

THIRD DIVISION

[G.R. No. 105774, April 25, 2002]

GREAT ASIAN SALES CENTER CORPORATION AND TAN CHONG LIN, PETITIONERS, VS. THE COURT OF APPEALS AND BANCASIA FINANCE AND INVESTMENT CORPORATION, RESPONDENTS.

DECISION

CARPIO, J.:

The Case

Before us is a Petition for Review on Certiorari under Rule 45 of the Revised Rules on Civil Procedure assailing the June 9, 1992 Decision^[1] of the Court of Appeals^[2] in CA-G.R. CV No. 20167. The Court of Appeals affirmed the January 26, 1988 Decision^[3] of the Regional Trial Court of Manila, Branch 52,^[4] ordering petitioners Great Asian Sales Center Corporation ("Great Asian" for brevity) and Tan Chong Lin to pay, solidarily, respondent Bancasia Finance and Investment Corporation ("Bancasia" for brevity) the amount of P1,042,005.00. The Court of Appeals affirmed the trial court's award of interest and costs of suit but deleted the award of attorney's fees.

The Facts

Great Asian is engaged in the business of buying and selling general merchandise, in particular household appliances. On March 17, 1981, the board of directors of Great Asian approved a resolution authorizing its Treasurer and General Manager, Arsenio Lim Piat, Jr. ("Arsenio" for brevity) to secure a loan from Bancasia in an amount not to exceed P1.0 million. The board resolution also authorized Arsenio to sign all papers, documents or promissory notes necessary to secure the loan. On February 10, 1982, the board of directors of Great Asian approved a second resolution authorizing Great Asian to secure a discounting line with Bancasia in an amount not exceeding P2.0 million. The second board resolution also designated Arsenio as the authorized signatory to sign all instruments, documents and checks necessary to secure the discounting line.

On March 4, 1981, Tan Chong Lin signed a Surety Agreement in favor of Bancasia to guarantee, solidarily, the debts of Great Asian to Bancasia. On January 29, 1982, Tan Chong Lin signed a Comprehensive and Continuing Surety Agreement in favor of Bancasia to guarantee, solidarily, the debts of Great Asian to Bancasia. Thus, Tan Chong Lin signed two surety agreements ("Surety Agreements" for brevity) in favor of Bancasia.

Great Asian, through its Treasurer and General Manager Arsenio, signed four (4) Deeds of Assignment of Receivables ("Deeds of Assignment" for brevity), assigning to Bancasia fifteen (15) postdated checks. Nine of the checks were payable to Great

Asian, three were payable to "New Asian Emp.", and the last three were payable to cash. Various customers of Great Asian issued these postdated checks in payment for appliances and other merchandise.

Great Asian and Bancasia signed the first Deed of Assignment on January 12, 1982 covering four postdated checks with a total face value of P244,225.82, with maturity dates not later than March 17, 1982. Of these four postdated checks, two were dishonored. Great Asian and Bancasia signed the second Deed of Assignment also on January 12, 1982 covering four postdated checks with a total face value of P312,819.00, with maturity dates not later than April 1, 1982. All these four checks were dishonored. Great Asian and Bancasia signed the third Deed of Assignment on February 11, 1982 covering eight postdated checks with a total face value of P344,475.00, with maturity dates not later than April 30, 1982. All these eight checks were dishonored. Great Asian and Bancasia signed the fourth Deed of Assignment on March 5, 1982 covering one postdated check with a face value of P200,000.00, with maturity date on March 18, 1982. This last check was also dishonored. Great Asian assigned the postdated checks to Bancasia at a discount rate of less than 24% of the face value of the checks.

Arsenio endorsed all the fifteen dishonored checks by signing his name at the back of the checks. Eight of the dishonored checks bore the endorsement of Arsenio below the stamped name of "Great Asian Sales Center", while the rest of the dishonored checks just bore the signature of Arsenio. The drawee banks dishonored the fifteen checks on maturity when deposited for collection by Bancasia, with any of the following as reason for the dishonor: "account closed", "payment stopped", "account under garnishment", and "insufficiency of funds". The total amount of the fifteen dishonored checks is P1,042,005.00. Below is a table of the fifteen dishonored checks:

Drawee Bank	Check No.	Amount	Maturity Date
1st Deed			
Solid Bank	C-A097480	P137,500.00	March 16, 1982
Pacific Banking Corp.	23950	P47,211.00	March 17, 1982
2nd Deed			
Metrobank	030925	P68,722.00	March 19, 1982
	030926	P45,230.00	March 19, 1982
Solidbank	C-A097478	P140,000.00	March 23, 1982
Pacific Banking Corp.	CC 769910	P58,867.00	April 1, 1982
3rd Deed			
Phil. Trust Company	060835	P21,228.00	April 21, 1982
	060836	P22,187.00	April 28, 1982
Allied Banking Corp.	11251624	P41,773.00	April 22, 1982
	11251625	P38,592.00	April 29, 1982
Pacific Banking Corp.	237984	P37,886.00	April 23, 1982
	237988	P47,385.00	April 28, 1982
	237985	P46,748.00	April 30, 1982
Security Bank & Trust Co.	22061	P88,676.00	April 30, 1982
4th Deed			
Pacific Banking Corp.	860178	P200,000.00	March 18, 1982

After the drawee bank dishonored Check No. 097480 dated March 16, 1982, Bancasia referred the matter to its lawyer, Atty. Eladia Reyes, who sent by registered mail to Tan Chong Lin a letter dated March 18, 1982, notifying him of the dishonor and demanding payment from him. Subsequently, Bancasia sent by personal delivery a letter dated June 16, 1982 to Tan Chong Lin, notifying him of the dishonor of the fifteen checks and demanding payment from him. Neither Great Asian nor Tan Chong Lin paid Bancasia the dishonored checks.

On May 21, 1982, Great Asian filed with the then Court of First Instance of Manila a petition for insolvency, verified under oath by its Corporate Secretary, Mario Tan. Attached to the verified petition was a "Schedule and Inventory of Liabilities and Creditors of Great Asian Sales Center Corporation," listing Bancasia as one of the creditors of Great Asian in the amount of P1,243,632.00.

On June 23, 1982, Bancasia filed a complaint for collection of a sum of money against Great Asian and Tan Chong Lin. Bancasia impleaded Tan Chong Lin because of the Surety Agreements he signed in favor of Bancasia. In its answer, Great Asian denied the material allegations of the complaint claiming it was unfounded, malicious, baseless, and unlawfully instituted since there was already a pending insolvency proceedings, although Great Asian subsequently withdrew its petition for voluntary insolvency. Great Asian further raised the alleged lack of authority of Arsenio to sign the Deeds of Assignment as well as the absence of consideration and consent of all the parties to the Surety Agreements signed by Tan Chong Lin.

Ruling of the Trial Court

The trial court rendered its decision on January 26, 1988 with the following findings and conclusions:

"From the foregoing facts and circumstances, the Court finds that the plaintiff has established its causes of action against the defendants. The Board Resolution (Exh. "T"), dated March 17, 1981, authorizing Arsenio Lim Piat, Jr., general manager and treasurer of the defendant Great Asian to apply and negotiate for a loan accommodation or credit line with the plaintiff Bancasia in an amount not exceeding One Million Pesos (P1,000,000.00), and the other Board Resolution approved on February 10, 1982, authorizing Arsenio Lim Piat, Jr., to obtain for defendant Asian Center a discounting line with Bancasia at prevailing discounting rates in an amount not to exceed Two Million Pesos (P2,000,000.00), both of which were intended to secure money from the plaintiff financing firm to finance the business operations of defendant Great Asian, and pursuant to which Arsenio Lim Piat, Jr. was able to have the aforementioned fifteen (15) checks totaling P1,042,005.00 discounted with the plaintiff, which transactions were obviously known by the beneficiary thereof, defendant Great Asian, as in fact, in its aforementioned Schedule and Inventory of Liabilities and Creditors (Exh. DD, DD-1) attached to its Verified Petition for Insolvency, dated May 12, 1982 (pp. 50-56), the defendant Great Asian admitted an existing liability to the plaintiff, in the amount of P1,243,632.00, secured by it, by way of 'financing accommodation,' from the said financing institution Bancasia Finance and Investment Corporation, plaintiff herein, sufficiently establish the liability of the defendant Great Asian to the plaintiff for the amount of P1,042,005.00

sought to be recovered by the latter in this case.^[5]

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WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the two (2) defendants ordering the latter, jointly and severally, to pay the former:

- (a) The amount of P1,042,005.00, plus interest thereon at the legal rate from the filing of the complaint until the same is fully paid;
- (b) Attorney's fees equivalent to twenty per cent (20%) of the total amount due; and
- (c) The costs of suit.

SO ORDERED."^[6]

Ruling of the Court of Appeals

On appeal, the Court of Appeals sustained the decision of the lower court, deleting only the award of attorney's fees, as follows:

"As against appellants' bare denial of it, the Court is more inclined to accept the appellee's version, to the effect that the subject deeds of assignment are but individual transactions which -- being collectively evidentiary of the loan accommodation and/or credit line it granted the appellant corporation -- should not be taken singly and distinct therefrom. In addition to its plausibility, the proposition is, more importantly, adequately backed by the documentary evidence on record. Aside from the aforesaid Deeds of Assignment (Exhs. "A", "D", "I", and "R") and the Board Resolutions of the appellant corporation's Board of Directors (Exhs. "T", "U" and "V"), the appellee -- consistent with its theory -- interposed the Surety Agreements the appellant Tan Chong Lin executed (Exhs. "W" and "X"), as well as the demand letters it served upon the latter as surety (Exhs. "Y" and "Z"). It bears emphasis that the second Resolution of the appellant corporation's Board of Directors (Exh. "V") even closely coincides with the execution of the February 11, 1982 and March 5, 1982 Deeds of Assignment (Exhs. "I" and "R"). Were the appellants' posturings true, it seems rather strange that the appellant Tan Chong Lin did not even protest or, at least, make known to the appellee what he -- together with the appellant corporation -- represented to be a corporate larceny to which all of them supposedly fell prey. In the petition for voluntary insolvency it filed, the appellant corporation, instead, indirectly acknowledged its indebtedness in terms of financing accommodations to the appellee, in an amount which, while not exactly matching the sum herein sought to be collected, approximates the same (Exhs. "CC", "DD" and "DD-1").^[7]

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The appellants contend that the foregoing warranties enlarged or

increased the surety's risk, such that appellant Tan Chong Lin should be released from his liabilities (pp. 37-44, Appellant's Brief). Without saying more, the appellants' position is, however, soundly debunked by the undertaking expressed in the Comprehensive and Continuing Surety Agreements (Exhs. "W" and "X"), to the effect that the "xxx surety/ies, jointly and severally among themselves and likewise with the principal, hereby agree/s and bind/s himself to pay at maturity all the notes, drafts, bills of exchange, overdrafts and other obligations which the principal may now or may hereafter owe the creditor xxx." With the possible exception of the fixed ceiling for the amount of loan obtainable, the surety undertaking in the case at bar is so comprehensive as to contemplate each and every condition, term or warranty which the principal parties may have or may be minded to agree on. Having affixed his signature thereto, the appellant Tan Chong Lin is expected to have, at least, read and understood the same.

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With the foregoing disquisition, the Court sees little or no reason to go into the appellants' remaining assignments of error, save the matter of attorney's fees. For want of a statement of the rationale therefore in the body of the challenged decision, the trial court's award of attorney's fees should be deleted and disallowed (*Abrogar vs. Intermediate Appellate Court*, 157 SCRA 57).

WHEREFORE, the decision appealed from is MODIFIED, to delete the trial court's award of attorney's fees. The rest is AFFIRMED in toto.

SO ORDERED."^[8]

The Issues

The petition is anchored on the following assigned errors:

- "1. The respondent Court erred in not holding that the proper parties against whom this action for collection should be brought are the drawers and indorser of the checks in question, being the real parties in interest, and not the herein petitioners.
2. The respondent Court erred in not holding that the petitioner-corporation is discharged from liability for failure of the private respondent to comply with the provisions of the Negotiable Instruments Law on the dishonor of the checks.
3. The respondent Court erred in its appreciation and interpretation of the effect and legal consequences of the signing of the deeds of assignment and the subsequent indorsement of the checks by Arsenio Lim Piat, Jr. in his individual and personal capacity and without stating or indicating the name of his supposed principal.