

THIRD DIVISION

[G.R. No. 153535, July 28, 2005]

SOLIDBANK CORPORATION, PETITIONER, VS. MINDANAO FERROALLOY CORPORATION, SPOUSES JONG-WON HONG AND SOO-OK KIM HONG, * TERESITA CU, AND RICARDO P. GUEVARA AND SPOUSE, ** RESPONDENTS.

DECISION

PANGANIBAN, J.:

To justify an award for moral and exemplary damages under Articles 19 to 21 of the Civil Code (on human relations), the claimants must establish the other party's malice or bad faith by clear and convincing evidence.

The Case

Before us is a Petition for Review^[1] under Rule 45 of the Rules of Court, assailing the December 21, 2001 Decision^[2] and the May 15, 2002 Resolution^[3] of the Court of Appeals (CA) in CA-GR CV No. 67482. The CA disposed as follows:

"IN THE LIGHT OF ALL THE FOREGOING, the appeal is **DISMISSED**.

The Decision appealed from is **AFFIRMED**."^[4]

The assailed Resolution, on the other hand, denied petitioner's Motion for Reconsideration.

The Facts

The CA narrated the antecedents as follows:

"The Maria Cristina Chemical Industries (MCCI) and three (3) Korean corporations, namely, the Ssangyong Corporation, the Pohang Iron and Steel Company and the Dongil Industries Company, Ltd., decided to forge a joint venture and establish a corporation, under the name of the Mindanao Ferroalloy Corporation (Corporation for brevity) with principal offices in Iligan City. Ricardo P. Guevara was the President and Chairman of the Board of Directors of the Corporation. Jong-Won Hong, the General Manager of Ssangyong Corporation, was the Vice-President of the Corporation for Finance, Marketing and Administration. So was Teresita R. Cu. On November 26, 1990, the Board of Directors of the Corporation approved a 'Resolution' authorizing its President and Chairman of the Board of Directors or Teresita R. Cu, acting together with Jong-Won Hong, to secure an omnibus line in the aggregate amount of P30,000,000.00 from the Solidbank x x x.

"In the meantime, the Corporation started its operations sometime in April, 1991. Its indebtedness ballooned to P200,453,686.69 compared to its assets of only P65,476,000.00. On May 21, 1991, the Corporation secured an ordinary time loan from the Solidbank in the amount of P3,200,000.00. Another ordinary time loan was granted by the Bank to the Corporation on May 28, 1991, in the amount of P1,800,000.00 or in the total amount of P5,000,000.00, due on July 15 and 26, 1991, respectively.

"However, the Corporation and the Bank agreed to consolidate and, at the same time, restructure the two (2) loan availments, the same payable on September 20, 1991. The Corporation executed 'Promissory Note No. 96-91-00865-6' in favor of the Bank evidencing its loan in the amount of P5,160,000.00, payable on September 20, 1991. Teresita Cu and Jong-Won Hong affixed their signatures on the note. To secure the payment of the said loan, the Corporation, through Jong-Won Hong and Teresita Cu, executed a 'Deed of Assignment' in favor of the Bank covering its rights, title and interest to the following:

'The entire proceeds of drafts drawn under Irrevocable Letter of Credit No. M-S-041-2002080 opened with The Mitsubishi Bank Ltd. - Tokyo dated June 13, 1991 for the account of Ssangyong Japan Corporation, 7F. Matsuoka-Tamura-Cho Bldg., 22-10, 5-Chome, Shimbashi, Minato-Ku, Tokyo, Japan up to the extent of US\$197,679.00'

"The Corporation likewise executed a 'Quedan', by way of additional security, under which the Corporation bound and obliged to keep and hold, in trust for the Bank or its Order, 'Ferrosilicon for US\$197,679.00'. Jong-Won Hong and Teresita Cu affixed their signatures thereon for the Corporation. The Corporation, also, through Jong-Won Hong and Teresita Cu, executed a 'Trust Receipt Agreement', by way of additional security for said loan, the Corporation undertaking to hold in trust, for the Bank, as its property, the following:

'1. THE MITSUBISHI BANK LTD., Tokyo L/C No. M-S-041-2002080 for account of Ssangyong Japan Corporation, Tokyo, Japan for US\$197,679.00 Ferrosilicon to expire September 20, 1991.

'2. SEC QUEDAN NO. 91-476 dated June 26, 1991 covering the following:

Ferrosilicon for US\$197,679.00'

"However, shortly after the execution of the said deeds, the Corporation stopped its operations. The Corporation failed to pay its loan availments from the Bank inclusive of accrued interest. On February 11, 1992, the Bank sent a letter to the Corporation demanding payment of its loan availments inclusive of interests due. The Corporation failed to comply with the demand of the Bank. On November 23, 1992, the Bank sent

another letter to the [Corporation] demanding payment of its account which, by November 23, 1992, had amounted to P7,283,913.33. The Corporation again failed to comply with the demand of the Bank.

"On January 6, 1993, the Bank filed a complaint against the Corporation with the Regional Trial Court of Makati City, entitled and docketed as '*Solidbank Corporation vs. Mindanao Ferroalloy Corporation, Sps. Jong-Won Hong and the Sps. Teresita R. Cu*, Civil Case No. 93-038' for 'Sum of Money' with a plea for the issuance of a writ of preliminary attachment. x x x

x x x x x x x x x

"Under its 'Amended Complaint', the Plaintiff alleged that it impleaded Ricardo Guevara and his wife as Defendants because, [among others]:

'Defendants JONG-WON HONG and TERESITA CU, are the Vice-Presidents of defendant corporation, and also members of the company's Board of Directors. They are impleaded as joint and solidary debtors of [petitioner] bank having signed the Promissory Note, Quedan, and Trust Receipt agreements with [petitioner], in this case.

x x x x x x x x x'

"[Petitioner] likewise filed a criminal complaint x x x entitled and docketed as '*Solidbank Corporation vs. Ricardo Guevara, Teresita R. Cu and Jong Won Hong* x x x for 'Violation of P.D. 115'. On April 14, 1993, the investigating Prosecutor issued a 'Resolution' finding no probable cause for violation of P.D. 115 against the Respondents as the goods covered by the quedan 'were nonexistent':

x x x x x x x x x

"In their Answer to the complaint [in the civil case], the Spouses Jong-Won Hong and Soo-ok Kim Hong alleged, inter alia, that [petitioner] had no cause of action against them as:

'x x x the clean loan of P5.1 M obtained was a corporate undertaking of defendant MINFACO executed through its duly authorized representatives, Ms. Teresita R. Cu and Mr. Jong-Won Hong, both Vice Presidents then of MINFACO. x x x.'

x x x x x x x x x

"[On their part, respondents] Teresita Cu and Ricardo Guevara alleged that [petitioner] had no cause of action against them because: (a) Ricardo Guevara did not sign any of the documents in favor of [petitioner]; (b) Teresita Cu signed the 'Promissory Note', 'Deed of Assignment', 'Trust Receipt' and 'Quedan' in blank and merely as representative and, hence, for and in behalf of the Defendant Corporation and, hence, was not personally liable to [petitioner].

"In the interim, the Corporation filed, on June 20, 1994, a 'Petition', with the Regional Trial Court of Iligan City, for 'Voluntary Insolvency' x x x.

x x x x x x x x x

"Appended to the Petition was a list of its creditors, including [petitioner], for the amount of P8,144,916.05. The Court issued an Order, on July 12, 1994, finding the Petition sufficient in form and substance x x x.

x x x x x x x x x

"In view of said development, the Court issued an Order, in Civil Case No. 93-038, suspending the proceedings as against the Defendant Corporation but ordering the proceedings to proceed as against the individual defendants x x x.

x x x x x x x x x

"On December 10, 1999, the Court rendered a Decision dismissing the complaint for lack of cause of action of [petitioner] against the Spouses Jong-Won Hong, Teresita Cu and the Spouses Ricardo Guevara, x x x.

x x x x x x x x x

"In dismissing the complaint against the individual [respondents], the Court *a quo* found and declared that [petitioner] failed to adduce a morsel of evidence to prove the personal liability of the said [respondents] for the claims of [petitioner] and that the latter impleaded the [respondents], in its complaint and amended complaint, solely to put more pressure on the Defendant Corporation to pay its obligations to [petitioner].

"[Petitioner] x x x interposed an appeal, from the Decision of the Court *a quo* and posed, for x x x resolution, the issue of whether or not the individual [respondents], are jointly and severally liable to [petitioner] for the loan availments of the [respondent] Corporation, inclusive of accrued interests and penalties.

"In the meantime, on motion of [petitioner], the Court set aside its Order, dated February 2, 1995, suspending the proceedings as against the [respondent] Corporation. [Petitioner] filed a 'Motion for Summary Judgment' against the [respondent] Corporation. On February 28, 2000, the Court rendered a 'Summary Judgment' against the [respondent] Corporation, the decretal portion of which reads as follows:

'WHEREFORE, premises considered, this Court hereby resolves to give due course to the motion for summary judgment filed by herein [petitioner]. Consequently, judgment is hereby rendered in favor of [Petitioner] SOLIDBANK CORPORATION and against [Respondent] MINDANAO FERROALLOY CORPORATION, ordering the latter to pay the former the amount of P7,086,686.70, representing the outstanding

balance of the subject loan as of 24 September 1994, plus stipulated interest at the rate of 16% per annum to be computed from the aforesaid date until fully paid together with an amount equivalent to 12% of the total amount due each year from 24 September 1994 until fully paid. Lastly, said [respondent] is hereby ordered to pay [petitioner] the amount of P25,000.00 to [petitioner] as reasonable attorney's fees as well as cost of litigation."^[5]

In its appeal, petitioner argued that (1) it had adduced the requisite evidence to prove the solidary liability of the individual respondents, and (2) it was not liable for their counterclaims for damages and attorney's fees.

Ruling of the Court of Appeals

Affirming the RTC, the appellate court ruled that the individual respondents were not solidarily liable with the Mindanao Ferroalloy Corporation, because they had acted merely as officers of the corporation, which was the real party in interest. Respondent Guevara was not even a signatory to the Promissory Note, the Trust Receipt Agreement, the Deed of Assignment or the Quedan; he was merely authorized to represent Minfacor to negotiate with and secure the loans from the bank. On the other hand, the CA noted that Respondents Cu and Hong had not signed the above documents as comakers, but as signatories in their representative capacities as officers of Minfacor.

Likewise, the CA held that the individual respondents were not liable to petitioner for damages, simply because (1) they had not received the proceeds of the irrevocable Letter of Credit, which was the subject of the Deed of Assignment; and (2) the goods subject of the Trust Receipt Agreement had been found to be nonexistent. The appellate court took judicial notice of the practice of banks and financing institutions to investigate, examine and assess all properties offered by borrowers as collaterals, in order to determine the feasibility and advisability of granting loans. Before agreeing to the consolidation of Minfacor's loans, it presumed that petitioner had done its homework.

As to the award of damages to the individual respondents, the CA upheld the trial court's findings that it was clearly unfair on petitioner's part to have impleaded the wives of Guevara and Hong, because the women were not privy to any of the transactions between petitioner and Minfacor. Under Articles 19, 20 and 2229 of the Civil Code, such reckless and wanton act of pressuring individual respondents to settle the corporation's obligations is a ground to award moral and exemplary damages, as well as attorney's fees.

Hence this Petition.^[6]

Issues

In its Memorandum, petitioner raises the following issues:

"A. Whether or not there is ample evidence on record to support the joint and solidary liability of individual respondents with Mindanao Ferroalloy Corporation.