

SECOND DIVISION

[G.R. No. 124062, January 21, 1999]

**REYNALDO T. COMETA AND STATE INVESTMENT TRUST, INC.,
PETITIONERS, VS. COURT OF APPEALS, HON. GEORGE MACLI-
ING, IN HIS CAPACITY AS PRESIDING JUDGE, REGIONAL TRIAL
COURT, QUEZON CITY BRANCH 100, REYNALDO S. GUEVARA
AND HONEYCOMB BUILDERS, INC. RESPONDENTS.**

D E C I S I O N

MENDOZA, J.:

This is a petition for review of the decision^[1] of the Court of Appeals, dated July 28, 1995, affirming the trial court's order denying petitioners' Motion to Dismiss Civil Case No. Q-93-15691 for alleged failure of private respondents to state in their complaint a cause of action against petitioners and the appellate court's resolution, dated March 1, 1996, denying reconsideration of the same.

Petitioner State Investment Trust, Inc. (SITI), formerly State Investment House, Inc. (SIHI), is an investment house engaged in quasi-banking activities. Petitioner Reynaldo Cometa is its president. Private respondent Honeycomb Builders, Inc. (HBI), on the other hand, is a corporation engaged in the business of developing, constructing, and selling townhouses and condominium units. Private respondent Reynaldo Guevara is president of HBI and chairman of the board of directors of Guevent Industrial Development Corp. (GIDC).

Sometime in 1979, petitioner SITI extended loans in various amounts to GIDC which the latter failed to pay on the dates they became due. For this reason, a rehabilitation plan was agreed upon for GIDC under which it mortgaged several parcels of land to petitioner SITI. Among those mortgaged was a Mandaluyong lot covered by TCT No. 462855 (20510). However, GIDC again defaulted. Hence, petitioner SITI foreclosed the mortgages and, in the foreclosure sale, acquired the properties as highest bidder.^[2]

Alleging irregularities in the foreclosure of the mortgages and the sale of properties to petitioner SITI, GIDC filed a case entitled "Guevent Industrial Development Corp. et al., plaintiffs v. State Investment House Inc. et al., defendants," in the Regional Trial Court of Pasig. The case was eventually settled through a compromise agreement which became the basis of the trial court's judgment. A dispute later arose concerning the interpretation of the compromise agreement, as respondent HBI offered to purchase from GIDC the lot covered by TCT No. 462855 (20510) and the latter agreed but petitioner SITI (the mortgagee) refused to give its consent to the sale and release its lien on the property.^[3] For this reason, GIDC asked the trial court for a clarification of its decision.^[4]

Subsequently, the trial court directed petitioner SITI to accept the offer of

respondent HBI to purchase the property covered by TCT No. 462855 (20510). Petitioner SITI appealed the order to the Court of Appeals which affirmed the same. On appeal to this Court, the decision of the Court of Appeals was affirmed.^[5]

Meanwhile, respondent HBI applied to the Housing and Land Use Regulatory Board for a permit to develop the property in question. Its application was granted, on account of which respondent HBI built a condominium on the property called "RSG Condominium Gueventville II." When respondent HBI applied for a license to sell the condominium units it was required by the HLURB to submit an Affidavit of Undertaking which in effect stated that the mortgagee (SITI) of the property to be developed agrees to release the mortgage on the said property as soon as the full purchase price of the same is paid by the buyer. Respondent HBI submitted the required affidavit purportedly executed by petitioner Cometa as president of SITI (mortgagee).

Petitioner Cometa denied, however, that he ever executed the affidavit. He asked the National Bureau of Investigation for assistance to determine the authenticity of the signature on the affidavit. The NBI found Cometa's signature on the Affidavit of Undertaking to be a forgery on the basis of which a complaint for falsification of public document was filed against HBI president Guevara.^[6] However, the Rizal Provincial Prosecutor's Office found no probable cause against private respondent Guevara and accordingly dismissed the complaint in its resolution of September 25, 1989.^[7]

Petitioners appealed the matter to then Secretary of Justice Franklin Drilon who reversed the Provincial Prosecutor's Office and ordered it to file an information against private respondent Guevara for falsification of public document.^[8] Private respondent Guevara moved for a reconsideration of the aforesaid resolution, but his motion was denied.^[9]

An information for Falsification of Public Document was thus filed against private respondent Guevara in the Regional Trial Court of Makati where it was docketed as Criminal Case No. 90-3018.^[10] After the prosecution presented its evidence, Guevara filed a demurrer to evidence which the trial court, presided over by Judge Fernando V. Gorospe, Jr., granted.^[11]

Following the dismissal of the criminal case against him, private respondents Reynaldo S. Guevara and HBI filed a complaint for malicious prosecution against petitioners Cometa and SITI in the Regional Trial Court of Quezon City.^[12]

Petitioners SITI and Cometa filed their respective answers. After the pre-trial of the case, they filed a joint motion to dismiss with alternative motion to drop respondent HBI as a party plaintiff, upon the following grounds:^[13]

1. The complaint states no cause of action.
2. Secretary Drilon, Undersecretary Bello and the prosecutor, not impleaded herein, are the real parties in-interest-defendants, which again makes the complaint lack a cause of action. At the least, the above public official are indispensable parties, and their non-inclusion renders

this court without jurisdiction over the case.

3. The action seeks to impose a penalty on the right to litigate and for that reason is unconstitutional and against settled public policy.

On May 30, 1994, the trial court, through Judge George Macli-ing, denied petitioners' joint motion for the following reasons:

Acting on the MOTION TO DISMISS With Alternative Motion to Drop Honeycomb Builders, Inc. as Party Plaintiff filed by Defendants Reynaldo T. Cometa and State Investment House, Inc. (SIHI) thru counsel, together with the OPPOSITION filed by Plaintiffs thru counsel, after a thorough perusal of the contents embodied in said pleadings, the Court in the exercise of its sound judicial discretion finds that there are sufficient allegations of cause of action in the Complaint, and in the interest of justice, the Plaintiff thru counsel should be given an opportunity to introduce proof in support of his allegations, which could at best be attained thru a full blown hearing on the merits of the case. The defense of lack of cause of action, and that defendants are not the real parties in interest, in the considered opinion of this Court, are matters of defense, which will be considered, after the contending parties thru counsel shall have rested their cases, and the case submitted for Decision.

As regards the Alternative Motion to Drop Honeycomb Builders, Inc. as Party Plaintiff, the Complaint shows that Reynaldo Guevara, is the President, Chairman of the Board and Majority Stockholder of HBI, the same will likewise be taken into consideration when proofs will be introduced for or against this particular matter. At this point in time, let Honeycomb Builders, Inc. remain as party plaintiff.^[14]

Petitioners, in separate motions, asked for a reconsideration but their motions were denied on August 12, 1994.^[15] They then filed a petition for certiorari and prohibition. The Court of Appeals immediately issued a temporary restraining order on September 22, 1994 and, on October 28, 1994, upon petitioners' posting of a P1,000.00 bond, issued a writ of preliminary injunction enjoining the trial court from conducting further proceedings in the case. On July 28, 1995, the Court of Appeals rendered its decision^[16] denying the petition for certiorari and prohibition of petitioners. Petitioners filed a motion for reconsideration but the appellate court denied their motion in a resolution,^[17] dated March 1, 1996.

Hence, this petition. The principal question for decision is whether the complaint filed by private respondents against petitioners in the Regional Trial Court states a cause of action. First, petitioners maintain it does not as the allegations in the complaint are insufficient and indispensable parties were not impleaded in the case. Secondly, they contend that private respondent HBI should have been dropped as a party plaintiff upon petitioners' motion therefor.

Both contentions are without merit.

First. A complaint for malicious prosecution states a cause of action if it alleges ³/₄

1. that the defendant was himself the prosecutor or that at least he instigated the

prosecution;

2. that the prosecution finally terminated in the plaintiff's acquittal;
3. that in bringing the action the prosecutor acted without probable cause; and
4. that the prosecutor was actuated by malice, *i.e.*, by improper and sinister motives.^[18]

Thus, the question is: whether the facts pleaded and the substantive law entitle plaintiff to a judgment.^[19] Otherwise stated, can a judgment be rendered upon the facts alleged and deemed admitted, in accordance with the prayer in the complaint?^[20] To resolve this, the allegations of the complaint must be examined.

Paragraphs 12 to 13^[21] of the complaint allege that SITI and Cometa (petitioners herein) filed a complaint against respondent Guevara which led to the filing by the provincial prosecutor of an information for falsification of public documents against him (Guevara) in the RTC. It is thus alleged that petitioners instigated the prosecution of private respondents.^[22]

Paragraph 17^[23] of the complaint alleges that the trial court granted respondent Guevara's demurrer to the evidence and ordered the dismissal of the criminal case against him as shown in the order of the trial court acquitting respondent Guevara, a copy of which is made part of the complaint.^[24] The second requisite, namely, that the criminal case terminated in plaintiff's (private respondent Guevara) acquittal is thus alleged.

With regard to the requirement of malice, paragraphs 7 to 12 and paragraph 18^[25] of the complaint allege:

- 1) that a compromise agreement was entered into between GIDC and SITI in connection with contracts of loan;
- 2) that in the course of implementing the agreement, HBI offered to purchase from GIDC one of the mortgaged properties;
- 3) that GIDC accepted the offer but despite tender of the purchase price, SITI refused to approve the sale and the release of its mortgage lien on the property;
- 4) that a dispute arose between the parties regarding the interpretation and implementation of the compromise agreement;
- 5) that GIDC filed a "Motion for Clarification and to Suspend Sales" in the Regional Trial Court (which had approved the Compromise Agreement), while SITI filed a "Motion for Execution" praying for consolidation in its favor of the titles over GIDC's remaining properties;
- 6) that the trial court granted GIDC's motion and ordered SITI to accept HBI's offer to purchase one of the mortgaged properties;

7) that SITI appealed the order to the Court of Appeals and, when it lost, appealed the matter to the Supreme Court which sustained both the appellate court and the lower court;

8) that while SITI's appeal was still pending, SITI and its president, Cometa, filed a criminal case against Guevara; and

9) that petitioners filed the aforesaid case with the sole intent of harassing and pressuring Guevara, in his capacity as chairman of GIDC, to give in to their illicit and malicious desire to appropriate the remaining unsold properties of GIDC.

The foregoing statements sufficiently allege malice. These allegations are averments of malice in accordance with Rule 6, §5 of the Rules of Civil Procedure which provides:

Sec. 5. Fraud, mistake, condition of mind. - In all averments of fraud or mistake, the circumstances constituting fraud or mistake must be stated with particularity. Malice, intent, knowledge or other condition of the mind of a person may be averred generally. (emphasis added).

Contrary to petitioners' contention, they are not mere conclusions.

As regards the requirement of lack of probable cause, paragraph 18^[26] of the complaint alleges that the criminal case filed had absolutely no basis in fact and in law in light of the factual allegations mentioned earlier and that a reading of the order^[27] of the trial court in the criminal case, a copy of which is annexed to the complaint and made an integral part thereof, will show that the prosecution failed to establish even a prima facie case against Guevara. Clearly, the complaint alleges that there was no probable cause for respondent Guevara's prosecution.

As held in *Far East Marble (Phils.), Inc. v. Court of Appeals*,^[28] a complaint is sufficient if it contains sufficient notice of the cause of action even though the allegations may be vague or indefinite, for, in such case, the recourse of the defendant is to file a motion for a bill of particulars. Pleadings should be liberally construed so that litigants can have ample opportunity to prove their claims and thus prevent a denial of justice due to legal technicalities.

It is nonetheless pointed out that the complaint itself alleges that a preliminary investigation was conducted, that the Secretary of Justice ordered the filing of the information, and that the trial court issued a warrant of arrest against private respondent Guevara. Such allegations in the complaint, petitioners claim, negate the existence of probable cause. Petitioners cite the case of *Martinez v. UFC*^[29] in which this Court sustained the dismissal of a complaint for malicious prosecution for failure to state a cause of action on the basis of similar allegations in the complaint and the findings of the criminal court in acquitting the plaintiff, which this Court ruled belied the allegations of malice and want of probable cause in the complaint.

The mere allegation in a complaint for malicious prosecution that an information was filed after preliminary investigation and that a warrant of arrest was thereafter issued does not by itself negate allegations in the same complaint that the prosecution was malicious. All criminal prosecutions are by direction and control of