

THIRD DIVISION

[G.R. No. 199161, April 18, 2018]

**PHILIPPINE NATIONAL BANK, PETITIONER, V. JAMES T. CUA,
RESPONDENT.**

DECISION

MARTIRES, J.:

This petition for review on certiorari seeks to reverse and set aside the 26 October 2011 Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 91386, which affirmed with modification the 28 November 2007 Decision^[2] of the Regional Trial Court of Parañaque City, Branch 195, in Civil Case No. 05-0066, a case for sum of money with damages.

THE FACTS

On 9 February 2005, herein respondent James T. Cua (*James*) filed a Complaint for Sum of Money with Damages^[3] against herein petitioner Philippine National Bank (*PNB*), docketed as Civil Case No. CV-05-0066.

In the said complaint, James averred that since 1996, he and his brother, Antonio T. Cua (*Antonio*) maintained a US Dollar Savings Time Deposit with PNB, Sucat, Parañaque branch, evidenced by Certificate of Time Deposit (*CTD*) No. B-630178 issued on 9 December 2002 and which replaced CTD No. B-658788. CTD No. B-630178 has a face value of US\$50,860.53. James continued that he and Antonio had the practice of pre-signing loan application documents with PNB for the purpose of having a standby loan or ready money available anytime.

On 6 May 2004, James learned that he had a loan obligation with PNB which had allegedly become due and demandable. He maintained, however, that although he had pre-signed loan documents for pre-arranged loans with his time deposit as collateral, he had never availed of its proceeds. Sometime in September 2004, to see if his dollar time deposit was still existing and in order to revive his cash-strapped machine shop business, James requested from PNB the release of P500,000.00 to be secured by CTD No. B-630178. To his surprise, PNB rejected his loan application which refusal, he claims, caused damage and prejudice in terms of lost business opportunity and loss of income in the amount of more or less P1,000,000.00

James inquired about the reason for the denial of his application. In a letter-reply dated 17 November 2004, PNB, through its vice president, explained that his dollar time deposit had been applied in payment to the loans he had with the bank, in accordance with the loan application and other documents he had executed.

Thereafter, James demanded the release of his entire dollar time deposit asserting that he never made use of any loan amount from his pre-arranged loan from the

time he was issued CTD No. B-630178; and that it was only in September 2004 that he requested the release of the proceeds of his pre-arranged loan. After PNB failed to heed his demand, James filed a complaint for sum of money praying that PNB return to him the entire amount of the account.

In its Answer,^[4] PNB admitted that James had applied for a loan. Contrary to his claim, however, he already made use of his hold-out facility with PNB and received the proceeds of his loan. PNB further denied James' allegation that he merely pre-signed the loan documents in order to have a stand-by loan. As its affirmative defense, PNB claimed that James, in fact, applied for and was extended four (4) separate loans including one on 14 February 2001 as evidenced by Promissory Note (PN) No. 0011628152240004 dated 14 February 2001. On 26 February 2002, the parties renewed the 14 February 2001 loan for which James executed PN No. 0011628152240006 dated 26 February 2002.

PNB further explained that James was considered as one of its valued clients such that when he came to the bank on said dates inquiring if he could use the hold-out loan facilities of the bank, the latter gladly obliged. Hence, immediately after James applied for the respective loans, the same were granted on the very same day, and the proceeds released in the form of manager's checks.

PNB averred that when the subject loan fell due, demands to pay were made on James who, however, failed to heed the demands. Thus, it was prompted to set off James' obligations with his dollar time deposit with the bank, in accordance with the provisions of the promissory notes.

PNB further alleged that it suffered besmirched reputation because of James' groundless suit. Thus, it prayed that James be ordered to pay the amount of P1,000,000.00 as moral damages; the amount of P500,000.00 as exemplary damages; and the amount of P100,000.00 by way of and as attorney's fees.

Trial on the merits thereafter ensued, during which James testified for his cause. He stated that he was a businessman and a college graduate. He affirmed the allegations in his Complaint and asserted that he did not sign any document evidencing receipt of the loan referred to by PNB and for which his dollar time deposit had been applied in payment.^[5] To further substantiate his claim, he presented the following documents: (1) a photocopy of CTD No. B-630178,^[6] to show that James and his brother have a US Dollar Time Deposit with PNB; (2) letter dated 9 September 2004,^[7] to show that James complained against an alleged loan charged against his time deposit; (3) PNB's letter-reply dated 17 November 2004,^[8] explaining the reason for the denial of his request; and (d) the letter of James' counsel to PNB demanding the release of his dollar time deposit.^[9]

On its part, PNB presented two witnesses: Edna Palomares (*Edna*), PNB's loans officer at its Sucat branch; and Alxis Manalili. Edna testified that on various dates, James entered into loan transactions with PNB. One of these loans was a dollar loan dated 14 February 2001 in the amount of US\$50,000.00.^[10] This loan was secured by James' CTD No. 629914 as evidenced by PN No. 0011628152240004. When the loan matured, James failed to pay despite demand which prompted PNB to apply his time deposit under CTD No. B-630178 as payment. Edna clarified that when James applied for the subject loan, the CTD was still numbered as CTD No. 629914.

However, when the loan matured, CTD No. 629914 had already been replaced by CTD No. B-630178.^[11]

To further support its defense and counterclaims, PNB presented, among others, the following pieces of documentary evidence: (1) duly notarized renewal Loan Application/Approval Form^[12] dated 26 February 2002; (2) PN No. 0011628152240004^[13] dated 14 February 2001 in the amount of US\$50,000.00; (3) PN No. 0011628152240006^[14] dated 26 February 2002 in the amount of US\$50,000.00; and (4) a machine-validated Miscellaneous Ticket^[15] dated 14 February 2001 which purportedly indicates that James received the proceeds of the loan in the amount of US\$49,655.34.

The RTC Ruling

In its decision, the RTC ruled in favor of James. It explained that the burden of proof shifted from James to PNB when the latter asserted an affirmative defense – that the loan proceeds were released to James and, thus, PNB properly applied his time deposit as payment of his unpaid loan in accordance with the provisions of the promissory note. PNB, however, failed to substantiate this affirmative defense.

The trial court observed that aside from Edna's bare testimony, no other evidence was presented to prove that the proceeds of the loan subject of the pre-signed loan application were released to and duly received by James. It did not give evidentiary weight to the miscellaneous ticket presented by PNB because it did not bear James' signature. The trial court did not also give any evidentiary value to PN No. 0011628152240006, dated 26 February 2002, noting that the promissory note it purportedly renewed was not presented in evidence.

Since it has not been established that James had an outstanding debt to PNB, the latter's application of the former's time deposit to the alleged loan is improper. Necessarily, James is entitled to the return of his dollar time deposit. The dispositive portion of the RTC decision provides:

WHEREFORE, defendant is directed to pay plaintiff the following:

1. The amount of US\$50,860.53 or its peso equivalent plus interest of 1.09375% per annum from December 14, 2004 until fully paid;
2. Attorney's fees in the amount of P500,000.00 plus appearance fee of P2,000.00 per hearing; and
3. Costs of suit.

Defendant's counter-claims are dismissed for lack of merit.^[16]

PNB moved for reconsideration, ^[17] but the same was denied by the RTC in its Order,^[18] dated 28 April 2008.

Undaunted, PNB elevated an appeal before the CA.^[19]

The CA Ruling

In its appealed decision, the CA affirmed with modification the 28 November 2007 decision and 28 April 2008 order of the RTC.

The appellate court concurred with the trial court that the burden of proof shifted to PNB. Unfortunately, PNB failed to substantiate its claims. The appellate court, thus, found no reversible error in the trial court's disquisition that PNB should be held liable to James.

The appellate court, however, modified the RTC decision by reducing the amount of attorney's fees to P50,000.00 from the original award of P500,000.00 finding the latter to be exorbitant.

The *fallo* of the appealed decision provides:

WHEREFORE, the Decision dated 28 November 2007 of the Regional Trial Court of Paranaque City, Branch 195, in Civil Case No. 05-0066, is hereby **AFFIRMED WITH MODIFICATION** in that the award of attorney's fees is reduced to Fifty Thousand Pesos (P50,000.00).^[20]

Hence, this petition for review where PNB raised the following issues:

ISSUES

I.

WHETHER THE COURT OF APPEALS GRAVELY ERRED WHEN IT HELD THAT THERE WAS NO EVIDENCE SHOWING THAT RESPONDENT RECEIVED THE PROCEEDS OF SUBJECT LOAN, THUS, IGNORING APPLICABLE DECISIONS OF THIS HONORABLE COURT HOLDING THAT THE PROMISSORY NOTE IS THE BEST EVIDENCE THAT THE BORROWER HAS RECEIVED THE LOAN PROCEEDS.

II.

WHETHER THE COURT OF APPEALS GRAVELY ERRED WHEN IT DISREGARDED THE CONTENTS OF THE NOTARIZED PROMISSORY NOTES, DESPITE THE DEARTH OF CLEAR AND CONCLUSIVE EVIDENCE SUFFICIENT TO OVERTHROW THE PAROL EVIDENCE RULE AND THE PRESUMPTION IN FAVOR OF PUBLIC DOCUMENTS UNDER RULE 132, SECTION 23 OF THE RULES OF COURT.

III.

WHETHER THE COURT OF APPEALS GRAVELY ERRED WHEN IT DID NOT RULE THAT RESPONDENT WAS BOUND BY HIS PROMISSORY NOTES, EVEN IF THERE WAS NO EVIDENCE TO OVERCOME THE PRESUMPTION THAT EVERY PERSON TAKES ORDINARY CARE OF HIS CONCERNS, ON THE CONTRARY, THE EVIDENCE ON RECORD SHOWS THAT RESPONDENT VOLUNTARILY AND INTELLIGENTLY EXECUTED SUCH PROMISSORY NOTES.^[21]

Essentially the issue in this case is whether PNB sufficiently established James' receipt of the loan proceeds.

THE COURT'S RULING

The appeal is meritorious.