

SECOND DIVISION

[G.R. No. 127682, April 24, 1998]

KOMATSU INDUSTRIES (PHILS.) INC., PETITIONER, VS. COURT OF APPEALS, PHILIPPINE NATIONAL BANK, SANTIAGO LAND DEVELOPMENT CORPORATION AND MAXIMO CONTRERAS, RESPONDENTS.

R E S O L U T I O N

REGALADO, J.:

Before the Court is pleading filed on March 4, 1998 in behalf of petitioner and denominated as a Motion for Leave to file Incorporated Second Motion for Reconsideration of the Resolution of September 10, 1997. This resolution does not in the least depart from or enervate the specific prohibition against second motions for reconsideration^[1] Which are applicable thereto. Considering however, the increasing practice by defeated parties of conjuring scenarios which they blame for their debacle instead of admitting the lack of merit in their cases, the Court is constrained to once again express its displeasure against such unethical disregard of the canons for responsible advocacy, with the warning that this insidious pattern of professional misconduct shall not hereafter be allowed to pass with impunity.

Indeed, petitioner has gone to the extent of attributing supposed errors and irregularities in the disposition of this case to both the Court of Appeals and this Court, with particular allusions amounting to misconduct on the part of counsel for respondent private corporation and with specific imputations against retired Justice Teodoro Padilla in connection therewith. These will hereafter be discussed in light of the records of this Court and the vigorous disclaimer of counsel for said private respondent.

Petitioner's unbridled remonstrations are directed at the fact that its petition for review on *certiorari* of the adverse decision of respondent Court of Appeals^[2] was denied by this Court for failure to sufficiently show that respondent court had committed any reversible error in its questioned judgment.^[3] This was arrived at after due consideration by the Second Division of this Court of the merits of the challenged decision and the extended resolution of respondent court denying petitioner's motion for reconsideration thereof, the arguments of petitioner in his present petition for review on *certiorari*, the joint comment of respondents, the reply of petitioner, and the joint rejoinder of respondents, as well as the respective annexes of said pleadings. Indeed, the parties had all the opportunity to expound on and dissect the issues in this case, and in some instances even the non-issues, through the liberal admission by this Court of such pleadings.

Petitioner then filed a 24-page motion for reconsideration, and this Court required respondents to comment thereon, after which petitioner's reply filed without leave was nonetheless admitted, and to which, on leave sought and granted, respondents

filed a joint rejoinder. All these pleadings, just like those mentioned in the preceding paragraph, were so extensive, to the point of even incorporating new and modified issues, as to cover all possible aspects of the case to subserve the partisan views of the parties. Since no additional and substantial arguments were adduced to warrant the reconsideration sought, the Court resolved to deny the motion on January 26, 1998.^[4]

It defies explanation, therefore, why petitioner would still insist that the parties should further have been allowed to file memoranda, an obvious ploy to justify a resolution giving due course to its petition, while simultaneously insinuating that its pleadings were not read. Indeed, petitioner would even dictate how this Court should have acted on its petition, with the improbable theory that because the case had progressed to the rejoinder stage, the petition must be given due course and a decision be rendered thereafter in its favor. This it tries to buttress by the palpably erroneous submission that since respondent court reversed the decision of the court *a quo*, this Court is duty bound to determine the facts involved. Firstly, this is a deliberate misstatement of our jurisprudence which merely holds that, in such a case, this Court may at its option review the factual findings of the Court of Appeals instead of being bound thereby. Secondly, and worse for petitioner, there is no conflict in the factual findings of the two lower courts as the Court of Appeals actually adopted the findings of fact of the trial court.

In its second motion for reconsideration, petitioner now tries a different tack by lecturing this Court on its theory that the "minute resolutions" it assails are supposedly in violation of Section 14, Article VIII of the present Constitution. In characteristic fashion, it insinuates that such procedure adopted by this Court is a culpable constitutional violation and can be subject of impeachment proceedings. Petitioner is, of course, free to believe and act as it pleases just as this Court may likewise be minded to take the appropriate sanctions, for which purpose it would do well for all and sundry to now imbibe the consistent doctrines laid down by this Court.

As early as *Novino, et al. vs. Court of Appeals, et al.*,^[5] it has been stressed that these "resolutions" are not "decisions" within the above constitutional requirements; they merely hold that the petition for review should not be entertained and even ordinary lawyers have all this time so understood it; and the petition to review the decision of the Court of Appeals is not a matter of right but of sound judicial discretion, hence there is no need to fully explain the Court's denial since, for one thing, the facts and the law are already mentioned in the Court of Appeals' decision.

This was reiterated in *Que vs. People, et al.*,^[6] and further clarified in *Munal vs. Commission on Audit, et al.*^[7] that the constitutional mandate is applicable only in cases "submitted for decision," i.e., given due course and after the filing of briefs or memoranda and/or other pleadings, but not where the petition is refused due course, with the resolution therefore stating the legal basis thereof. Thus, when the Court, after deliberating on a petition and subsequent pleadings, decides to deny due course to the petition and states that the questions raised are factual or there is no reversible error in the respondent court's decision, there is sufficient compliance with the constitutional requirement.^[8]

For, as expounded more in detail in *Borromeo vs. Court of Appeals, et al.*:^[9]

The Court reminds all lower courts, lawyers, and litigants that it disposes of the bulk of its cases by minute resolutions and decrees them as final and executory, as where a case is patently without merit, where the issues raised are factual in nature, where the decision appealed from is supported by substantial evidence and is in accord with the facts of the case and the applicable laws, where it is clear from the records that the petition is filed merely to forestall the early execution of judgment and for non-compliance with the rules. The resolution denying due course or dismissing the petition always gives the legal basis. As emphasized in *In Re: Wenceslao Laureta* (148 SCRA 382, 417 [1987]), "[T]he Court is not 'duty bound' to render signed Decisions all the time. It has ample discretion to formulate Decisions and/or Minute Resolutions, *provided a legal basis is given*, depending on its evaluation of a case" (Italics supplied). This is the only way whereby it can act on all cases filed before it and, accordingly discharge its constitutional functions. x x x.

x x x

In G.R. No. 76355, *Macario Tayamura, et al. v. Intermediate Appellate Court, et al.* (May 21, 1987), the Court clarified the constitutional requirement that a decision must express clearly and distinctly the facts and law on which it is based as referring only to decisions. Resolutions disposing of petitions fall under the constitutional provision which states that, "No petition for review x x x shall be refused due course x x x without stating the legal basis therefor" (Section 14, Article VIII, Constitution). When the Court, after deliberating on a petition and any subsequent pleadings, manifestations, comments, or motions decides to deny due course to the petition and states that the questions raised are factual or no reversible error in the respondent court's decision is shown or for some other legal basis stated in the resolution, there is a sufficient compliance with the constitutional requirement.

The course of action adopted by the Court in disposing of this case through its two resolutions, after a thorough review of the issues and arguments of the parties in the plethora of pleadings they have filed, is not only in accord with but is justified by this firm and realistic doctrinal rule:

x x x The Supreme Court is not compelled to adopt a definite and stringent rule on how its judgment shall be framed. It has long been settled that this Court has discretion to decide whether a "minute resolution" should be used in lieu of a full-blown decision in any particular case and that a minute Resolution of dismissal of a Petition for Review on *Certiorari* constitutes an *adjudication on the merits* of the controversy or subject matter of the Petition. It has been stressed by the Court that the grant of due course to a Petition for Review is "not a matter of right, but of sound judicial discretion; and so there is no need to fully explain the Court's denial. For one thing, the facts and law are already mentioned in the Court of Appeals opinion." A minute Resolution denying a Petition for Review of a Decision of the Court of Appeals can only mean that the Supreme Court agrees with or adopts the findings and conclusions of the Court of Appeals, in other words that the decision sought to be reviewed and set aside is correct.^[10]

That this Court was fully justified in handing down its minute resolution because it "agrees with or adopts the findings and conclusions of the Court of Appeals" since "the decision sought to be reviewed and set aside is correct," is best demonstrated and appreciated by reproducing the salient pronouncements of respondent court on the real issues actually involved in this case. The material holdings in its decision^[11] of June 28, 1996 are as follows:

"The facts of the case as found by the trial court are as follows:

"Sometime in 1975, NIDC granted KIPI a direct loan of Eight Million Pesos (P8,000,000.00) and a Two Million ((P2,000,000.00) guarantee to secure PNB. (Exh. "M" of petitioner and Exh. "22" of respondent PNB and intervenor SLDC, T.S.N. October 14, 1992 pp. 19-28). As security thereof, a Deed of Real Estate Mortgage dated April 24, 1975 was executed by Petitioner KIPI in favor of NIDC, covering, among others, a parcel of land with all its improvements embraced in and covered by TCT NO. 469737 of the Registry of Deeds of the Province of Rizal (now Makati, Metro Manila). At the instance of Respondent PNB and with the conformity of its subsidiary, NIDC, in order to secure the obligation of Petitioner KIPI under Respondent PNB's deferred letter of credit for US\$1,564,826.00 in favor of Toyota Tsusho Kaisha Ltd., Japan, Petitioner KIPI executed an Amendment of Mortgage Deed dated June 21, 1978 covering the same parcel of land and its improvements under TCT No. 469737 on a *pari passu* basis in favor of Respondent PNB and NIDC. (Exhibit "H", "H-1" to "H-9"). Upon full payment of Petitioner KIPI's account with NIDC and the P2.0 M Credit Line with Respondent PNB, NIDC executed a Deed of Release and Cancellation of Mortgage^[12] dated January 7, 1981 releasing the mortgage on TCT No. 469737 (Exhibit "1" to "1-4" of Petitioner and Exhibits "7" to "7-D" of Respondent PNB and Intervenor SLDC). In this Deed of Release and Cancellation of Mortgage, it is provided among the whereases that "Whereas, the credit accommodations had been fully paid by the Borrower to the Philippine National Bank (PNB) and NIDC". (Exh. "1-5"). By virtue of this full payment and the execution of the Deed of Release and Cancellation of Mortgage, NIDC returned the owner's copy of the TCT No. 469737 of the petitioner and accordingly the Deed of Release and Cancellation of Mortgage was registered with the Registry of Deed on January 28, 1981. (Exhibits "E" to "E-5") (sic) that there were some accounts chargeable to Petitioner KIPI on deferred letters of credit opened and established in 1974 and 1975 settled by Respondent PNB with the foreign suppliers in 1978 and 1979 but came to the knowledge of Respondent PNB only in 1981 and 1982 (Exhibits "21-1" to "21-L". T.S.N. May 20, 1992 pp. 16-30).

"In a letter to Petitioner KIPI dated March 31, 1992, Respondent PNB requested for the return of the owner's copy of TCT No. 469737 (Exh. "22"). On July 7, 1982 in a letter addressed to Mr. Ricardo C. Silverio, then President of Petitioner KIPI, Respondent PNB reiterated for the return of the aforesaid TCT NO. 469737 (Exh. "22-A") and the said title was returned to Respondent PNB.

"On May 7, 1982, Respondent PNB filed a "Petition for Correction of Entry and Adverse Claim" with the office of the Registry of Deeds of Makati, Metro Manila and was able to have the same annotated at the back of

TCT No. 469737 (Exh. "9" joint exhibit of Respondent PNB and Intervenor SLDC).

"On November 2, 1983, Respondent PNB filed with the Ex-Officio Sheriff of Makati, Metro Manila a Petition of Sale Under ACT 1508, as amended by P.D. 385 to extra-judicially foreclose various properties belonging to Petitioner by virtue of a Chattel Mortgage with Power of Attorney dated June 21, 1978 (Exhibits "J" to "J-4").

"On November 25, 1983, Petitioner KIPI received an undated Notice of Sheriff's Sale to the effect that the land covered by TCT No. 469737 would be foreclosed extra-judicially on December 19, 1983 at 9:00 a.m. (Exh. "K" to "K-2")."

x x x

Simplifying and summing up all the assigned errors of both appellants Philippine National Bank and Santiago Land Development Corporation, there are actually three main issues to be resolved in this appeal, to wit: (1) Whether the "Deed of Release" dated January 7, 1981 executed by the National Investment and Development Corporation in favor of appellee Komatsu Industries (Phil.) Inc. [Exhibit "I", p. 76 Record – Vol. I; Exhibit "7", p. 1494 Record – Vol. IV], had the effect of releasing the real estate mortgage in favor of appellant Philippine National Bank, as embodied in the "Amendment of Mortgage Deed" dated June 21, 1978 [Exhibit "H", p. 64 Record – Vol I; Exhibit "6", p. 1482 Record - Vol. IV]; (2) Whether the foreclosure of appellee's property conducted on May 17, 1984 is valid; (3) Whether there is legal and/or factual basis for the awards of damages in favor of the appellee.

Anent the first issue, We rule that the "Deed of Release" dated January 7, 1981 executed solely by the National Investment and Development Corporation in favor of the appellee Komatsu Industries (Phil.) Inc., did not operate to release the real estate mortgage executed in favor of appellant Philippine National Bank as embodied in the "Amendment of Mortgage Deed" dated June 21, 1978. *Said "Deed of Release" is not binding upon the appellant Philippine National Bank which was not a signatory to it and has not ratified the same.*

It is axiomatic under Our law on obligations and contracts that contracts take effect only between the parties, their assigns and heirs (Art. 1311, New Civil Code). The characteristic of "relativity of contracts" renders it binding only upon the parties and their successors. [Civil Code of the Philippines, Annotated, Paras, Vol. IV 1994 ed., pp. 550-552]. A contract cannot be binding upon and cannot be enforced against one who is not a party to it [Civil Code of the Philippines, Tolentino, Vol. IV 1995 ed., p. 428 citing Lopez vs. Enriquez, 16 Phil. 336, Ibañez vs. Rodriguez, 47 Phil. 554, etc.] even if he is aware of such contract and has acted with knowledge thereof [Civil Code of the Philippines, Tolentino, Vol. IV 1995, p. 428 citing Manila Port Service *et al.* vs. Court of Appeals *et al.* 20 SCRA 1214]. The rights of a party cannot be prejudiced by the act, declaration, or omission of another, and proceedings against one cannot affect another, except as expressly provided by law or the Rules of Court