

SPECIAL TWELFTH DIVISION

[CA-G.R. CV NO. 64480, September 22, 2006]

**SOLID GOLD INTERNATIONAL TRADERS, INCORPORATED,
PLAINTIFF-APPELLEE, VS. LOLITA S. SANTOS, DEFENDANT-
APPELLANT.**

D E C I S I O N

BATO, JR., J.

This is an appeal from the Decision of the Regional Trial Court of Pasig City, Branch 166, in Civil Case No. 60931 for Sum of Money with Prayer for Preliminary Attachment, the dispositive portion of which reads as follows:

"WHEREFORE judgment is hereby rendered ordering defendant to pay plaintiff, as follows:

1. P2,549,019.74, plus interest and late payment charge at the rate stipulated upon in the promissory notes (Exhs. "B" and "C"); 2.
2. P541,800.00, plus interest at the legal rate from June 14, 1991, until said amount is fully paid;
3. The sum equivalent to 25% of the total amount due as attorney's fees and liquidated damages; and,
4. Costs of suit.

SO ORDERED."^[1]

The facts of the case are as follows:

Defendant-appellant secured loans from plaintiff-appellee corporation evidenced by two promissory notes dated March 15, 1990 and April 11, 1990. In both loans, defendant-appellant agreed to pay interest at the rate of sixty percent (60%) per annum; late payment charges equivalent to twenty-four percent (24%) per annum on such installment from due date until paid; the same rate of interest applied to the principal on unpaid interest; twenty-five percent (25%) of the total sum due as attorney's fees in case of court action; and twenty-five percent (25%) of the total sum due as liquidated damages.

Defendant-appellant's March 15, 1990 loan was for five hundred thousand pesos (P500,000.00) payable in four consecutive monthly installments in accordance with the following amortization schedule:

<u>DATE</u>	<u>AMOUNT</u>

April 15, 1990	P151,315.78
May 15, 1990	P144,736.84
June 15, 1990	P138,157.89
July 15, 1990	<u>P131,578.94</u>
	P565,789.45

Defendant-appellant's April 11, 1990 loan on the other hand was for one million five hundred thousand pesos (P1,500,000.00) payable in two monthly consecutive installments in accordance with the following amortization schedule:

<u>DATE</u>	<u>AMOUNT</u>
May 11, 1990	P 78,947.00
June 11, 1990	<u>P1,578,947.00</u>
	P1,657,894.00

In its complaint dated June 5, 1991, plaintiff-appellee alleged that except for the amortizations due on April 15, May 15 and June 15, 1990, defendant-appellant failed to pay the remaining amortizations amounting to two million five hundred forty-nine thousand nineteen pesos and seventy-four centavos (P2,549,019.74) as of February 15, 1991. This was plaintiff-appellee's first cause of action.

As its second cause of action, plaintiff-appellee alleged that defendant-appellant purchased from it pieces of jewelry which began sometime in 1986 and in the process left an outstanding balance in the total amount of two million four hundred sixty-four thousand five hundred ninety-two pesos (P2,464,592.00). In 1989, upon defendant-appellant's request, plaintiff-appellee agreed that defendant-appellant amortize within the period of August 15, 1989 to June 15, 1990, with a five percent (5%) monthly interest, her balance on the pieces of jewelry that she got. But defendant-appellant failed to pay any amortization as agreed upon. Instead, defendant-appellant returned to plaintiff-appellee two pieces of jewelry on May 7, 1990 and November 15, 1990 valued at one million one hundred nine thousand pesos (P1,109,000.00). Despite repeated demands, defendant-appellant failed to pay the pieces of jewelry that she got to the damage of the plaintiff-appellee in the amount of two million two hundred ninety-nine thousand three hundred nine pesos and fifty-seven centavos (P2,299,309.57) as of February 15, 1991.

In support of its third cause of action, plaintiff-appellee alleged that defendant-appellant invested in the corporation in the form of credit accommodations through peso exchange for dollar checks deposited with it which, as of October 11, 1989, already amounted to six million eighty-eight thousand seventy-four pesos and seventy-two centavos (P6,088,074.72). Pursuant to their arrangement, defendant-appellant was able to advance the peso equivalent of the dollar deposit that she made and was able to secure credit accommodations from plaintiff-appellee duly covered by promissory notes which exceeded the value of her dollars at the exchange rate then prevailing to the extent of one million one hundred fifty-six thousand four hundred sixty pesos and nineteen centavos (P1,156,460.19). Plaintiff-appellee notified defendant-appellant that there was an overdraft in the amount of P1,156,460.19 as of February 15, 1991 exclusive of interest from May 7, 1990, but the latter failed to pay the aforesaid amount.

In sum, plaintiff-appellee claimed that defendant-appellant owes it the sum of six million four thousand seven hundred eighty-nine pesos and fifty centavos (P6,004,789.50). Plaintiff-appellee further alleged in its complaint that defendant-appellant, by way of conforming to its computation regarding her accountability, issued Equitable Banking Check No. 45913897 dated February 15, 1991 in the amount of P6,004,789.50. On May 6, 1991, plaintiff-appellee through counsel sent a demand letter to defendant-appellant reminding her of her accountability and at the same time informing her that her check will be deposited immediately. On May 28, 1991, when plaintiff-appellee presented the said check for payment, it was dishonored because defendant-appellant's account was already closed.

Thus, plaintiff-appellee prayed that the defendant-appellant be ordered to pay the amount of P6,004,789.50 as her principal obligation; 12% interest from date of default; 25% of the outstanding obligation as attorney's fees; P500,000.00 as liquidated damages; and cost of suit.

In her answer, defendant-appellant denied that she has unpaid obligations with plaintiff-appellee. On the contrary, defendant-appellant asserted that she invested in plaintiff-appellee in the amount of eight million eight hundred twenty-four thousand one hundred forty-eight pesos and fifteen centavos (P8,824,148.15) as evidenced by a Certification^[2] dated May 10, 1990 and issued by Abraham I. Novales, Chairman of plaintiff-appellee corporation. Defendant-appellant further alleged that she has fully paid her obligation under the promissory note dated March 15, 1990 in accordance with the amortization schedule – her final payment having been made through Equitable Banking Corporation Check No. 45864888 dated July 15, 1990 in the amount of P131,578.94. Defendant-appellant likewise alleged that she issued Equitable Banking Corporation Check No. 45864924 dated June 11, 1990 in the amount of P1,578,947.00, representing her obligation under the promissory note dated April 11, 1990. But prior to the due date, plaintiff-appellee granted defendant-appellant's request that she be given an extension up to August 26, 1990 within which to settle her obligation. Thus, defendant-appellant caused to be delivered to plaintiff-appellee a blank check, *i.e.*, Equitable Banking Corporation Check No. 45913897, to replace Check No. 45864924. Defendant-appellant asserted that she did not authorize anybody to fill up Check No. 45913897 with the value of P6,004,789.50 as no such obligation was incurred by her in favor of the plaintiff-appellee.

By way of counterclaim, defendant-appellant prayed that plaintiff-appellee be ordered to render an accounting on her investments therewith; to pay moral damages in an amount not less than P5,000.00; attorney's fees and expenses of litigation in the sum of P500,000.00; exemplary damages in the amount of P100,000.00; and to pay the costs of suit.

On June 16, 1999, the trial court promulgated the assailed Decision in favor of the plaintiff-appellee corporation.

Obviously dissatisfied, defendant-appellant filed this appeal based on the following assignment of errors, to wit:

"I. THE COURT A QUO ERRED IN FINDING THAT PLAINTIFF-APPELLEE IS ENTITLED TO COLLECT FROM DEFENDANT-APPELLANT THE AMOUNT OF