

SECOND DIVISION

[G.R. No. 128538, February 28, 2001]

**SCC CHEMICALS CORPORATION, PETITIONER, VS. THE
HONORABLE COURT OF APPEALS, STATE INVESTMENT HOUSE,
INC., DANILO ARRIETA AND LEOPOLDO HALILI, RESPONDENTS.**

R E S O L U T I O N

QUISUMBING, J.:

Before us is a petition for review, pursuant to Rule 45 of the Rules of Court, of the Decision of the Court of Appeals dated in November 12, 1996 in CA-G.R. CV No. 45742 entitled "*State Investment House, Inc., v. Danilo Arrieta, et al., and SCC Chemical Corporation.*" The questioned decision affirmed *in toto* the decision of the Regional Trial Court of Manila, Branch 33, dated March 22, 1993, in Civil Case No. 84-25881, the dispositive portion of which reads:

WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiff and against the defendants ordering the latter to pay jointly and severally the plaintiff the following: a) To pay plaintiff State Investment House, Inc., the sum of P150,483.16 with interest thereon at 30% per annum reckond (sic) from April, 1984 until the whole amount is fully paid; b) To pay plaintiff an amount equivalent to 25% of the total amount due and demandable as attorney's fees and to pay the cost(s) of suit.

SO ORDERED.^[1]

Equally challenged in this petition is the Resolution of the appellate court dated February 27, 1997, denying SCC Chemicals Corporation's motion for reconsideration.

The background of this case, as culled from the decision of the Court of Appeals, is as follows:

On December 13, 1983, SCC Chemicals Corporation (SCC for brevity) through its chairman, private respondent Danilo Arrieta and vice president, Pablo (Pablito) Bermundo, obtained a loan from State Investment House Inc., (hereinafter SIHI) in the amount of P129,824.48. The loan carried an annual interest rate of 30% plus penalty charges of 2% per month on the remaining balance of the principal upon non-payment on the due date-January 12, 1984. To secure the payment of the loan, Danilo Arrieta and private respondent Leopoldo Halili executed a Comprehensive Surety Agreement binding themselves jointly and severally to pay the obligation on the maturity date. SCC failed to pay the loan when it matured. SIHI then sent demand letters to SCC, Arrieta and Halili, but notwithstanding receipt thereof, no payment was made.

On August 2, 1984, SIHI filed Civil Case No. 84-25881 for a sum of money with a prayer for preliminary attachment against SCC, Arrieta, and Halili with the Regional Trial Court of Manila.

In its answer, SCC asserted SIHI's lack of cause of action. Petitioner contended that the promissory note upon which SIHI anchored its cause of action was null, void, and of no binding effect for lack or failure of consideration.

The case was then set for pre-trial. The parties were allowed to meet out-of-court in an effort to settle the dispute amicably. No settlement was reached, but the following stipulation of facts was agreed upon:

1. Parties agree that this Court has jurisdiction over the plaintiff and the defendant and that it has jurisdiction to try and decide this case on its merits and that plaintiff and the defendant have each the capacity to sue and to be sued in this present action;
2. Parties agree that plaintiff sent a demand letter to the defendant SCC Chemical Corporation dated April 4, 1984 together with a statement of account of even date which were both received by the herein defendant; and
3. Parties finally agree that the plaintiff and the defendant SCC Chemical Corporation the latter acting through defendants Danilo E. Arrieta and Pablito Bermundo executed a promissory note last December 13, 1983 for the amount of P129,824.48 with maturity date on January 12, 1984.^[2]

The case then proceeded to trial on the sole issue of whether or not the defendants were liable to the plaintiff and to what extent was the liability.

SIHI presented one witness to prove its claim. The cross-examination of said witness was postponed several times due to one reason or another at the instance of either party. The case was calendared several times for hearing but each time, SCC or its counsel failed to appear despite notice. SCC was finally declared by the trial court to have waived its right to cross-examine the witness of SIHI and the case was deemed submitted for decision.

On March 22, 1993, the lower court promulgated its decision in favor of SIHI.

Aggrieved by the verdict, SCC elevated the case to the Court of Appeals where it was docketed as CA-G.R. CV No. 45742.

On appeal, SCC contended that SIHI had failed to show, by a preponderance of evidence, that the latter had a case against it. SCC argued that the lone witness presented by SIHI to prove its claim was insufficient as the competency of the witness was not established and there was no showing that he had personal knowledge of the transaction. SCC further maintained that no proof was shown of the genuineness of the signatures in the documentary exhibits presented as evidence and that these signatures were neither marked nor offered in evidence by SIHI. Finally, SCC pointed out that the original copies of the documents were not presented in court.

On November 12, 1996, the appellate court affirmed *in toto* the judgment appealed from.

On December 11, 1996 SCC filed its motion for reconsideration, which the Court of Appeals denied in its resolution dated February 27, 1997.

Hence, petitioner's recourse to this Court relying on the following assignments of error:

I

THE RESPONDENT COURT OF APPEALS GRAVELY ERRED IN FINDING THAT PRIVATE RESPONDENT PROVED ITS CAUSE OF ACTION AND OVERCAME IT'S BURDEN OF PROOF.

II

THE RESPONDENT COURT OF APPEALS GRAVELY ERRED IN AWARDING ATTORNEY'S FEES TO THE PRIVATE RESPONDENT.

We find the pertinent issues submitted for resolution to be:

- (1) Whether or not the Court of Appeals made an error of law in holding that private respondent SIHI had proved its cause of action by preponderant evidence; and
- (2) Whether or not the Court of Appeals erred in upholding the award of attorney's fees to SIHI.

Anent the *first issue*, petitioner contends that SIHI introduced documentary evidence through the testimony of a witness whose competence was not established and whose personal knowledge of the truthfulness of the facts testified to was not demonstrated. It argues that the same was in violation of Sections 36^[3] and 48,^[4] Rule 130 of the Rules of Court and it was manifest error for the Court of Appeals to have ruled otherwise. In addition, SCC points out that the sole witness of SIHI did not profess to have seen the document presented in evidence executed or written by SCC. Thus, no proof of its genuineness was adduced. SIHI thus ran afoul of Section 2,^[5] Rule 132 of the Rules of Court, which requires proof of due execution and authenticity of private documents before the same can be received as evidence. Petitioner likewise submits that none of the signatures affixed in the documentary evidence presented by SIHI were offered in evidence. It vehemently argues that such was in violation of the requirement of Section 34,^[6] Rule 132 of the Rules of Court. It was thus an error of law on the part of the appellate court to consider the same. Finally, petitioner posits that the non-production of the originals of the documents presented in evidence allows the presumption of suppression of evidence provided for in Section 3 (e),^[7] Rule 131 of the Rules of Court, to come into play.

Petitioner's arguments lack merit; they fail to persuade us.

We note that the Court of Appeals found that SCC failed to appear several times on scheduled hearing dates despite due notice to it and counsel. On all those scheduled