

FIRST DIVISION

[G.R. No. 180257, February 23, 2011]

**EUSEBIO GONZALES, PETITIONER, VS. PHILIPPINE
COMMERCIAL AND INTERNATIONAL BANK, EDNA OCAMPO, AND
ROBERTO NOCEDA, RESPONDENTS.**

D E C I S I O N

VELASCO JR., J.:

The Case

This is an appeal via a Petition for Review on Certiorari under Rule 45 from the Decision^[1] dated October 22, 2007 of the Court of Appeals (CA) in CA-G.R. CV No. 74466, which denied petitioner's appeal from the December 10, 2001 Decision^[2] in Civil Case No. 99-1324 of the Regional Trial Court (RTC), Branch 138 in Makati City. The RTC found justification for respondents' dishonor of petitioner's check and found petitioner solidarily liable with the spouses Jose and Jocelyn Panlilio (spouses Panlilio) for the three promissory notes they executed in favor of respondent Philippine Commercial and International Bank (PCIB).

The Facts

Petitioner Eusebio Gonzales (Gonzales) was a client of PCIB for a good 15 years before he filed the instant case. His account with PCIB was handled by respondent Edna Ocampo (Ocampo) until she was replaced by respondent Roberto Noceda (Noceda).

In October 1992, PCIB granted a credit line to Gonzales through the execution of a Credit-On-Hand Loan Agreement^[3] (COHLA), in which the aggregate amount of the accounts of Gonzales with PCIB served as collateral for and his availment limit under the credit line. Gonzales drew from said credit line through the issuance of check. At the institution of the instant case, Gonzales had a Foreign Currency Deposit (FCD) of USD 8,715.72 with PCIB.

On October 30, 1995, Gonzales and his wife obtained a loan for PhP 500,000. Subsequently, on December 26, 1995 and January 3, 1999, the spouses Panlilio and Gonzales obtained two additional loans from PCIB in the amounts of PhP 1,000,000 and PhP 300,000, respectively. These three loans amounting to PhP 1,800,000 were covered by three promissory notes.^[4] To secure the loans, a real estate mortgage (REM) over a parcel of land covered by Transfer Certificate of Title (TCT) No. 38012 was executed by Gonzales and the spouses Panlilio. Notably, the promissory notes specified, among others, the solidary liability of Gonzales and the spouses Panlilio for the payment of the loans. However, it was the spouses Panlilio who received the loan proceeds of PhP 1,800,000.

The monthly interest dues of the loans were paid by the spouses Panlilio through the automatic debiting of their account with PCIB. But the spouses Panlilio, from the month of July 1998, defaulted in the payment of the periodic interest dues from their PCIB account which apparently was not maintained with enough deposits. PCIB allegedly called the attention of Gonzales regarding the July 1998 defaults and the subsequent accumulating periodic interest dues which were left still left unpaid.

In the meantime, Gonzales issued a check dated September 30, 1998 in favor of Rene Unson (Unson) for PhP 250,000 drawn against the credit line (COHLA). However, on October 13, 1998, upon presentment for payment by Unson of said check, it was dishonored by PCIB due to the termination by PCIB of the credit line under COHLA on October 7, 1998 for the unpaid periodic interest dues from the loans of Gonzales and the spouses Panlilio. PCIB likewise froze the FCD account of Gonzales.

Consequently, Gonzales had a falling out with Unson due to the dishonor of the check. They had a heated argument in the premises of the Philippine Columbian Association (PCA) where they are both members, which caused great embarrassment and humiliation to Gonzales. Thereafter, on November 5, 1998, Unson sent a demand letter^[5] to Gonzales for the PhP 250,000. And on December 3, 1998, the counsel of Unson sent a second demand letter^[6] to Gonzales with the threat of legal action. With his FCD account that PCIB froze, Gonzales was forced to source out and pay the PhP 250,000 he owed to Unson in cash.

On January 28, 1999, Gonzales, through counsel, wrote PCIB insisting that the check he issued had been fully funded, and demanded the return of the proceeds of his FCD as well as damages for the unjust dishonor of the check.^[7] PCIB replied on March 22, 1999 and stood its ground in freezing Gonzales' accounts due to the outstanding dues of the loans.^[8] On May 26, 1999, Gonzales reiterated his demand, reminding PCIB that it knew well that the actual borrowers were the spouses Panlilio and he never benefited from the proceeds of the loans, which were serviced by the PCIB account of the spouses Panlilio.^[9]

PCIB's refusal to heed his demands compelled Gonzales to file the instant case for damages with the RTC, on account of the alleged unjust dishonor of the check issued in favor of Unson.

The Ruling of the RTC

After due trial, on December 10, 2001, the RTC rendered a Decision in favor of PCIB. The decretal portion reads:

WHEREFORE, judgment is rendered as follows -

(a) on the first issue, plaintiff is liable to pay defendant Bank as principal under the promissory notes, Exhibits A, B and C;

(b) on the second issue, the Court finds that there is justification on part of the defendant Bank to dishonor the check, Exhibit H;

(c) on the third issue, plaintiff and defendants are not entitled to damages from each other.

No pronouncement as to costs.

SO ORDERED.^[10]

The RTC found Gonzales solidarily liable with the spouses Panlilio on the three promissory notes relative to the outstanding REM loan. The trial court found no fault in the termination by PCIB of the COHLA with Gonzales and in freezing the latter's accounts to answer for the past due Php 1,800,000 loan. The trial court ruled that the dishonor of the check issued by Gonzales in favor of Unson was proper considering that the credit line under the COHLA had already been terminated or revoked before the presentment of the check.

Aggrieved, Gonzales appealed the RTC Decision before the CA.

The Ruling of the CA

On September 26, 2007, the appellate court rendered its Decision dismissing Gonzales' appeal and affirming *in toto* the RTC Decision. The *fallo* reads:

WHEREFORE, in view of the foregoing, the decision, dated December 10, 2001, in Civil Case No. 99-1324 is hereby AFFIRMED *in toto*.

SO ORDERED.^[11]

In dismissing Gonzales' appeal, the CA, *first*, confirmed the RTC's findings that Gonzales was indeed solidarily liable with the spouses Panlilio for the three promissory notes executed for the REM loan; *second*, it likewise found neither fault nor negligence on the part of PCIB in dishonoring the check issued by Gonzales in favor of Unson, ratiocinating that PCIB was merely exercising its rights under the contractual stipulations in the COHLA brought about by the outstanding past dues of the REM loan and interests for which Gonzales was solidarily liable with the spouses Panlilio to pay under the promissory notes.

Thus, we have this petition.

The Issues

Gonzales, as before the CA, raises again the following assignment of errors:

I - IN NOT CONSIDERING THAT THE LIABILITY ARISING FROM PROMISSORY NOTES (EXHIBITS "A", "B" AND "C", PETITIONER; EXHIBITS "1", "2" AND "3", RESPONDENT) PERTAINED TO BORROWER JOSE MA. PANLILIO AND NOT TO APPELLANT AS RECOGNIZED AND ACKNOWLEDGE[D] BY RESPONDENT PHILIPPINE COMMERCIAL & INDUSTRIAL BANK (RESPONDENT BANK).

II - IN FINDING THAT THE RESPONDENTS WERE NOT AT FAULT NOR GUILTY OF GROSS NEGLIGENCE IN DISHONORING PETITIONER'S CHECK DATED 30 SEPTEMBER 1998 IN THE AMOUNT OF P250,000.00 FOR THE REASON "ACCOUNT CLOSED", INSTEAD OF MERELY "REFER TO DRAWER" GIVEN THE FACT THAT EVEN AFTER DISHONOR, RESPONDENT SIGNED A CERTIFICATION DATED 7 DECEMBER 1998 THAT CREDIT ON HAND (COH) LOAN AGREEMENT WAS STILL VALID WITH A COLLATERAL OF FOREIGN CURRENCY DEPOSIT (FCD) OF [USD] 48,715.72.

III - IN NOT AWARDING DAMAGES AGAINST RESPONDENTS DESPITE PRESENTATION OF CLEAR PROOF TO SUPPORT ACTION FOR DAMAGES.

[12]

The Court's Ruling

The core issues can be summarized, as follows: *first*, whether Gonzales is liable for the three promissory notes covering the PhP 1,800,000 loan he made with the spouses Panlilio where a REM over a parcel of land covered by TCT No. 38012 was constituted as security; and *second*, whether PCIB properly dishonored the check of Gonzales drawn against the COHLA he had with the bank.

The petition is partly meritorious.

First Issue: Solidarily Liability on Promissory Notes

A close perusal of the records shows that the courts *a quo* correctly found Gonzales solidarily liable with the spouses Panlilio for the three promissory notes.

The promissory notes covering the PhP 1,800,000 loan show the following:

(1) Promissory Note BD-090-1766-95,^[13] dated October 30, 1995, for PhP 500,000 was **signed by Gonzales and his wife**, Jessica Gonzales;

(2) Promissory Note BD-090-2122-95,^[14] dated December 26, 1995, for PhP 1,000,000 was **signed by Gonzales and the spouses Panlilio**; and

(3) Promissory Note BD-090-011-96,^[15] dated January 3, 1996, for PhP 300,000 was **signed by Gonzales and the spouses Panlilio**.

Clearly, Gonzales is liable for the loans covered by the above promissory notes. *First*, Gonzales admitted that he is an accommodation party which PCIB did not dispute. In his testimony, Gonzales admitted that he merely accommodated the spouses Panlilio at the suggestion of Ocampo, who was then handling his accounts, in order to facilitate the fast release of the loan. Gonzales testified:

ATTY. DE JESUS:

Now in this case you filed against the bank you mentioned there was a loan also applied for by the Panlilio's in the sum of P1.8 Million Pesos. Will you please tell this Court how this came about?

GONZALES:

Mr. Panlilio requested his account officer at that time it is a P42.0 Million loan and if he secures another P1.8 Million loan the release will be longer because it has to pass to XO.

Q: After that what happened?

A: So as per suggestion since Mr. Panlilio is a good friend of mine and we co-owned the property I agreed initially to use my name so that the loan can be utilized immediately by Mr. Panlilio.

Q: Who is actually the borrower of this P1.8 Million Pesos?

A: Well, in paper me and Mr. Panlilio.

Q: Who received the proceeds of said loan?

A: Mr. Panlilio.

Q: Do you have any proof that it was Mr. Panlilio who actually received the proceeds of this P1.8 Million Pesos loan?

A: A check was deposited in the account of Mr. Panlilio.^[16]
x x x x

Q: By the way upon whose suggestion was the loan of Mr. Panlilio also placed under your name initially?

A: Well it was actually suggested by the account officer at that time Edna Ocampo.

Q: How about this Mr. Rodolfo Noceda?

A: As you look at the authorization aspect of the loan Mr. Noceda is the boss of Edna so he has been familiar with my account ever since its inception.

Q: So these two officers Ocampo and Noceda knew that this was actually the account of Mr. Panlilio and not your account?

A: Yes, sir. In fact even if there is a change of account officer they are always informing me that the account will be debited to Mr. Panlilio's account.^[17]

Moreover, the first note for PhP 500,000 was signed by Gonzales and his wife as borrowers, while the two subsequent notes showed the spouses Panlilio sign as borrowers with Gonzales. It is, thus, evident that Gonzales signed, as borrower, the promissory notes covering the PhP 1,800,000 loan despite not receiving any of the proceeds.

Second, the records of PCIB indeed bear out, and was admitted by Noceda, that the PhP 1,800,000 loan proceeds went to the spouses Panlilio, thus:

ATTY. DE JESUS: [on Cross-Examination]

Is it not a fact that as far as the records of the bank [are] concerned the proceeds of the 1.8 million loan was received by Mr. Panlilio?

NOCEDA:

Yes sir.^[18]

The fact that the loans were undertaken by Gonzales when he signed as borrower or co-borrower for the benefit of the spouses Panlilio--as shown by the fact that the proceeds went to the spouses Panlilio who were servicing or paying the monthly