

SECOND DIVISION

[G.R. No. 104726, February 11, 1999]

**VICTOR YAM & YEK SUN LENT, DOING BUSINESS UNDER THE
NAME AND STYLE OF PHILIPPINE PRINTING WORKS,
PETITIONERS, VS. THE COURT OF APPEALS AND MANPHIL
INVESTMENT CORPORATION, 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 affirming *in toto* the decision of the Regional Trial Court of Manila (Branch 149), ordering petitioners to pay private respondent the amount of P266,146.88 plus interest, service charge, penalty fees, and attorney's fees and the costs, otherwise the chattel mortgage given to secure payment of the loan would be foreclosed.

The following are the facts:

On May 10, 1979, the parties in this case entered into a Loan Agreement with Assumption of Solidary Liability whereby petitioners were given a loan of P500,000.00 by private respondent. The contract provided for the payment of 12% annual interest, 2% monthly penalty, 1 1/2% monthly service charge, and 10% attorney's fees.^[2] Denominated the first Industrial Guarantee and Loan Fund (IGLF), the loan was secured by a chattel mortgage on the printing machinery in petitioners' establishment.^[3]

Petitioners subsequently obtained a second IGLF loan of P300,000.00 evidenced by two promissory notes, dated July 3, 1981 and September 30, 1981. For this purpose, a new loan agreement^[4] was entered into by the parties containing identical provisions as the first one, except as to the annual interest which was increased to 14% and the service charge which was reduced to 1% per annum. The deed of chattel mortgage was amended correspondingly.^[5]

By April 2, 1985, petitioners had paid their first loan of P500,000.00. On November 4, 1985, private respondent was placed under receivership by the Central Bank and Ricardo Lirio and Cristina Destajo were appointed as receiver and in-house examiner, respectively.

On May 17, 1986, petitioners made a partial payment of P50,000.00 on the second loan. They later wrote private respondent a letter, dated June 18, 1986, proposing to settle their obligation. On July 2, 1986, private respondent, through its counsel, replied with a counter-offer, namely, that it would reduce the penalty charges up to P140,000.00, provided petitioners can pay their obligation on or before July 30, 1986.^[6]

As of July 31, 1986, petitioners' total liability to private respondent was P727,001.35, broken down as follows:[7]

Principal	- P295,469.47
Interest	- 165,385.00
Penalties	- 254,820.55
Service Charges -	11,326.33
TOTAL	P 727,001.35

On this date, petitioners paid P410,854.47 by means of a Pilipinas Bank check, receipt of which was acknowledged by Destajo.[8] The corresponding voucher for the check bears the following notation: "full payment of IGLF LOAN." [9]

The amount of P410,854.47 was the sum of the principal (P295,469.47) and the interest (P165,385.00) less the partial payment of P50,000.00. The private respondent sent two demand letters to petitioners, dated September 4, 1986 and September 25, 1986, seeking payment of the balance of P266,146.88. As petitioners did not respond, private respondent filed this case in the Regional Trial Court of Metro Manila for the collection of P266,146.88 plus interests, penalties, and service charges or, in the alternative, for the foreclosure of the mortgaged machineries.

In their Answer, petitioners claimed that they had fully paid their obligation to private respondent. They contended that some time after receiving private respondent's letter of July 2, 1986 (concerning the conditional offer to reduce their penalty charges), petitioner Victor Yam and his wife, Elena Yam, met with Carlos Sobrepeñas, president of respondent corporation, during which the latter agreed to waive the penalties and service charges, provided petitioners paid the principal and interest, computed as of July 31, 1986, less the earlier payment of P50,000.00. This is the reason why according to them they only paid P410,854.47. Petitioners added that this fact of full payment is reflected in the voucher accompanying the Pilipinas Bank check they issued, which bore the notation "full payment of IGLF loan."

On April 30, 1990, the lower court rendered a decision, the dispositive portion of which reads:

WHEREFORE, in view of the foregoing, the defendants Victor Yam and Yek Sun Lent are hereby ordered to pay jointly and severally, the principal loan balance of P266,146.88 as of September 4, 1986 plus interest at 14% per annum, service charge at 1% per annum and penalty fees at 2% per month and to pay plaintiff attorney's fees equivalent to 10% of the amount to be recovered, and to pay the costs of suit, failing in which, the chattel mortgage instituted on the printing machineries and equipment described in the Deed of Chattel Mortgage dated May 10, 1979, as amended, is hereby declared foreclosed and the subject thereof sold in accordance with law to satisfy the judgment herein rendered.

SO ORDERED.[10]