

## TWELFTH DIVISION

**[ CA-G.R. CV NO. 77418, August 11, 2006 ]**

**ANITA PUA, PLAINTIFF-APPELLEE, VS. SPOUSES PABLO  
BAUTISTA AND ELIZA BAUTISTA, DEFENDANTS-APPELLANTS.**

### DECISION

**MENDOZA, J.:**

At bar is an appeal from the May 9, 2002 Decision<sup>[1]</sup> of the Regional Trial Court, Branch 28, Sta. Cruz, Laguna, ordering the defendants, spouses Pablo and Eliza Bautista (*Bautistas*), to pay the plaintiff, Anita Pua, the sum of P2,000,000 representing their total accumulated indebtedness to her with accrued interests from June 26, 1995 until the same is fully paid plus the amount of P20,000.00 as attorney's fees.

The procedural antecedents and the appraisal of the evidence by the trial court are reflected in the subject decision as follows:

"On December 14, 1995, plaintiff filed this Complaint against the defendants for collection of sum of money. It was archived on July 23, 1997 because the principal defendant went abroad and could not be served with summons. Afterwards, it was re-opened when principal defendant came back from abroad, and later on, the defendants filed their Answer with Counterclaim. So the plaintiff filed her Reply and moved that the case be set for pre-trial conference. Both parties then submitted their respective Pre-Trial Briefs.

#### APPRAISAL OF THE EVIDENCE

On December 31, 1986, defendants expressly acknowledged their indebtedness to the plaintiff in the amount of P1,020,000.00 with an interest of 20% per year (Exh. 'A'). After some payments in 1986 to 1988, defendants stopped paying their indebtedness. Plaintiff and her sister, Pacita Pua, kept on asking the defendants to pay but their pleas fell on deaf ears. So the plaintiff brought the matter before the Barangay Captain of Brgy. Duhat, Santa Cruz, Laguna (Exh. 'C'). However, no amicable settlement was reached there. Then, on May 4, 1995, the parties re-computed the defendants' debt to update how much was the outstanding account. The result of the re-computation, which was signed by the defendants and the plaintiff by way of their conformity, after deducting all previous interest payments made by the defendants, showed that the defendants' indebtedness had grown to P1,889,829.00 as of May, 1995 (Exh. 'D'). After this re-computation, the parties agreed to execute a written agreement and eventually one was made and signed by Defendant Elisa E. Bautista (Exhs. 'H' and 'H-1'). The other defendant-

Pablo Bautista was unable to sign it because he was then sick (Exhs. 'H-2' and 'H-3'). Because of the agreed interest, the total amount of the defendants' indebtedness has increased to P2,000,000.00. Subsequently, the defendants executed a handwritten promise to pay for this amount – P2,000,000.00 – in monthly installments for a period of three (3) years or up to June, 1998. However, no monthly installment was made so the plaintiff sent a formal demand through her lawyer (Exh. 'B'). Still, the defendants failed to pay thus compelling the plaintiff to engage the services of her lawyer and filed this complaint in Court. For her lawyer, plaintiff is obligated to pay P50,000.00 plus P1,000.00 honorarium per Court appearance. In filing this instant case, plaintiff incurred court filing fees (Exhs. 'I', 'I-1' and 'I-2'). Also, the plaintiff suffered moral sufferings as a result of the unjustified refusal of the defendants to pay their long overdue indebtedness despite their numerous promises for which she is entitled for moral damages.”<sup>[2]</sup>

On May 9, 2002, after trial on the merits, the trial court, Hon. Fernando M. Paclibon, Jr. presiding, ruled in favor of the plaintiff in a Decision, the dispositive portion of which reads:

“WHEREFORE, IN LIGHT OF ALL THE FOREGOING CONSIDERATIONS, JUDGMENT is hereby rendered in favor of the plaintiff and against the defendants by: ORDERING the defendants to pay jointly and severally the Plaintiff the sum of P2,000,000.00, plus the accrued interests thereon from June 26, 1995 (Exh. 'E') until fully paid; and the sum of P20,000.00 as attorney's fees. SO ORDERED.”<sup>[3]</sup>

The trial court, in finding for the plaintiff, ratiocinated:

“Based on preponderance of evidence presented during trial, the defendants are truly indebted to the plaintiff. They in fact expressly acknowledged their indebtedness in the amount of P1,020,000.00, and the agreed interest thereon equivalent to 20% per annum, as early as December 31, 1986 (Exhs. 'A' and 'A-1'). This instrument of acknowledgment of indebtedness and rate of interest was never rebutted during trial as, in fact, defendant's son even testified as to the correctness of his parents' signature in the document (vide, page 7, TSN, June 15, 2001). When they were unable to pay this amount, they re-computed their outstanding account with the plaintiff on May, 1995 resulting to an updated amount of P1,899,829.00 and undertook to execute a written document for this outstanding account (Exhs. 'D', 'D-1' and 'D-2'). Again, this re-computation was not rebutted during trial. However, this written document was signed only by defendant Elisa E. Bautista (Exhs. 'H' and 'H-1') but not her husband because at that time, he was sick (Exhs. 'H-2' and 'H-3'). Nevertheless, the defendants later executed a more definite written undertaking to pay their indebtedness, which was already fixed to P2,000,000.00 – in monthly installments for a period of three years (Exhs. 'E' and 'E-1'). These pieces of hard evidence are more than enough to establish the fact of indebtedness of the defendants to the plaintiff. This is especially true considering that defendants presented no proof that these documents are fake, inexistent, fraudulent or fabricated. In sum, plaintiff was able to establish by preponderance of evidence the existence of a contract of loan between

the parties whereby the defendants are the debtor and the plaintiff is the creditor. The essential elements of contracts – consent, object and consideration are all present. Consent is manifested by the signature of the debtors, object is the outstanding account as claimed in the complaint, and consideration is the obligation of the debtors to pay plaintiff the principal indebtedness plus the agreed interests thereon.

The corollary question is – how much is the total indebtedness of the defendants to the plaintiff? In this regard, the documents speak for themselves. In 1986, the defendants' indebtedness was only P1,020,000.00 (vide, Exh. 'A'). However, due to their default, it grew to P1,899,829.00 when it was re-computed in 1995 (vide, Exh. 'D'). Later on, it was fixed to P2,000,000.00 (vide, Exh. 'E'). It is very clear therefore that the total indebtedness of the defendants is P2,000,000.00 as of the filing of the complaint in December 1995. Today, this amount will have increased due to the interest it earned in six years time."<sup>[4]</sup>

Not in conformity with the court's ruling, the Bautistas interposed this appeal praying for the nullification of the assailed decision anchored on this lone

### **"ASSIGNMENT OF ERROR**

**The court a quo erred in having rendered judgment without taking into account [the] unconscionable posture of the appellee in demanding interests from the principal."**<sup>[5]</sup>

The Bautistas assert that "the court a quo predicated its decision on the appellants having allegedly acknowledged that they are indebted to the appellee in the amount of P1,000,000.00 with a 20% annual interest. The court a quo did not peruse the voluminous documentary evidence of the appellants consisting of exhibits '1', '2', '3', '4', '5', '6', '7', '8', '9', '10', '11', '12', '13' and '14' which are from 1987 and up to 1988. Appellee was not able to explain before the court a quo on how the appellants had an obligation to her in the amount of P1,020,00.00 as alleged in her complaint. No re-computations were ever made by the appellee as to how much of the principal loan as well as the interest thereon were already paid by the appellants. All that she said is that the appellants are indebted to her in the amount of P1,020,000 without explaining before the court a quo on how the said amount was arrived at in the light of the payments made by them."<sup>[6]</sup>

The appeal is without merit.

In general, the concept of loan is explained under *Article 1933 of the New Civil Code*, viz.: "ART. 1933. By the contract of loan, one of the parties delivers to another, either something not consumable so that the latter may use the same for a certain time and return it, in which case the contract is called a *commodatum*; or money or other consumable thing, upon the condition that the same amount of the same kind and quality shall be paid, which case the contract is simply called a *loan* or *mutuum*." In this case, the parties entered into a valid contract of loan. The terms of the loan was reduced into writing as indicated in the document that the Bautistas signed on December 31, 1986,<sup>[7]</sup> the full text of which is herein quoted: