

## SECOND DIVISION

**[ G. R. NO. 157836, May 26, 2005 ]**

**NOEMI M. CORONEL, PETITIONER, VS. ENCARNACION C. CAPATI,  
RESPONDENT.**

### DECISION

**PUNO, J.:**

On appeal is the Court of Appeals' May 31, 2001 Decision<sup>[1]</sup> in CA-G.R. CV No. 58060 and April 8, 2003 Resolution,<sup>[2]</sup> affirming the April 30, 1997 Decision<sup>[3]</sup> of the Regional Trial Court of Guagua, Pampanga in Civil Case No. G-2549 which found petitioner liable to pay respondent its loan obligation, plus attorney's fees and costs of suit.

The facts are as follows:

Petitioner contracted two loans from respondent on September 4, 1992 and October 25, 1992. The first amounted to P121,000.00 payable on or before February 4, 1993 and the second amounted to P363,000.00 payable on or before March 25, 1993. In return, petitioner issued respondent two checks: Metrobank Check No. 114678<sup>[4]</sup> dated September 4, 1992 for the first loan and Metrobank Check No. 114679<sup>[5]</sup> dated October 25, 1992 for the second loan. The two loans are embodied in two handwritten instruments. The first one reads:

P121,000. 00/xx

Received the amount of one hundred twenty one thousand pesos only P121,000. 00/xx from Mrs. Encarnacion C. Capati & payable in 5 months from Sept. 4, 1992 & said loan is secured by Metrobank (Guagua Branch) and with check # 114678.

(signed)

Noemi M. Coronel<sup>[6]</sup>

The second instrument, in like tenor, reads as follows:

Received the amount of three hundred sixty three thousand pesos only P363,000. 00/xx from Mrs. Encarnacion C. Capati & payable from Oct. 25, 1992 (5 months) & said loan is secured with Metrobank check # 114679 (Guagua Branch).

(signed)

Noemi M. Coronel<sup>[7]</sup>

Petitioner failed to pay her loans upon maturity despite repeated demands from respondent. The two checks she issued were dishonored when presented for payment on February 16, 1993 and April 7, 1993. Hence, on September 14, 1993, respondent filed a complaint for sum of money and damages with attachment against petitioner before the Regional Trial Court of Guagua, Pampanga.

On April 30, 1997, the trial court ruled in favor of respondent, ordering petitioner to pay, as follows:

WHEREFORE, premises considered, judgment is rendered ordering defendant:

1. To pay plaintiff the amount of P484,000.00 as principal obligation plus 12% interest per annum computed from the time of the filing of this case up to the time it is fully paid;
2. To pay plaintiff 10% of the principal obligation of P484,000.00 as attorney's fees;
3. To pay the costs of the suit.

SO ORDERED.

On appeal to the Court of Appeals, petitioner was unsuccessful as the appellate court affirmed the ruling of the trial court.

Petitioner's Motion for Reconsideration<sup>[8]</sup> was denied.

Hence, this appeal.<sup>[9]</sup>

Petitioner denied contracting the two loans in the amounts of P121,000.00 and P363,000.00 from respondent. She alleged that the Metrobank checks representing the foregoing amounts were two of several checks she issued in favor of respondent for a loan amounting to P1.101 million which she has fully paid. She claimed that despite full payment, respondent still deposited the two checks because of a dispute between them arising from respondent's demand for exorbitant and additional interest on the P1.101 million loan.

Petitioner alleged further that there were instances when respondent asked her to affix her signature on blank sheets of paper' thereby implying that the contents of Exhibits "A-1" and "B-1," containing the loan agreements were written by respondent on sheets of paper signed in advance by petitioner.

In detail, petitioner contended that on May 20, 1992, respondent informed her that her loan obligation added to P980,000.00 plus interest of P121,000.00, totaling P1,101,000.00, to which computation petitioner agreed. At the same time, respondent also asked her to sign a document entitled "*Pacto de Retro Sale*"<sup>[10]</sup> with the assurance that it will serve only as "security." On June 18, 1992, petitioner paid respondent P66,000.00 in cash.<sup>[11]</sup> Before the end of the redemption period under the *pacto de retro sale* which was on August 20, 1992, petitioner, expecting that she will be unable to pay the full amount on due date, issued respondent two checks: Metrobank check no. 114668<sup>[12]</sup> in the amount of P980,000.00 dated

August 20, 1992 and Metrobank check no. 114669<sup>[13]</sup> in the amount of P121,000.00 dated September 4, 1992. Later, respondent returned these two Metrobank checks numbered 114668 and 114669 to petitioner. Petitioner replaced these checks with Metrobank check no. 114675<sup>[14]</sup> in the same amount of P980,000.00 and likewise dated August 20, 1992, and Metrobank check no. 114678, <sup>[15]</sup> again in the same amount of P121,000.00 and likewise dated September 4, 1992.

On September 7, 1992, petitioner paid respondent another P40,000.00 in the form of Metrobank check no. 114700.<sup>[16]</sup> And on November 13, 1992, petitioner paid respondent P1M, evidenced by a handwritten receipt<sup>[17]</sup> signed by respondent. The receipt reads as follows:

Received from Miss Noemi M. Coronel the Bank of Philippine Island  
Cashier's Check No. 019877 dated Nov. 13, 1992 for ONE MILLION  
(P1,000,000.00) pesos as partial payment of the loan from Mrs.  
Encarnacion C. Capati, & the balance will be paid on or before Dec. 15,  
1992.

(signed)  
ENCARNACION CAPATI  
LENDER-MORTGAGEE  
November 13, 1992

Respondent returned to petitioner check no. 114675<sup>[18]</sup> in the amount of P980,000.00 dated August 20, 1992, upon payment of petitioner to respondent of the cashier's check worth P1M. Petitioner also issued another postdated check – Metrobank Check No. 114679<sup>[19]</sup> in the amount of P363,000.00 dated October 25, 1992 allegedly for interest of her obligation.<sup>[20]</sup>

Based on petitioner's own computation, her remaining balance amounted to only P50,000.00. Thus, on December 1, 1992, petitioner issued respondent a Metrobank Check No. 147653 in the amount of P50,000.00.<sup>[21]</sup> On January 4, 1993, she allegedly ordered Metrobank Guagua, through a letter,<sup>[22]</sup> to stop payment of the checks she issued respondent for P121,000.00 and P363,000.00. According to petitioner, these two checks were not returned by respondent because the latter claimed that she has not completed the payment of interest yet.

In sum, petitioner alleged that her total obligation is computed, as follows:

P 980,000.00 . . . . .principal obligation  
176,000.00. . . . .3% monthly interest from  
P1,156,000.00 May to Nov 1992

which she claimed to have paid, as follows:

P 66,000.00 . . . . .June 18, 1992  
40,000.00. . . . .September 7, 1992  
1,000,000.00 . . . . .November 13, 1992