

## FIRST DIVISION

**[ G.R. No. 109491, February 28, 2001 ]**

**ATRIUM MANAGEMENT CORPORATION, PETITIONER, VS. COURT OF APPEALS, E.T. HENRY AND CO., LOURDES VICTORIA M. DE LEON, RAFAEL DE LEON, JR., AND HI-CEMENT CORPORATION, RESPONDENTS.**

**G.R. NO. 121794**

**LOURDES M. DE LEON, PETITIONER, VS. COURT OF APPEALS, ATRIUM MANAGEMENT CORPORATION, AND HI-CEMENT CORPORATION, RESPONDENTS.**

### D E C I S I O N

**PARDO, J.:**

What is before the Court are separate appeals from the decision of the Court of Appeals,<sup>[1]</sup> ruling that Hi-Cement Corporation is not liable for four checks amounting to P2 million issued to E.T. Henry and Co. and discounted to Atrium Management Corporation.

On January 3, 1983, Atrium Management Corporation filed with the Regional Trial Court, Manila an action for collection of the proceeds of four postdated checks in the total amount of P2 million. Hi-Cement Corporation through its corporate signatories, petitioner Lourdes M. de Leon,<sup>[2]</sup> treasurer, and the late Antonio de las Alas, Chairman, issued checks in favor of E.T. Henry and Co. Inc., as payee. E.T. Henry and Co., Inc., in turn, endorsed the four checks to petitioner Atrium Management Corporation for valuable consideration. Upon presentment for payment, the drawee bank dishonored all four checks for the common reason "payment stopped". Atrium, thus, instituted this action after its demand for payment of the value of the checks was denied.<sup>[3]</sup>

After due proceedings, on July 20, 1989, the trial court rendered a decision ordering Lourdes M. de Leon, her husband Rafael de Leon, E.T. Henry and Co., Inc. and Hi-Cement Corporation to pay petitioner Atrium, jointly and severally, the amount of P2 million corresponding to the value of the four checks, plus interest and attorney's fees.<sup>[4]</sup>

On appeal to the Court of Appeals, on March 17, 1993, the Court of Appeals promulgated its decision modifying the decision of the trial court, absolving Hi-Cement Corporation from liability and dismissing the complaint as against it. The appellate court ruled that: (1) Lourdes M. de Leon was not authorized to issue the subject checks in favor of E.T. Henry, Inc.; (2) The issuance of the subject checks by Lourdes M. de Leon and the late Antonio de las Alas constituted *ultra vires* acts; and

(3) The subject checks were not issued for valuable consideration.<sup>[5]</sup>

At the trial, Atrium presented as its witness Carlos C. Syquia who testified that in February 1981, Enrique Tan of E.T. Henry approached Atrium for financial assistance, offering to discount four RCBC checks in the total amount of P2 million, issued by Hi-Cement in favor of E.T. Henry. Atrium agreed to discount the checks, provided it be allowed to confirm with Hi-Cement the fact that the checks represented payment for petroleum products which E.T. Henry delivered to Hi-Cement. Carlos C. Syquia identified two letters, dated February 6, 1981 and February 9, 1981 issued by Hi-Cement through Lourdes M. de Leon, as treasurer, confirming the issuance of the four checks in favor of E.T. Henry in payment for petroleum products.<sup>[6]</sup>

Respondent Hi-Cement presented as witness Ms. Erlinda Yap who testified that she was once a secretary to the treasurer of Hi-Cement, Lourdes M. de Leon, and as such she was familiar with the four RCBC checks as the postdated checks issued by Hi-Cement to E.T. Henry upon instructions of Ms. de Leon. She testified that E.T. Henry offered to give Hi-Cement a loan which the subject checks would secure as collateral.<sup>[7]</sup>

On July 20, 1989, the Regional Trial Court, Manila, Branch 09 rendered a decision, the dispositive portion of which reads:

"WHEREFORE, in view of the foregoing considerations, and plaintiff having proved its cause of action by preponderance of evidence, judgment is hereby rendered ordering all the defendants except defendant Antonio de las Alas to pay plaintiff jointly and severally the amount of TWO MILLION (P2,000,000.00) PESOS with the legal rate of interest from the filing of the complaint until fully paid, plus the sum of TWENTY THOUSAND (P20,000.00) PESOS as and for attorney's fees and the cost of suit."

All other claims are, for lack of merit dismissed.

SO ORDERED."<sup>[8]</sup>

In due time, both Lourdes M. de Leon and Hi-Cement appealed to the Court of Appeals.<sup>[9]</sup>

Lourdes M. de Leon submitted that the trial court erred in ruling that she was solidarilly liable with Hi-Cement for the amount of the check. Also, that the trial court erred in ruling that Atrium was an ordinary holder, not a holder in due course of the rediscounted checks.<sup>[10]</sup>

Hi-Cement on its part submitted that the trial court erred in ruling that even if Hi-Cement did not authorize the issuance of the checks, it could still be held liable for the checks. And assuming that the checks were issued with its authorization, the same was without any consideration, which is a defense against a holder in due course and that the liability shall be borne alone by E.T. Henry.<sup>[11]</sup>

On March 17, 1993, the Court of Appeals promulgated its decision modifying the ruling of the trial court, the dispositive portion of which reads:

"Judgement is hereby rendered:

- (1) dismissing the plaintiff's complaint as against defendants Hi-Cement Corporation and Antonio De las Alas;
- (2) ordering the defendants E.T. Henry and Co., Inc. and Lourdes M. de Leon, jointly and severally to pay the plaintiff the sum of TWO MILLION PESOS (P2,000,000.00) with interest at the legal rate from the filing of the complaint until fully paid, plus P20,000.00 for attorney's fees.
- (3) Ordering the plaintiff and defendants E.T. Henry and Co., Inc. and Lourdes M. de Leon, jointly and severally to pay defendant Hi-Cement Corporation, the sum of P20,000.00 as and for attorney's fees.

With cost in this instance against the appellee Atrium Management Corporation and appellant Lourdes Victoria M. de Leon.

So ordered."<sup>[12]</sup>

Hence, the recourse to this Court.<sup>[13]</sup>

The issues raised are the following:

In G. R. No. 109491 (Atrium, petitioner):

1. Whether the issuance of the questioned checks was an *ultra vires* act;
2. Whether Atrium was not a holder in due course and for value; and
3. Whether the Court of Appeals erred in dismissing the case against Hi-Cement and ordering it to pay P20,000.00 as attorney's fees.<sup>[14]</sup>

In G. R. No. 121794 (de Leon, petitioner):

1. Whether the Court of Appeals erred in holding petitioner personally liable for the Hi-Cement checks issued to E.T. Henry;
2. Whether the Court of Appeals erred in ruling that Atrium is a holder in due course;
3. Whether the Court of Appeals erred in ruling that petitioner Lourdes M. de Leon as signatory of the checks was personally liable for the value of the checks, which were declared to be issued without consideration;