

## SECOND DIVISION

**[ G.R. No. 117660, December 18, 2000 ]**

**AGRO CONGLOMERATES, INC. AND MARIO SORIANO,  
PETITIONERS, VS. THE HON. COURT OF APPEALS AND REGENT  
SAVINGS AND LOAN BANK, INC., RESPONDENTS.**

### D E C I S I O N

**QUISUMBING, J.:**

This is a petition for review challenging the decision<sup>[1]</sup> dated October 17, 1994 of the Court of Appeals in CA-G.R. No. 32933, which affirmed *in toto* the judgment of the Manila Regional Trial Court, Branch 27, in consolidated Cases Nos. 86-37374, 86-37388, 86-37543.

This petition springs from three complaints for sums of money filed by respondent bank against herein petitioners. In the decision of the Court of Appeals, petitioners were ordered to pay respondent bank, as follows:

Wherefore, judgment is hereby rendered in favor of plaintiff and against defendants, as follows:

- 1) In Civil Case No. 86-37374, defendants [petitioners, herein] are ordered jointly and severally, to pay to plaintiff the amount of P78,212.29, together with interest and service charge thereon, at the rates of 14% and 3% per annum, respectively, computed from November 10, 1982, until fully paid, plus stipulated penalty on unpaid principal at the rate of 6% per annum, computed from November 10, 1982, plus 15% as liquidated damage plus 10% of the total amount due, as attorney's fees, plus costs;
- 2) In Civil Case No. 86-37388, defendant is ordered to pay plaintiff the amount of P632,911.39, together with interest and service charge thereon at the rate of 14% and 3% per annum, respectively, computed from January 15, 1983, until fully paid, plus stipulated penalty on unpaid principal at the rate of 6% per annum, computed from January 15, 1983, plus liquidated damages equivalent to 15% of the total amount due, plus attorney's fees equivalent to 10% of the total amount due, plus costs; and
- 3) In Civil Case No. 86-37543, defendant is ordered to pay plaintiff, on the first cause of action, the amount of P510,000.00, together with interest and service charge thereon, at the rates of 14% and 2% per annum, respectively, computed from March 13, 1983, until fully paid, plus a penalty of 6% per annum, based on the outstanding principal of the

loan, computed from March 13, 1983, until fully paid; and on the second cause of action, the amount of P494,936.71, together with interest and service charge thereon at the rates of 14% and 2%, per annum, respectively, computed from March 30, 1983, until fully paid, plus a penalty charge of 6% per annum, based on the unpaid principal, computed from March 30, 1983, until fully paid, plus (on both causes of action) an amount equal to 15% of the total amounts due, as liquidated damages, plus attorney's fees equal to 10% of the total amounts due, plus costs.<sup>[2]</sup>

Based on the records, the following are the factual antecedents.

On July 17, 1982, petitioner Agro Conglomerates, Inc. as vendor, sold two parcels of land to Wonderland Food Industries, Inc. In their Memorandum of Agreement,<sup>[3]</sup> the parties covenanted that the purchase price of Five Million (P5,000,000.00) Pesos would be settled by the vendee, under the following terms and conditions: (1) One Million (P1,000,000.00) Pesos shall be paid in cash upon the signing of the agreement; (2) Two Million (P2,000,000.00) Pesos worth of common shares of stock of the Wonderland Food Industries, Inc.; and (3) The balance of P2,000,000.00 shall be paid in four equal installments, the first installment falling due, 180 days after the signing of the agreement and every six months thereafter, with an interest rate of 18% per annum, to be advanced by the vendee upon the signing of the agreement.

On July 19, 1982, the vendor, the vendee, and the respondent bank Regent Savings & Loan Bank (formerly Summa Savings & Loan Association), executed an Addendum<sup>[4]</sup> to the previous Memorandum of Agreement. The new arrangement pertained to the revision of settlement of the initial payments of P1,000,000.00 and prepaid interest of P360,000.00 (18% of P2,000,000.00) as follows:

Whereas, the parties have agreed to qualify the stipulated terms for the payment of the said ONE MILLION THREE HUNDRED SIXTY THOUSAND (P1,360,000.00) PESOS.

WHEREFORE, in consideration of the mutual covenant and agreement of the parties, they do further covenant and agree as follows:

1. That the VENDEE instead of paying the amount of ONE MILLION THREE HUNDRED SIXTY THOUSAND (P1,360,000.00) PESOS in cash, hereby authorizes the VENDOR to obtain a loan from Summa Savings and Loan Association with office address at Valenzuela, Metro Manila, being represented herein by its President, Mr. Jaime Cariño and referred to hereafter as Financier; in the amount of ONE MILLION THREE HUNDRED SIXTY THOUSAND (P1,360,000.00) PESOS, plus interest thereon at such rate as the VENDEE and the Financier may agree, which amount shall cover the ONE MILLION (P1,000,000.00) PESOS cash which was agreed to be paid upon signing of the Memorandum of Agreement, plus 18% interest on the balance of two million pesos stipulated upon in Item No. 1(c) of the said agreement; provided however, that said loan shall be made for and in the name of the VENDOR.

2. The VENDEE also agrees that the full amount of ONE MILLION THREE HUNDRED SIXTY THOUSAND (P1,360,000.00) PESOS be paid directly to the VENDOR; however, the VENDEE hereby undertakes to pay the full amount of the said loan to the Financier on such terms and conditions agreed upon by the Financier and the VENDOR, it being understood that while the loan will be secured from and in the name of the VENDOR, the VENDEE will be the one liable to pay the entire proceeds thereof including interest and other charges.<sup>[5]</sup>

This addendum was not notarized.

Consequently, petitioner Mario Soriano signed as maker several promissory notes,<sup>[6]</sup> payable to the respondent bank. Thereafter, the bank released the proceeds of the loan to petitioners. However, petitioners failed to meet their obligations as they fell due. During that time, the bank was experiencing financial turmoil and was under the supervision of the Central Bank. Central Bank examiner and liquidator Cordula de Jesus, endorsed the subject promissory notes to the bank's counsel for collection. The bank gave petitioners opportunity to settle their account by extending payment due dates. Mario Soriano manifested his intention to re-structure the loan, yet did not show up nor submit his formal written request.

Respondent bank filed three separate complaints before the Regional Trial Court of Manila for Collection of Sums of money. The corresponding case histories are illustrated in the table below:

<b>Date of Loan</b>	<b>Amount</b>	<b>Payment Due Date</b>	<b>Payment Extension Dates</b>
<b>Civil Case 86-37374</b> August 12, 1982	P 78,212.29	Nov. 10, 1982	Feb. 8, 1983 May 9, 1983 Aug. 7, 1983
<b>Civil Case 86-37388</b> July 19, 1982	P 632,911.39	Jan. 15, 1983	May 16, 1983 Aug. 14, 1983
<b>Civil Case 86-37543</b> September 14, 1982	P 510,000.00	March 13, 1983	June 11, 1983 Sept. 9, 1983
October 1, 1982	P 494,936.71	March 30, 1983	June 28, 1983 Sept. 26, 1983

In their answer, petitioners interposed the defense of novation and insisted there was a valid substitution of debtor. They alleged that the addendum specifically states that although the promissory notes were in their names, Wonderland shall be responsible for the payment thereof.