690 Phil. 134

THIRD DIVISION

[G.R. No. 171050, July 04, 2012]

FAR EAST BANK AND TRUST COMPANY (NOW BANK OF THE PHILIPPINE ISLANDS), PETITIONER, VS. TENTMAKERS GROUP, INC., GREGORIA PILARES SANTOS AND RHOEL P. SANTOS, RESPONDENTS.

D E C I S I O N

MENDOZA, J.:

This is a petition for review on certiorari under Rule 45 of the Rules of Court assailing the July 28, 2005 Decision[1] and the January 6, 2006 Resolution[2] of the Court of Appeals (CA) in CA-GR No. CV-71543 entitled "*Far East Bank and Trust Company v. Tentmakers Group, Inc., Gregoria Pilares Santos & Rhoel P. Santos.*" The CA reversed and set aside the June 11, 2001 Decision of the Regional Trial Court, Branch 60, Makati City (RTC), and dismissed petitioner's complaint in Civil Case No. 98-910.

THE FACTS

The signatures of respondents, Gregoria Pilares Santos (*Gregoria*) and Rhoel P. Santos *(Rhoel)*, President and Treasurer of respondent Tentmakers Group, Inc. *(TGI)* respectively, appeared on the three (3) promissory notes for loans contracted with petitioner Far East Bank and Trust Company (FEBTC), now known as Bank of the Philippine Islands *(BPI)*. The first two (2) promissory notes were signed by both of them on July 5, 1996, as evidenced by Promissory Note No. 2-038-965034[3] for P255,000.00 and Promissory Note No. 2-038-965040[4] for P155,000.00. Gregoria and Rhoel alleged that they did sign on "blank" promissory notes intended for future use. The sixty (60)-day notes became due and demandable on September 3, 1996.

On August 7, 1996, Promissory Note No. 2-038-965003[5] for P140,000.00, a thirty (30)-day note, was executed allegedly in the same manner as the first two promissory notes.

After a futile demand, FEBTC filed a Complaint[6] before the RTC for the payment of the principal of the promissory notes which amounted to a total of P887,613.37 inclusive of interest, penalty charges and attorney's fees. In the said complaint, Gregoria and Rhoel were impleaded to be jointly and severally liable with TGI for the unpaid promissory notes.

In defense, the respondents alleged that FEBTC had no right at all to demand from them the amount being claimed; that records would show the absence of any resolution coming from the Board of Directors of TGI, authorizing the signatories to receive the proceeds and the FEBTC to release any loan; that FEBTC violated the

rules and regulations of the Central Bank as well as its own policy when it failed to require the respondents to submit the said board resolution, it allegedly being a condition *sine qua non* before granting a loan to a corporate entity, for the protection of the depositors/borrowers; that it was FEBTC's branch manager, a certain Liza Liwanag, who represented to Gregoria and Rhoel that they could avail of additional working capital for TGI by having them sign the promissory notes in advance, which were blank at the time, so they would be ready for future use; that Liza Liwanag's act of not requiring the aforesaid board resolution was against bank policy; that this irregularity caused damage to FEBTC with its own employee defrauding the bank; that the respondents had no knowledge that a loan had been taken out in its name; and that FEBTC could not present any proof that the respondents duly received the various amounts reflected in the three (3) promissory notes.[7]

In the "Answer with Counterclaim and Cross-claim,"[8] the respondents alleged that Salvador Bernardo, Jr. and Luisa Bernardo of Eliezer Crafts, who were erroneously impleaded as "cross-defendants,"[9] were the ones who received the proceeds of the promissory notes.

The respondents failed to appear during the pre-trial. Thereafter, FEBTC was allowed to present evidence *ex-parte*. The respondents filed their motion for reconsideration, but the same was denied by the RTC. A subsequent attempt to have their pre-trial brief admitted was also denied.[10]

After trial, the RTC rendered its decision[11] in favor of FEBTC, the dispositive portion of which states:

> WHEREFORE, in view of the foregoing, the Complaint filed is herein GRANTED. Defendants Tentmakers Group, Inc., Gregoria P. Santos and Rhoel P. Santos are held jointly and severally liable to pay plaintiff Far East Bank and Trust Co. in the amount of P1,181,764.68 plus attorney's fees equivalent to 10% of the total amount claimed.
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> SO ORDERED.[12]

The RTC found sufficient basis to award FEBTC's claim. It ruled that the liability of the individual respondents, Gregoria and Rhoel, was based on their having assumed personal and solidary liability for the amounts represented under the promissory notes as shown by their respective signatures appearing in the aforesaid documents. It upheld the validity and binding effect of the said promissory notes as the respondents did not deny the due execution thereof or their signatures appearing therein.

As earlier stated, in its July 28, 2005 Decision, the CA reversed and set aside the RTC judgment. The decretal portion of the CA decision reads:

> **WHEREFORE**, premises considered, the Regional Trial Court of Makati, Branch 60's June 11, 2001 Decision is hereby **REVERSED and SET**

ASIDE. The Complaint filed on April 17, 1998 is hereby **DISMISSED**.

SO ORDERED.[13]

The CA, taking judicial notice of the usual banking practice involving loan agreements, held that although there were promissory notes, there was no board resolution/corporate secretary's certificate designating the signatories for the corporation, and there was no disclosure that the signatories acted as agents thereof. There were no collaterals either to ensure the payment of the loan. In the conferment of such unsecured loans, FEBTC, its bank manager in particular, also failed to comply with the guidelines set forth under the Manual of Regulations for Banks,[14] when it allegedly approved and released the subject loans to Gregoria and Rhoel. These deficiencies, according to the CA, cast doubt on the loan transaction which appeared more like an "inside job" with the branch manager or bank employee securing the signatures of Gregoria and Rhoel, after which the said manager/employee simply "filled in the blanks."[15]

The CA held that "[b]anks should always have adequate audit mechanisms to make sure that their employees follow accepted banking rules and practices to safeguard the interest of the investing public and preserve the public confidence on banks."[16]

Further, the CA found that there was no evidence presented to prove that Gregoria and Rhoel or TGI received the proceeds of the three (3) promissory notes.

FEBTC filed a motion for reconsideration[17] of the said decision. The CA, however, in its January 6, 2006 Resolution, denied the motion for lack of merit.

Hence, FEBTC interposes the present petition before this Court anchored on the following

GROUNDS

(A)

IN ITS 28 JULY 2005 DECISION, THE COURT OF APPEALS, ERRED IN RULING THAT PETITIONER DID NOT COMPLY WITH THE GUIDELINES UNDER THE MANUAL OF REGULATION FOR BANKS, THAT THERE WAS NO BOARD RESOLUTION/CORPORATE SECRETARY'S CERTIFICATE DESIGNATING THE SIGNATORIES FOR THE CORPORATION; THERE WAS NO DISCLOSURE THAT THE SIGNATORIES ACTED AS AGENTS; THAT THERE WERE NO COLLATERALS/CHATTEL MORTGAGE/REAL ESTATE MORTGAGE/PLEDGES TO ENSURE PAYMENT OF THE LOAN. THIS FACTUAL FINDING EXPRESSLY CONFLICTS WITH THE FINDING OF THE TRIAL COURT AND CONTRADICTED BY THE EVIDENCE ON RECORD.

(B)

IN ITS 28 JULY 2005 DECISION, THE COURT OF APPEALS, MADE A CONCLUSION THAT IS GROUNDED ENTIRELY ON SPECULATIONS, SURMISES, OR CONJECTURES. THERE IS NO EVIDENCE ON RECORD THAT WARRANTS AN INFERENCE OF AN "INSIDE JOB" WITH THE BRANCH MANAGER OR BANK EMPLOYEE HAVING SECURED THE SIGNATURES OF RESPONDENTS [DEFENDANTS-APPELLANTS] GREGORIA AND RHOEL AFTER WHICH THE MANAGER AND EMPLOYEE SIMPLY "FILLED IN THE BLANKS" THIS FACTUAL FINDING, EXPRESSLY CONFLICTS WITH THE FINDING OF THE TRIAL COURT AND CONTRADICTED BY THE EVIDENCE ON RECORD, EXHIBITS, "G" "H" AND "I" BEFORE THE TRIAL COURT.

(C)

IN ITS 28 JULY 2005 DECISION, THE COURT OF APPEALS, MADE A CONCLUSION THAT IS GROUNDED ENTIRELY ON SPECULATIONS, SURMISES, OR CONJECTURES. THERE IS NO EVIDENCE ON RECORD THAT WARRANTS AN INFERENCE THAT THE BANK [HEREIN PETITIONER, THEN PLAINTIFF-APPELLEE], IN FACT, DID NOT DENY NOR DISPROVE THAT THIRD PERSONS HAD RECEIVED THE PROCEEDS OF THE THREE PROMISSORY NOTES; NAMELY, SALVADOR BERNARDO, JR. AND LUISA BERNARDO OF ELIEZER CRAFTS WHO WERE NOT CONNECTED WITH TGI. NO DEMAND ON THEM WAS EVER MADE FOR [THE] RETURN OF THE PROCEEDS THEY HAD RECEIVED. THIS FACTUAL FINDING, EXPRESSLY CONFLICTS WITH THE FINDING OF THE TRIAL COURT AND CONTRADICTED BY THE EVIDENCE ON RECORD, EXHIBITS A TO K OF PETITIONER [THEN PLAINTIFF-APPELLEE] BEFORE THE TRIAL COURT.[18]

The issue to be resolved is whether the CA rendered a decision that is grounded entirely on speculations, surmises, or conjectures when it ruled in favor of the respondents.

FEBTC contends that the evidence on record showed its compliance with the banking rules and regulations through board resolutions issued by TGI fully authorizing Gregoria and Rhoel to transact business with it. It submits that the materiality of the said board resolutions was already ruled upon by the RTC. It asserts that Gregoria and Rhoel were solidarily liable for the amounts represented under the three promissory notes having signed the same. It adds that there was no specific denial, under oath, of the genuineness and due execution of the said documents as required under Section 8, Rule 8 of the Rules of Court. According to FEBTC, it merely acted within its rights as creditor in demanding payment of the overdue obligation from the solidary creditors, which included Gregoria and Rhoel. It argues that the inference of an "inside job" by the CA was a mere speculation not supported by any credible evidence. It further argues that the CA erred when it gave weight to the allegation that third persons had received the proceeds of the promissory notes because the proceeds were credited to the account of TGI. There was no evidence on record that such proceeds were credited to the account of an entity called "Eliezer Crafts."

In their Comment,[19] the respondents counter that they did not receive the proceeds of the three promissory notes. The same argument was reiterated in their Memorandum.[20] The respondents posit that it is true that they signed the Promissory Notes, but they vehemently deny having received the amounts reflected thereon. They aver that FEBTC miserably failed to present any check, voucher, or any document to show actual receipt by them of the aforementioned amounts from the bank. They argue that the RTC gravely erred in finding Gregoria and Rhoel personally liable for the amounts under the promissory notes, they being mere signatories of the company's account, acting in behalf of TGI, which was the one principally transacting business with FEBTC. This, the respondents say, was very clear from the wordings of the Certificate of Board Resolution of TGI submitted to FEBTC.

The petition is bereft of merit.

It should be noted that the questions raised in this petition involve the correctness of the factual findings of the CA. In petitions for review on certiorari under Rule 45, only questions of law may be raised by the parties and passed upon by this Court. An inquiry into the veracity of the factual findings and conclusions of the CA is not the function of this Court, for this Court is not a trier of facts. Neither is it its function to reexamine and weigh anew the respective evidence of the parties.[21]

The factual findings of the CA are generally binding on this Court.[22] There are recognized exceptions[23] to this rule. FEBTC, however, has failed to satisfactorily show the applicability of any of those exceptions in this case to warrant a reexamination of the findings.

In any case, even granting that factual issues may be considered, the facts would not make a good case for FEBTC because there was no evidence adduced to prove that the respondents received the amount demanded in its complaint. Contrary to the claim of FEBTC, nowhere in the records of this case can one find a document evidencing that Gregoria and Rhoel, or TGI for that matter, received the proceeds of the three (3) promissory notes. Moreover, FEBTC violated the rules and regulations of the Bangko Sentral ng Pilipinas (BSP) by its failure to strictly follow the guidelines in the conferment of unsecured loans set forth under the Manual of Regulations for Banks (MORB), to quote:

> **Sec. X319 Loans Against Personal Security.** The following regulations shall govern credit accommodations against personal security granted by banks.[24]
>
> **§ X319.1 General guidelines**. Before granting credit accommodations against personal security, banks must exercise proper caution by ascertaining that the borrowers, co-makers, endorsers, sureties and/or guarantors possess good credit standing and are financially capable of fulfilling their commitments to the bank. For this purpose, banks shall keep records containing information on the credit standing and financial capacity of credit applicants.