

FIRST DIVISION

[G.R. No. 163116, June 29, 2015]

ALLIED BANKING CORPORATION, PETITIONER, VS. JESUS S. YUJUICO (DECEASED), REPRESENTED BY BRENDON V. YUJUICO, RESPONDENT.

D E C I S I O N

BERSAMIN, J.:

This appeal assails the decision promulgated on May 30, 2003,^[1] whereby the Court of Appeals (CA) affirmed the decision rendered on November 19, 1997 by the Regional Trial Court (RTC), Branch 13, in Manila dismissing its complaint for the collection of a debt brought against respondent Jesus S. Yujuico and several others (docketed as Civil Case No. R-82-8211 entitled *Allied Banking Corporation v. Yujuico Logging & Trading Corporation, Clarencio S. Yujuico, Jesus S. Yujuico and Gregoria Y. Paredes*).^[2]

Civil Case No. R-82-8211 was commenced in the Court of First Instance of Manila on November 7, 1978^[3] to demand the principal sum of P6,020,000.00 representing the total obligations of Yujuico Logging & Trading Corporation (YLTC) under five promissory notes. In their answer,^[4] Jesus S. Yujuico and Gregoria Y. Paredes denied that they were parties to the loan agreements of YLTC; and averred that any liability each could incur under the continuing guaranties had been extinguished or revoked through payment, novation, and prescription. Each presented a counterclaim for damages against the plaintiff.

In the course of the proceedings, the RTC, which in the meantime replaced the defunct Court of First Instance, dismissed the action against YLTC and Clarencio S. Yujuico because the summons could not be successfully served upon them despite the lapse of 13 years, and there was no prospect of making a successful service thereafter. The RTC also dismissed the case against Gregoria Y. Paredes because of her intervening demise, without prejudice to the bringing of the proper claim against her estate. The trial continued only against Jesus S. Yujuico.

On September 22, 2003, Jesus died in San Mateo, California, United States of America.^[5] On February 28, 2005, the Court noted the "confirmation of authority of Brendon V. Yujuico to represent all the legal heirs of Jesus S. Yujuico" in this case.^[6]

Antecedents

The CA summed up the following factual antecedents,^[7] viz.:

On January 10, 1966, the board of directors of General Bank & Trust Company (Genbank, for brevity) approved a resolution granting YLTC an

Omnibus Credit Line in the amount of P800,000.00 to be made available by overdrafts, loans and advances upon condition that the principals of YLTC would personally bind themselves in a Continuing Guarantee to secure payment of obligations drawn on said credit extended by Genbank. On February 6, 1968, in order to secure punctual payment at maturity of YLTC's obligations, defendants-appellees Gregoria Y. Paredes, Clarencio S. Yujuico and defendant-appellee Jesus S. Yujuico, principal stockholders of YLTC as sureties, executed a Continuing Guarantee for the amount of P800,000 binding themselves in their personal capacities as required by Genbank.

Following the expiration of the first credit line, on January 9, 1967, Genbank passed a board resolution granting YLTC a credit line of P1.5M which included the preceding P800,000-credit line. Pursuant to bank requirements, defendant-appellee Jesus S. Yujuico, Gregoria S. Paredes and Clarencio S. Yujuico again executed a Continuing Guarantee for the entire amount of P1.5M. This replaced the previous Continuing Guarantee.

After the second credit line expired, Genbank passed a board resolution on April 4, 1968 approving the renewal of YLTC's credit line of P1.5M for another year or "up to statutory limits" and "under existing terms and conditions" covered again by the Continuing Guarantee of P1.5M. YLTC's credit line was renewed successively for the following years 1969, 1970, 1971, 1972 and 1973.

On January 7, 1974, Genbank's board of directors passed a resolution granting YLTC a credit line of P5M or "up to statutory limits", whichever is higher. To cover that credit line, on February 6, 1974, Clarence S. Yujuico, as lone surety, executed a Continuing Guarantee to secure payment of YLTC's loan obligations in an amount not exceeding P5M or up to statutory limits allowed by law, whichever is higher. Said credit line included the previous P1.5M credit accommodation. On January 7, 1975, Genbank passed a board resolution which continued the effectivity of YLTC's P5M-credit line for the year 1975. On December 8, 1975, Genbank passed a board resolution renewing the time loan of P5.2M for another year or up to December 31, 1976.

Meanwhile, loans contracted by YLTC in 1975 and 1976 evidenced by the following promissory notes became due and demandable:

Date	Amount	Maturity Date
April 30, 1975	P5.2M	December 31, 1975
June 4, 1976	P0.4M	December 1, 1976
July 8, 1976	P0.2M	October 6, 1976
October 5, 1976	P0.2M	January 4, 1977
December	P20,184.90	March 1,

1, 1976

1977

Total

P6,020,18[4].90

In 1977, Genbank was placed under liquidation by the Monetary Board. Pursuant to a Memorandum of Agreement executed between the duly appointed bank liquidator and here plaintiff-appellant Allied Banking Corporation, the latter acquired all assets and liabilities of Genbank. Plaintiff-appellant, as successor-in-interest of Genbank, sought to collect the amount covered by the promissory notes. YLTC failed to pay constraining plaintiff-appellant to file the instant collection suit in court.

Judgment of the RTC

On November 19, 1997, the RTC rendered judgment dismissing the complaint against Jesus, as well as his counterclaim.^[8] It considered Exhibit B, the second continuing guarantee executed by Jesus on February 22, 1967, as pivotal inasmuch as the credit guaranteed by the first continuing guarantee executed on February 8, 1966 had become "part of the credit under the second agreement," observing that Jesus had not been sued "for any availment by YLTC under Exhibit B, but for those obtained by YLTC after the third guaranty agreement, Exhibit CC, was executed," to which Jesus was not a signatory. It found:

There is on record a xerox copy of a letter dated November 27, 1973 signed by Teodoro Presa for defendant Yujuico and addressed to the Board of Directors of Genbank and received by Atty. Rodolfo Santiago (Exh. 4, previously marked Exhibit 1, appearing as page 393 of Vol. 1 of the records). The paper bore the title "notice of revocation of continuing guaranty" and stated that defendant Yujuico was revoking the continuing guaranty of P800,000 (Exhibit A), and of the P1.5 million (Exhibit B) that was said to have absorbed and cancelled the former. Mr. Presa was a financial consultant of defendant Yujuico on the date specified in the letter, being under him in a company known as General Textiles (Gentex). Presa testified that upon his advice, defendant Yujuico decided to revoke all his outstanding guaranties as a means to improve his credit standing with the banks and enable him to support Gentex's expansion program. Yujuico specifically instructed him to prepare the letter Exhibit 4 which revoked the latter's guaranty in favor of YLTC (tsn March 25, 1996, at 5). Atty. Santiago, Genbank's corporate secretary, admitted receiving this letter and said that he had presented it to the board of directors which proceeded to renew YLTC's loan without defendant Yujuico's signature (tsn July 9, 1996, at 10, 15). Atty. Rafael Durian, defendant's counsel, stated that he had custody of the carbon original of Exhibit 4, but it was mistakenly included among the old records of their office and destroyed. He affirmed that Exhibit 4 was the xerox copy of the carbon original (tsn April 16, 1996, at 3-4). On the strength of these testimonies, the Court is satisfied of the existence of a letter of revocation sent by defendant Yujuico to Genbank in 1973 and that the xerox copy (sic) Exhibit 4 was a faithful reproduction of that lost communication. Against this evidence plaintiff merely raised the speculation that Atty. Santiago is biased in favor of defendant because (sic) the latter is the uncle of his (Atty. Santiago's) wife. But relationship alone is not enough to discredit the testimony of a witness if it is otherwise clear and convincing, and corroborated by other facts and circumstances, in this case by the

testimonies of Mr. Presa and Atty. Durian, People vs. Puesca 87 SCRA 130.^[9]

In view of the revocation letter executed by Teodoro Presa in the name and behalf of Jesus being considered existing and valid, the RTC laid down the following consequences of the revocation letter:

In the continuing guaranty Exhibit B, the following is stated:

"This is a continuing guaranty and shall remain in full force and effect until written notice shall have been received by you that it has been revoked by the undersigned (referring to the guarantors), but any such notice shall not release the undersigned from any liability as to any instruments, loans, advances or other obligations hereby guaranteed, which may be held by you, or in which you may have any interest, at the time of the receipt of such notice" (underscoring supplied.)

Pursuant to this provision, defendant Yujuico may continue to be held responsible only for loans and obligations of YLTC already contacted (sic) as of the time the letter or revocation Exhibit 4 was sent. But the accounts sued upon by plaintiff, that is, Exhibit D, E, F, G, H, came into existence in 1975 and 1976, after the revocations (sic) was made. It follows that defendant Yujuico cannot be held liable for them.^[10]

The RTC also ruled that the increase in credit line had novated the continuing guaranty executed by Jesus, to wit:

It is clear, moreover, that as a result of the increase of the credit line of YLTC from P1,500,000 to P5,000,000, a novation of the loan agreement of YLTC with Genbank had taken place. This because the old obligations had been merged into the new one, the amount increased, and new date specified for its performance. There is, in effect, a new contract that substitutes and replaces the old, and becomes the sole source of the rights and obligations of the parties. In such a juridical situation, the accessory obligations under the old contracts, such as those of guarantors and sureties, are deemed released unless the latter agree to the change. Tolentino, Civil Code of the Philippines Vol. IV, 1962, at 365. Since, in the case at bar, defendant Yujuico as a guarantor did not consent to the novation of the credit agreement between Genbank and YLTC, but on the contrary, revoked his guaranty under the old credit line, he should be released from his undertaking.^[11]

Decision of the CA

On appeal, the petitioner assigned the following errors, namely:

I

THE TRIAL COURT ERRED IN FINDING THAT APPELLEE HAD ALREADY REVOKED HIS CONTINUING GUARANTEES AND NOTIFIED GENBANK OF SUCH REVOCATION, HENCE, COULD NO LONGER BE HELD LIABLE AS A

SURETY OF THE OBLIGATIONS SUED UPON.

II

THE TRIAL COURT ERRED IN FINDING THAT APPELLEE'S OBLIGATION AS A SURETY UNDER THE CONTINUING GUARANTY DATED FEBRUARY 22, 1967 WAS EXTINGUISHED BY NOVATION WHEN YLTC'S CREDIT LINE WAS INCREASED FROM P1,500,000.00 TO P5,000,000.00 PURSUANT TO THE CONTINUING GUARANTY DATED FEBRUARY 6, 1974.^[12]

By its assailed decision, the CA affirmed the RTC, to wit:

The appeal has no merit.

On the first error assigned by plaintiff-appellant, it is urged that the record is bereft of credible evidence that Genbank received the letter of revocation. Furthermore, the letter of revocation was signed by Mr. Teodoro Presa, a financial consultant of General Textiles, a company that had nothing to do with the debtor YLTC, and hence was ineffectual as a letter of revocation.

The contention deserves no consideration. We are convinced that Mr. Presa wrote the letter of revocation under the express instructions of defendant-appellee for the latter would not have presented the letter of revocation in his defense had he not actually authorized its preparation. Corroborative of this is Atty. Santiago's testimony that he received such a letter and that at a meeting attended by him, Genbank's board of directors allowed the revocation of the Continuing Guarantee defendant-appellee signed in 1967. Defendant-appellee was no longer required to execute a continuing guarantee thereafter. In civil cases, it is a well settled rule that the appellate court will not reverse a finding of fact by the trial court depending largely upon the credibility of witnesses who testified in the presence of the court, unless the court failed to take into consideration some material fact or circumstance or to weigh accurately all of the material facts and circumstances presented to it for consideration. In the instant case, We do not see any reason for the application of the exception to the just cited rule.

On the second assigned error, it is contended that defendant-appellee Jesus Yujuico should not have been discharged from liability as a surety because there was no indication that the Continuing Guarantee executed by Clarence Yujuico alone was intended to replace the Continuing Guarantee defendant-appellee, Clarencio Yujuico and Gregoria Paredes had executed in 1967. The non-inclusion of defendant-appellee in suretyship agreements subsequent to the revocation made at his instance and the absorption of the P1.5M credit line in the subsequent P5M credit line, clearly evince the intent of superseding the previous surety agreement under the P1.5M-credit line. In 1974, it was Clarence Yujuico alone who executed a Continuing Guarantee to secure payment of loans contracted under the P5M-credit line. Notably, in the course of his testimony, Francis Pasatiempo, a bank officer of plaintiff-appellant bank and formerly connected with Genbank, admitted that the P5M-credit line