

SECOND DIVISION

[G.R. No. 203020, June 28, 2021]

SALLY GO-BANGAYAN, PETITIONER, VS. SPOUSES LEONCIO AND JUDY CHAM HO, RESPONDENTS. D E C I S I O N

LAZARO-JAVIER, J.:

The Case

Petitioner Sally Go-Bangayan assails the following dispositions of the Court of Appeals in CA-G.R. CV No. 88214 entitled *SALLY GO-BANGAYAN, represented by SIXTA L. GO v. SPOUSES LEONCIO HO AND JUDY CHAM HO*:

- 1) **Decision**^[1] dated May 11, 2012 dismissing petitioner's complaint for failure to prove her cause of action for sum of money against respondent Spouses Leoncio and Judy Cham Ho, by preponderance of evidence; and
- 2) **Resolution**^[2] dated July 30, 2012 denying reconsideration.

Antecedents

By **Complaint**^[3] dated October 3, 2001, petitioner, through her sister-in-law Sixta L. Go sued respondents Spouses Leoncio Ho and Judy Cham Ho for sum money and damages. She essentially alleged:

In October 1997, respondents obtained a P700,000.00 loan from her for three percent (3%) monthly interest. Though respondents were able to pay the monthly interest, they failed to promptly settle the principal loan. Eventually, after a series of verbal demands for payment, respondent Judy issued two (2) **crossed checks** from her joint account with Leoncio at Philippine Bank of Communications: A336519 dated October 6, 1997 and A336520 dated October 30, 1997 for P200,000.00 and P500,000.00, respectively. Sixta personally received these checks at respondents' office in Dimasalang, Manila.

Before the respective maturity dates of the checks, respondents pleaded with her not to deposit the checks as they planned to redeem them in cash. She accommodated their request. A month later, she followed up with respondents on their promise but to no avail. Meantime, she entrusted the collection to Sixta as she had to go to Canada.

When she returned to the Philippines in August 2001, she and Sixta demanded payment from respondents anew. But still, respondents failed to settle their obligation.

Finally losing temper and patience, she had Sixta's husband Alan S. Go personally deliver a final demand letter dated September 20, 2001 to respondents. Despite

Judy's receipt of the letter, however, respondents just continued to ignore her. Thus, she sued respondents and prayed that they be ordered to jointly and severally pay the following:

- (a) P700,000.00 as principal obligation;
- (b) P329,000.00 as accrued interest of P700,000.00 for four (4) years reckoned from October 1997 until October 2001 at the rate of 12% per *annum* plus accruing interests;
- (c) P140,000.00 as attorney's fees at the rate of 20% on the principal obligation of P700,000.00; and
- (d) P50,000.00 as actual damages.

The case was raffled to the Regional Trial Court - Branch 217, Quezon City and summonses were issued as a matter of course.

In their **Answer**,^[4] respondents sought the outright dismissal of the complaint for alleged lack of jurisdiction since there was supposedly no loan agreement to begin with. They denied ever obtaining a loan from petitioner who allegedly failed to prove that they received the P700,000.00 loan. Petitioner's claim, therefore, was unfounded pursuant to the Statute of Frauds which provided that no suit or action shall be maintained unless there shall be a note or memorandum in writing signed by the party to be charged.

They further countered that petitioner requested Judy to issue the subject checks for discounting by financiers known to petitioner. Failing to find one, petitioner returned and requested that Judy write her (petitioner's) name in the checks. Despite their agreement to have the checks discounted, petitioner suddenly made herself scarce. They were surprised when they received summons relative to the present case.

As for the subject checks, they were already stale by the year 2001, hence, it was fraudulent to revive them as evidence of petitioner's false claim of indebtedness. Leoncio, on the other hand, was never privy to the discounting arrangement between petitioner and Judy.

By way of counterclaim, respondents sought:

- (a) Moral damages of P2,000,000.00;
- (b) Exemplary damages of P1,000,000.00;
- (c) Attorney's fees of P150,000.00;
- (d) Litigation expenses of P50,000.00; and
- (e) P2,000.00 per court appearance.

In her **Reply**,^[5] petitioner maintained that the trial court correctly assumed jurisdiction over the complaint. Too, the Statute of Frauds was not applicable to respondents' obligation. During the pre-trial,^[6] the parties stipulated on the following:

- 1) The due execution and issuance of Philippine Bank of Communications Checks Nos. A336519 dated October 6, 1997 and A336520 dated October 30, 1997, for Php200,000.00 and Php500,000.00, respectively; and
- 2) The subject checks were crossed checks.

At the trial proper, **petitioner** essentially affirmed the allegations in her complaint: She handed respondents P700,000.00 in October 1997 and respondents, in turn, issued the subject checks. The exchange of loan proceeds and the subject checks was not simultaneous as the checks were issued for the pre-existing debt of P700,000.00.

In response to the court's clarificatory questions, petitioner testified that she personally granted respondents the P200,000.00 loan on July 6, 1997 and another P500,000.00 loan on July 30, 1997. In exchange, respondents issued the subject post-dated checks - October 6, 1997 for P200,000.00 and October 30, 1997 for P500,000.00. She entrusted the collection thereof to Sixta.^[7]

Sixta corroborated petitioner's testimony. She testified that respondents received P200,000.00 and P500,000.00 cash loans on July 6 and 30, 1997, respectively. In exchange, respondents issued the subject checks. She added that she even accompanied petitioner sometime in September 1997 to collect interest on respondents' loans.^[8]

Respondent **Leoncio** stood firm in his position that he and Judy never obtained any loan from petitioner and that the checks were issued for rediscounting purposes.^[9]

Ruling of the Trial Court

By Decision ^[10] dated October 27, 2006, the trial court ruled in petitioner's favor:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant spouses Leoncio Ho and Judy Cham Ho[,] ordering said spouses[,] jointly and severally[,] to pay the plaintiff:

1. the amount of P700,000.00 with interest thereon at the rate of 12% per annum starting October 04, 2001 (when the complaint was filed) and until paid; and[,]
2. the amount of P70,000.00 as and for attorney's fees.

Cost as[sic] against[the] defendants.

SO ORDERED.^[11]

The trial court held that petitioner sufficiently established her cause of action. Under Section 24^[12] of the Negotiable Instruments Law, a party to an instrument like herein petitioner was presumed to have acquired the same for a consideration or for value, which, in this case, was a pre-existing debt. The fact that the subject checks were crossed checks negated any supposed rediscounting arrangement. The trial court awarded attorney's fees of P70,000.00 only.

Proceedings before the Court of Appeals

On appeal,^[13] respondents faulted the trial court for granting petitioner's complaint despite her purported failure to support her cause of action. They insisted that the trial court had no jurisdiction over the case because there never was a loan agreement between them and petitioner. Too, they faulted the trial court for not

applying the Statute of Frauds and for holding that a crossed check cannot be rediscounted.

On the other hand,^[14] petitioner supported the trial court's dispositions. She averred that respondents' admission that the checks were genuine and duly executed was sufficient proof of their indebtedness.

Ruling of the Court of Appeals

Through its assailed Decision^[15] dated May 11, 2012, the Court of Appeals reversed. It held that petitioner failed to prove the existence of the loan, let alone, that the checks were issued in payment thereof. The appellate court hinged such conclusion on the following supposed inconsistencies:

One. Petitioner failed to establish the exact date the loan was given to respondents. On direct, petitioner testified that respondents obtained the loan from her sometime in October 1997. On cross, however, she stated that respondents did not issue the subject checks on the same date the loan was obtained. To the court's clarificatory question, she said that respondents obtained the loan on July 6 and 30, 1997.

Two. In the complaint, petitioner alleged that respondents obtained the loan first, paid interest for a few months, then issued the subject checks after they were unable to settle the obligation. During the trial, however, petitioner categorically stated the checks were issued on the same day she gave them the loan.

Three. In the complaint, petitioner allegedly made several demands a month before the maturity dates of the checks and before she left for Canada. But during the clarificatory hearings, she said she was already in Canada at the time the checks became due and demandable in October 1997.

The Present Petition

Petitioner^[16] now seeks affirmative relief from the Court, claiming she sufficiently established respondents' indebtedness to her. She points out that respondents admitted the authenticity and due execution of the checks during the pre-trial conference which served as indubitable proof of their indebtedness. Under the Negotiable Instruments Law, such admission entitles her to collect payment of the amount indicated therein. In their Comment,^[17] respondents defend the dispositions of the Court of Appeals. They counter that petitioner failed to prove her cause of action against them by preponderance of evidence. This is bolstered by the absence of a written agreement to establish petitioner's claim as required under the Statute of Frauds.

Threshold Issue

Was petitioner able to establish her cause of action for sum of money against respondents by preponderance of evidence?

Ruling

Preliminarily, the Court finds that the issue presented for resolution is a question of fact which, as a general rule, cannot be entertained. For this Court is not a trier of facts; only errors of law are generally reviewed in petitions for review on *certiorari* criticizing decisions of the Court of Appeals.^[18] This rule, however, admits of exceptions as when the inference made is manifestly mistaken, absurd or impossible; when the judgment is based on a misapprehension of facts; and when the findings of fact by the Court of Appeals are contrary to those of the trial court, as in here.^[19] In all these instances, the Court will review the factual findings of the tribunals and make its own factual appreciation relevant to the issue at hand to prevent grave injustice.

Here, petitioner alleged that respondents obtained from her two (2) separate loans, *i.e.*, P200,000.00 on July 6, 1997 and for P500,000.00 on July 30, 1997, or a total of P700,000.00. As proof of their indebtedness, respondents issued and delivered to petitioner two (2) Philippine Bank of Communications crossed checks, A336519 dated October 6, 1997 and A336520 dated October 30, 1997 for P200,000.00 and P500,000.00, respectively. Both crossed checks were in the name of petitioner as payee. On their respective maturity dates, respondents requested that petitioner hold the encashment or deposit of the checks as they planned to redeem them in cash. As it was though, respondents never again communicated with her, ignored her subsequent demands to pay, and never paid their indebtedness.

Respondents, however, denied that they incurred the loans in question. For although they issued and delivered the crossed checks to petitioner, the same were meant only to be discounted supposedly by financiers known to petitioner. We find for petitioner.

First. Section 24 of the Negotiable Instruments Law embodies the presumption that when negotiable instruments such as checks are delivered to their intended payees, such instruments have been issued for value, *viz.*:

Sec. 24. Presumption of consideration. - Every negotiable instrument is deemed *prima facie* to have been issued for a valuable consideration; and every person whose signature appears thereon to have become a party thereto for value.

Meanwhile, Section 25 of the same law expressly recognizes a preexisting debt as valid consideration to support the issuance of a negotiable instrument like a check:

Sec. 25. Value, what constitutes. - Value is any consideration sufficient to support a simple contract. **An antecedent or pre-existing debt constitutes value;** and is deemed such whether the instrument is payable on demand or at a future time.

Here, respondents admitted the genuineness and due execution of the crossed checks they issued in petitioner's name. As such, the presumption that said checks were for valuable consideration comes into play. Notably, respondents failed to rebut this presumption. All they offered was a bare denial that they incurred the loans in exchange for their checks. Surely, bare denial, without more, is not sufficient to overthrow the presumption under Section 24 of the Negotiable Instruments Law. We therefore give credence to petitioner's claim that the checks were issued and delivered to her by respondents in payment of their indebtedness to her.