

FIRST DIVISION

[G.R. No. 144190, March 06, 2002]

INTERLINING CORPORATION, PABLO GONZALES, SR., ARSENIO GONZALES, ELENA TAN CHIN SUI AND THOMAS GONZALES, PETITIONERS, VS. PHILIPPINE TRUST COMPANY, RESPONDENT.

DECISION

PUNO, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court seeking to set aside the Decision, dated May 12, 2000, of the Court of Appeals in C.A.-G.R. CV No. 41129, and its Resolution, dated July 25, 2000, denying petitioners' Motion for Reconsideration.

The records disclose that in April 1980, respondent Philippine Trust Company (Philtrust) granted a P.5 million packing credit line and a P1.5 million domestic letter of credit and trust receipt to petitioner Interlining Corporation for the importation of raw materials for its business. A month later, individual petitioners Pablo Gonzales, Sr., Elena Tan Chin Sui, Pablo Gonzales, Jr., Thomas Gonzales and Arsenio Gonzales executed an **Undertaking of Suretyship** agreement binding themselves to guarantee, jointly and severally with petitioner corporation, all such amount as may be due to respondent Philtrust by virtue of the availment of its credit facilities.

On numerous occasions, petitioner corporation availed of respondent's credit facilities. Partial payments were made by petitioner corporation but it failed to pay in full its obligations, which amounted to over P2 million by June 1984, despite repeated demands.

In July 1984, respondent filed a complaint for collection of a sum of money^[1] against petitioner corporation and the individual petitioners before the Regional Trial Court of Manila. Pre-trial hearings were duly conducted by the trial court.

On April 7, 1989, the trial court issued its **Pre-Trial Conference Order**,^[2] stating in paragraph 5, under the heading "Stipulations," the following:

"5. Under the first, second, third and fourth causes of action, defendants Pablo Gonzales, Sr., Elena Tan Chin Siu, Pablo Gonzales, Jr., Thomas Gonzales, and Arsenio Gonzales **were relieved from their obligations because there was arrangement made between the plaintiff and the defendant corporation.**"

The content of said Order was based on the transcript of the pre-trial conference held on March 6, 1989.

On December 14, 1990, respondent's counsel Atty. Eulogio V. Reyes and petitioners'

counsel Atty. Servando S. Timbol, Jr. submitted to the trial court a **Joint Stipulation of Facts and Motion for Summary Judgment**^[3] stating therein two (2) issues for consideration by the trial court, *viz*:

"a) whether or not defendants (petitioners herein) can be made jointly or severally liable to the plaintiff (respondent herein) in the amount claimed in the complaint;

b) whether or not there is novation which had released the individual defendants from their obligations as sureties under the Deed of Undertaking of Suretyship."

On April 8, 1991, the trial court issued its **1st Supplemental Pre-Trial Order**.^[4] It stated in paragraph III that, as per stipulation of the parties, the same two (2) issues were submitted for resolution.

On July 9, 1982, the trial court issued its Decision finding for the respondent. However, it ordered petitioner corporation to answer **solely** for its obligation. The trial court absolved the individual petitioners from their joint and solidary liability for the debt of petitioner corporation although there was no novation of the loan contract between the parties. It held that **the total liability for the obligation was assumed by the petitioner corporation as per the parties' stipulation** during the April 8, 1991 Pre-Trial Conference, particularly paragraph 5 thereof.

Respondent moved for reconsideration insofar as the trial court absolved the individual petitioners from solidary liability. When its motion was denied, respondent sought recourse before the Court of Appeals.

In its Decision,^[5] dated May 12, 2000, the Court of Appeals found for the respondent. It held that the Deed of Undertaking of Suretyship was not abrogated and remained in full force and effect. It also found that as the respondent did not stipulate on the exclusion of the solidary liability issue, the individual petitioners should be held solidarily liable with petitioner corporation for the amount adjudged by the trial court.

When petitioners' motion for reconsideration was denied, they filed the present appeal, raising the following issues:

"I

THE COURT OF APPEALS COMMITTED AN ERROR OF LAW IN DISREGARDING THE STIPULATIONS AGREED UPON IN THE PRE-TRIAL ORDER OF THE REGIONAL TRIAL COURT OF MANILA DATED MARCH 6, 1989.

II

THE COURT OF APPEALS COMMITTED AN ERROR OF LAW IN DISREGARDING THE AFFIRMATION OF THE PRE-TRIAL ORDER DATED MARCH 6, 1989 MADE BY RESPONDENT'S COUNSEL.

III