

NINTH DIVISION

[CA-G.R. CV NO. 97004, November 14, 2014]

**EXTRUD-ALL, INCORPORATED, PLAINTIFF-APPELLANT, VS.
METROPOLITAN BANK AND TRUST COMPANY, EDMUND L. SAN
JUAN, THE REGISTER OF DEEDS, CALOOCAN CITY, DEFENDANTS-
APPELLEES.**

D E C I S I O N

PERALTA, JR., E. B., J.:

Inasmuch as the court *a quo* was not persuaded by the plaintiff's major thesis of vitiated consent to a proposed real estate mortgage as security for letters of credit with co-defendant bank, the verdict below to principally nullify trust receipts materialized,^[1] and the current appeal was interposed before Us,^[2] following rejection of the plaintiff's Motion for Reconsideration.^[3]

A sift through pertinent details will now ensue.

On account of the demand letter dated January 6, 1999^[4] from Metrobank for the plaintiff to settle its past due credit accommodation under Trust Receipts No. LC-SN-00191/97 and LC-SN-00436/97 in the aggregate amount of ₱8,996,145.57, secured by a real estate mortgage, the plaintiff's retort was to the effect that it was not aware of any liability with Metrobank. Nonetheless, to clarify the matter, the plaintiff requested for documents relative thereto.^[5]

On February 25, 1999, the plaintiff was notified by Metrobank that the alleged mortgage was slated for foreclosure proceeding which prompted counsel for the plaintiff's facsimile letter towards deferment of the foreclosure proceeding with a reiterated plea to transmit documents for the alleged unsettled obligation.^[6]

After Metrobank furnished documents to the plaintiff, Robert Go (Mr. Go), the plaintiff's President, was surprised to discover that a pre-signed real estate mortgage form was filled up without his consent and authorization. As such, the plaintiff subsequently wrote Metrobank to rectify the error and cancel the mortgage.^[7] However, the foreclosure proceeding proceeded and the ownership over the realty was consolidated with Metrobank under TCT No. 343688.^[8]

These turn of events prompted the plaintiff to sue^[9] for Annulment of Trust Receipts, Real Estate Mortgage, Foreclosure of Mortgage, Certificate of Sale, Consolidation of Title, Transfer Certificate of Title and Damages.

In its Complaint, the plaintiff declared that in 1997, Mr. Go, the company President and in behalf of the corporation, applied for a standby credit facility with Metrobank. A positive reply was extended to him by Metrobank's bank manager and required

him to submit an owner's duplicate copy of the transfer certificate of title over a real property. Mr. Go presented TCT No. 286304^[10] to serve as collateral for the loan and was asked to pre-sign a real estate mortgage form and upon approval of the application, they will proceed with the usual banking procedure.

Later, Mr. Go opted to forego the loan application but instead of retrieving the title and cancel the pre-signed real estate mortgage, he heeded to co-defendant bank's advice to leave the documents in the custody of the bank as standby security for any future loan the plaintiff-appellant may thereafter apply for. To Mr. Go's consternation, co-defendant bank's letter of demand followed next.

Defendant-appellee Metrobank's Answer with Compulsory Counterclaim refuted the plaintiff's assertion and declared that the plaintiff had a series of transactions with Metrobank for a loan such as application for letters of credit and execution of trust receipts agreement.

Metrobank claimed that on March 19, 1997, the plaintiff applied for the opening of a letter of credit (SN-00191/97)^[11] in favor of Sabic Far East Ltd. for US\$121,770.00. It was approved by Metrobank. The goods, subject of the letter of credit, arrived in Manila. However, the plaintiff failed to pay the amount covered by the letter of credit and the plaintiff opted to execute a trust receipt agreement^[12] on May 28, 1997 in favor of Metrobank with an expiry date on August 26, 1997.

Thereafter, shipping documents were released by Metrobank to the plaintiff's broker^[13] and the goods were claimed by the plaintiff from the Customs Office.

On July 29, 1997, the plaintiff again applied for the opening of a letter of credit (SN-00436/97) in favor of LG International Corporation for US\$71,000.00, and it was approved by Metrobank. The goods, covered by the letter of credit SN-00436/97, also arrived in Manila. However, the plaintiff could not pay the amount covered by the letter of credit and once again, a trust receipt agreement was executed in favor of Metrobank on August 18, 1997.

Metrobank delivered the document to the plaintiff's broker^[14] and the goods were eventually released by the Customs Office to the plaintiff.^[15]

On August 26, 1997, before the maturity date of the trust receipt agreement executed on May 28, 1997, the plaintiff requested Metrobank for an extension of time to settle its obligation of US\$121,770.00. Metrobank agreed on the condition that it will provide sufficient security that will serve as collateral for the amounts covered by the subject trust receipt, inclusive of past or future obligations.

Plaintiff-appellant complied with Metrobank's condition and on November 4, 1997, the plaintiff executed a Deed of Real Estate Mortgage over the realty covered by TCT No. 286304.^[16] Consequently, the period to settle the plaintiff's obligation, covered by trust receipt agreement dated May 28, 1997, was extended until November 27, 1997.^[17]

On November 17, 1997, plaintiff-appellant requested for an extension of payment on the trust receipt dated August 18, 1997 and Metrobank allowed the plaintiff to

settle its obligation until February 15, 1998.^[18]

Thereafter, plaintiff-appellant continued to be in default despite a final warning^[19] insofar as the trust receipts dated May 28, 1997 and August 18, 1997.

As initially intimated, Metrobank's demand was not heeded, and foreclosure led to Metrobank's acquisition of the plaintiff's realty.^[20]

In the course of the hearing, Mr. Go disclaimed his signature on the subject trust receipts and he likewise questioned the pre-signed real estate mortgage form which was allegedly completed without his knowledge and consent. For this purpose, an NBI handwriting expert was presented on the witness stand, to fortify the report^[21] that the questioned signatures^[22] on the subject documents and standard sample signature of Mr. Go^[23] were not written by one and the same person.

On the other hand, Metrobank supplied the commercial documents for the plaintiff's dealings with the bank from the moment it procured the letters of credit up to execution of the real estate mortgage.

Metrobank likewise presented the Bureau of Customs Import Entry and Internal Revenue Declaration,^[24] which reflected that the goods covered by the subject trust receipts were delivered to the plaintiff. Through these documents, Metrobank sought to establish that the entire transaction, covered by the subject trust receipts, was all for the plaintiff's account.

With the adverse verdict below, the appellant persisted with the idea that the Complaint against Metrobank should have prospered borne of forgery of Mr. Go's signatures on the trust receipts and the real estate mortgage.

Based on available datum, it was beyond cavil that plaintiff-appellant was a long time client of Metrobank. Its usual transaction with Metrobank revolved on the application for credit line facility such as letters of credit and trust receipts.^[25]

Per the mass of evidence from Metrobank, it can hardly be ignored that on March 19, 1997, the plaintiff-appellant applied for an irrevocable documentary credit for US\$121,770.00 with L/C number SN-00191/97. The goods covered by the letter of credit SN-00191/97 arrived in Manila but plaintiff-appellant failed to pay the amount of US\$121,770.00. Later, the plaintiff-appellant executed on May 28, 1997 a trust receipt agreement in favor of Metrobank. The goods were thereafter retrieved by plaintiff-appellant, through its broker, and a signature of Mr. Go was affixed on the Import Entry and Internal Revenue Declaration^[26] of the Bureau of Customs with bank reference number SN-00191/97.

Evidently, the goods released to plaintiff-appellant Extrud-All Inc. were covered by the trust receipt dated May 28, 1997, which was allegedly not signed by Mr. Go and yet, plaintiff-appellant did not deny that the plaintiff corporation retrieved the goods covered by the alleged spurious trust receipt.

From Our perspective, when juxtaposed with Mr. Go's signature on the Verification and Certification for the Complaint,^[27] it blended^[28] with the signature on the letter

of credit with L/C number SN-00191/97^[29] and the assailed trust receipt dated May 28, 1997.^[30]

It may also be recalled that plaintiff-appellant again applied for a letter of credit on July 29, 1997 for US\$71,000.00 with L/C number SN-00436/97 but plaintiff-appellant cannot pay the amount of US\$71,000.00. On August 18, 1997, it executed a trust receipt agreement in favor of Metrobank and eventually, the goods covered by the trust receipt with L/C number SN-00436/97 were released to plaintiff-appellant as shown by the Import Entry and Internal Revenue Declaration Paper^[31] with bank reference no. SN-00436/97.

Again, a scrutiny of the letter of credit with L/C number SN-00436/97^[32] revealed that the signature of Mr. Go affixed thereon jibed with the signature on the subject trust receipt dated May 28, 1997.

Basically, without the subject trust receipts which were made as bank reference for the Import Entry and Internal Revenue Declaration, the documents for the covered goods could not have been released to plaintiff-appellant nor retrieved from the Customs office.

It also appeared to Us that Mr. Go's signatures on the trust receipt dated August 18, 1997 and on the Import Entry and Internal Revenue Declaration have general resemblance. However, Mr. Go ignored such fact and made no denial as to the receipt of goods covered by the subject trust receipts.

With these cold facts, We find it incredible to believe that plaintiff-appellant and Mr. Go were unaware of the trust receipts. In fact, the documents presented below disclosed that the goods covered by the alleged spurious trust receipts were all for the account of the plaintiff-appellant. Moreover, what also raised quizzical eyebrows was the fact that plaintiff-appellant had ample time to contest the subject trust receipts vis-a-vis the Import Entry and Internal Revenue Declaration of Bureau of Customs. Apparently, the plaintiff-appellant opted not to do so and instead claimed the goods covered by the subject trust receipts.

As aptly observed by the trial Judge:

"...the documentary presented by the defendant bank is detailed and comprehensive as well, from the application of the subject letters of credit down to the execution of the extension of time to pay the same, which paved the way to the execution of the subject real estate mortgage and its eventual foreclosure and the court has not observed any irregularity in all the documents presented.

...

It cannot be denied that the plaintiff is a valued client of defendant bank. In the initial stage of Mr. Go's testimony, it appears that he does remember any dealings or transaction with defendant bank but records bear out that previous to the two trust receipts (LC no. 00191/97 & LC no. 00436-97), there were trust receipts obtained from defendant bank