners, judgment on the pleadings was not proper. Respondent, on the other hand, argues that the special