

## THIRD DIVISION

[ G.R. No. 116216, June 20, 1997 ]

**NATALIA S. MENDOZA, PETITIONER, VS. COURT OF APPEALS,  
THOMAS B. ASUNCION AND NENA T. ASUNCION, RESPONDENTS.**

### DECISION

**PANGANIBAN, J.:**

In this case, the Court reiterates the rule that the provisions of a contract must not be viewed in isolation, but must be harmonized with each other so as to give effect and meaning to the entire contract.

On appeal is the Decision<sup>[1]</sup> of Respondent Court of Appeals<sup>[2]</sup> in CA-G.R. CV No. 18016 promulgated on August 28, 1992 with the following dispositive portion:<sup>[3]</sup>

"WHEREFORE, the trial court's decision appealed from is REVERSED and SET ASIDE. In lieu thereof, judgment is hereby rendered in favor of appellants [herein private respondents] and against appellees [herein petitioner and her (now deceased) husband], ordering appellees to pay appellants the amount of P584,472.00 representing the unpaid obligation of appellees to appellants under the promissory note, Exhibit 'A', together with legal interest, which is 6% per annum computed from May 23, 1983 (date of filing the complaint) until the full amount thereof is fully paid, plus ten (10) per cent thereof as attorney's fees at (sic) the costs of suit."

For lack of merit, the subsequent motion for reconsideration was denied by Respondent Court of Appeals in a Resolution promulgated on July 11, 1994.<sup>[4]</sup>

### The Facts

Respondent appellate court narrated the undisputed facts in this case as follows:<sup>[5]</sup>

"On August 4, 1978 appellees [herein petitioner and her husband] signed a promissory note dated July 10, 1978, for US\$35,000.00 in favor of appellants [herein private respondents], in Los Angeles, California, U.S.A. The text of the promissory note is as follows:

'PROMISSORY NOTE

\$35,000.00

10 July 1978

'For value received, the undersigned SERGIO E. MENDOZA, and NATALIA S. MENDOZA, husband and wife, promise to pay THOMAS B. and NENA T. ASUNCION,

husband and wife, the amount of \$456.00 each month starting on (sic) April, 1978 and 120 consecutive months, thereafter. On (sic) April 1988, the entire balance of principal and accrued interest then remaining unpaid shall be due and payable. Should default be made in the payment of the interest and principal when due, the entire balance of principal and interest then remaining unpaid shall become immediately due at the option of the holder of this note.

'Principal and interest payable in lawful money of the United States of America. If action be instituted on this note, the undersigned promise to pay such sum as the court may fix as attorney's fees. This note is secured by properties in the Philippines, the Restaurant at Roxas Blvd., Philippines, business interests in the United States, life insurances (sic) and shall go to THOMAS B. and NENA T. ASUNCION.

'In Witness Whereof, we hereby sign this promissory note this 4 day of August, 1978.

SERGIO E. MENDOZA

NATALIA S. MENDOZA.'

"From April, 1978 to December, 1981, appellees made monthly payments on the promissory note to appellants in the amount of US\$500.00 a month or a total of US\$22,500.00. In addition, appellees made payments to appellants' daughter Helen Asuncion in the amount of US\$3,620.17. Also appellees made payments, apparently also for the benefit of appellants, in the total amount of US\$1,560.00 to Regina Pangan and/or Teresita Angeles.<sup>[6]</sup> The payments to Helen Asuncion in the amount of US\$3,620.17 and to Regina Pangan and Teresita Angeles in the amount of US\$1,560.00 or a total amount of US\$5,180.17 paid to both, were apparently made during the year 1982. The amount of US\$5,180.17 roughly equals a month payment of US\$500.00 from January to October, 1982, a period of ten (10) months. (See appellants' Exhibit 'C-1' and also appellees' Exhibit '2', both of which are xerox copies of the resumè of appellees' payments to appellants from April, 1978 to October, 1982.) In October, 1982, appellees stopped paying the monthly installments under the promissory note. After October 19, 1982, appellees made additional payments in 1982 as follows:

October 29, 1982 - P500.00 - (Exh. '3-a')

November 03, 1982 - 500.00 - (Exh. '3-b')

November 04, 1982 - 500.00 - (Exh. '3-c')

November 14, 1982 - 500.00 - (Exh. '3-d')

November 23, 1982 - 500.00 - (Exh. 'e-e')

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P2,500.00

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"The prevailing rate of exchange of the Philippine Pesos to the U.S. Dollar during the above dates of payment was about P10.00 Philippine Peso to U.S. \$1.00 United States Dollar. The above payments therefore totalled (sic) to US\$250.00.

"Subsequently, appellees made three additional payments as follows:

Exh. '3-f' - November 30, 1983 P2,000.00

Exh. '3-g'- December 30, 1983 2,000.00

Exh. '3-h'- January 08, 1984 2,000.00

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P6,000.00

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"The exchange rate during the above dates (November, 1983 to January, 1984) was P14.00 Philippine Pesos to US\$1.00 United States Dollar. The total payment of P6,000.00 was equivalent to about US\$430.00.

"Thereafter, appellees have not made any other payments to appellants.

"After due trial, the trial court rendered its decision dated November 12, 1985, dismissing the case for lack of cause of action, reasoning out, thus:

'From the afore-quoted Promissory Note, it appears that the entire balance of the principal and accrued interest remaining unpaid shall become due and payable in April, 1988. It clearly states that the payment of monthly installment of \$456.00 shall commence in April, 1978 and the succeeding months thereafter for 120 consecutive months, which positively shows that the entire balance of the principal as well as the accrued interest shall be due and payable in April, 1988.

'WHEREFORE, in view of the foregoing, this case is hereby ordered DISMISSED for lack of cause of action.'"

As earlier stated, the Court of Appeals reversed the RTC, holding that the acceleration clause gave private respondents the right to collect the full amount of the promissory note. Hence, this petition for review.

### **The Issues**

Petitioner cites the following alleged errors of the Court of Appeals:<sup>[7]</sup>

"I. Respondent Court of Appeals committed serious error when it found that the obligation of petitioner and her husband under the promissory note (Exhibit A) is due and demandable.

"II. Respondent Court of Appeals committed serious error when it declared petitioner and her husband liable to respondents for their unpaid obligation under the promissory note (Exhibit A), with interest and attorney's fees.

"III. Respondent Court of Appeals committed serious error when it reversed the decision of the trial court."

On the other hand, private respondents simplify the issues into two:<sup>[8]</sup>

"1. It is claimed there was no prior extrajudicial demand for the amount of the promissory note before the action for collection was filed. The issue is whether, in the absence of the (sic) prior extrajudicial demand, private respondents can enforce their right under the acceleration clause of the promissory note for the collection of the entire unpaid balance of the note.

"2. Whether respondent Court of Appeals was correct in finding that the promissory note contained an acceleration clause which gave private respondents the right to collect the entire balance of the promissory note upon failure of petitioner to pay the installments on their due dates."

Private respondents also doubt "whether the petition can be given due course at all considering that the decision sought to be reviewed is already final, (R)espondent Court of Appeals having made an 'Entry of Judgment' in C.A. G.R. No. CV-18016."<sup>[9]</sup>

In reversing the decision of the RTC, Respondent Court of Appeals ratiocinated:<sup>[10]</sup>

"x x x. We disagree with the trial court's interpretation. Such interpretation disregards or nullifies the clear language of the first and third sentences in the aforequoted first paragraph of the promissory note. The first sentence of the promissory note is a simple and clear promise of appellees to pay back a loan of US\$35,000.00 made by appellants to them by 'paying the amount of US\$456.00 each month starting on (sic) April 1978 and 120 consecutive months thereafter.' The promise cannot possibly be read and interpreted in any other way. Yet, the trial court did and said in effect that there was no promise to pay back the loan in 120 consecutive monthly installments of US\$456.00 each installment. In fact the appellees were making monthly payments of US\$500.00 to appellants consisting of US\$456.00 as monthly installment under the promissory note, together with an additional amount of US\$44.00 a month which appellees denominate 'advance interest.' However, it is an undisputed fact that the monthly payments by appellees

under the promissory note stopped as of October 19, 1982. Except for the payment of about US\$250.00 under defendants' Exhibit '3-a-3-e', there were no other payments until the filing of this complaint on May 23, 1983.

"The last part of paragraph 1 of the promissory note provides:

'Should default be made in the payment of the interest and principal when due, the entire balance of principal and interest then remaining unpaid shall become immediately due at the option of the holder of this note.'

"The above clause is known as an optional acceleration clause which gives the holder of the note (creditor) the option to accelerate the maturity date of the note in case of default of the maker (debtor).

"For further clarification, it should be mentioned that the second sentence of the promissory note means what it says, the principal and accrued interest still unpaid in April 1988 shall then be due and payable. This sentence simply recognizes the option or right given to the appellants to waive or defer collection of the monthly payments when they become due. It did not confer a right on the appellees to defer payment of their debt till the end of the ten-year period. However, appellants or the promisee, could waive the benefit of the periodic payments. Thus, as already mentioned, to interpret the second sentence of the promissory note in isolation would render nugatory the clear intent of the parties that the debt of the appellees should be repaid in 120 consecutive monthly installments of US\$456.00 each installment. Such an interpretation would also nullify the right or option of the appellants to call in the entire unpaid balance of the loan, principal and interests, should appellees fail to pay any installment when it falls due. Basic is the rule that - 'In the construction of an instrument where there are several provisions or particulars, such a construction is, if possible, to be adopted as will give effect to all.' (Sec. 9, Rule 180 [sic], Rules of Court)."

This Court believes that the issues in this case can be condensed as follows:

1. Has the assailed Decision become final and executory?
2. May private respondents use the acceleration clause in the promissory note under the facts of this case?
3. May the alleged lack of extra-judicial demand for the enforcement of such clause be raised for the first time before this Court?

### **The Court's Ruling**

The petition has no merit.

First Issue: Finality of the Court of Appeals Decision