

SECOND DIVISION

[G.R. No. 171998, October 20, 2010]

ANAMER SALAZAR, PETITIONER, VS. J.Y. BROTHERS MARKETING CORPORATION, RESPONDENT.

DECISION

PERALTA, J.:

Before us is a petition for review seeking to annul and set aside the Decision^[1] dated September 29, 2005 and the Resolution^[2] dated March 2, 2006 of the Court of Appeals (CA) in CA-G.R. CV No. 83104.

The facts, as found by the Court of Appeals, are not disputed, thus:

J.Y. Brothers Marketing (J.Y. Bros., for short) is a corporation engaged in the business of selling sugar, rice and other commodities. On October 15, 1996, Anamer Salazar, a freelance sales agent, was approached by Isagani Calleja and Jess Kallos, if she knew a supplier of rice. Answering in the positive, Salazar accompanied the two to J.Y. Bros. As a consequence, Salazar with Calleja and Kallos procured from J. Y. Bros. 300 cavans of rice worth P214,000.00. As payment, Salazar negotiated and indorsed to J.Y. Bros. Prudential Bank Check No. 067481 dated October 15, 1996 issued by Nena Jaucian Timario in the amount of P214,000.00 with the assurance that the check is good as cash. On that assurance, J.Y. Bros. parted with 300 cavans of rice to Salazar. However, upon presentment, the check was dishonored due to "closed account."

Informed of the dishonor of the check, Calleja, Kallos and Salazar delivered to J.Y. Bros. a replacement cross Solid Bank Check No. PA365704 dated October 29, 1996 again issued by Nena Jaucian Timario in the amount of P214,000.00 but which, just the same, bounced due to insufficient funds. When despite the demand letter dated February 27, 1997, Salazar failed to settle the amount due J.Y. Bros., the latter charged Salazar and Timario with the crime of estafa before the Regional Trial Court of Legaspi City, docketed as Criminal Case No. 7474.

After the prosecution rested its case and with prior leave of court, Salazar submitted a demurrer to evidence. On November 19, 2001, the court *a quo* rendered an Order, the dispositive portion of which reads:

WHEREFORE, premises considered, the accused Anamer D. Salazar is hereby ACQUITTED of the crime charged but is hereby held liable for the value of the 300 bags of rice.

Accused Anamer D. Salazar is therefore ordered to pay J.Y. Brothers Marketing Corporation the sum of P214,000.00. Costs against the accused.

SO ORDERED.

Aggrieved, accused attempted a reconsideration on the civil aspect of the order and to allow her to present evidence thereon. The motion was denied. Accused went up to the Supreme Court on a petition for review on certiorari under Rule 45 of the Rules of Court. Docketed as G.R. 151931, in its Decision dated September 23, 2003, the High Court ruled:

IN LIGHT OF ALL THE FOREGOING, the Petition is GRANTED. The Orders dated November 19, 2001 and January 14, 2002 are SET ASIDE and NULLIFIED. The Regional Trial Court of Legaspi City, Branch 5, is hereby DIRECTED to set Criminal Case No. 7474 for the continuation of trial for the reception of the evidence-in-chief of the petitioner on the civil aspect of the case and for the rebuttal evidence of the private complainant and the sur-rebuttal evidence of the parties if they opt to adduce any.

SO ORDERED.^[3]

The Regional Trial Court (RTC) of Legaspi City, Branch 5, then proceeded with the trial on the civil aspect of the criminal case.

On April 1, 2004, the RTC rendered its Decision,^[4] the dispositive portion of which reads:

WHEREFORE, Premises Considered, judgment is rendered DISMISSING as against Anamer D. Salazar the civil aspect of the above-entitled case. No pronouncement as to costs.

Place into the files (archive) the record of the above-entitled case as against the other accused Nena Jaucian Timario. Let an alias (bench) warrant of arrest without expiry dated issue for her apprehension, and fix the amount of the bail bond for her provisional liberty at 59,000.00 pesos.

SO ORDERED.^[5]

The RTC found that the Prudential Bank check drawn by Timario for the amount of P214,000.00 was payable to the order of respondent, and such check was a negotiable order instrument; that petitioner was not the payee appearing in the check, but respondent who had not endorsed the check, much less delivered it to petitioner. It then found that petitioner's liability should be limited to the allegation in the amended information that "she endorsed and negotiated said check," and

since she had never been the holder of the check, petitioner's signing of her name on the face of the dorsal side of the check did not produce the technical effect of an indorsement arising from negotiation. The RTC ruled that after the Prudential Bank check was dishonored, it was replaced by a Solid Bank check which, however, was also subsequently dishonored; that since the Solid Bank check was a crossed check, which meant that such check was only for deposit in payee's account, a condition that rendered such check non-negotiable, the substitution of a non-negotiable Solid Bank check for a negotiable Prudential Bank check was an essential change which had the effect of discharging from the obligation whoever may be the endorser of the negotiable check. The RTC concluded that the absence of negotiability rendered nugatory the obligation arising from the technical act of indorsing a check and, thus, had the effect of novation; and that the ultimate effect of such substitution was to extinguish the obligation arising from the issuance of the Prudential Bank check.

Respondent filed an appeal with the CA on the sole assignment of error that:

IN BRIEF, THE LOWER COURT ERRED IN RULING THAT ACCUSED ANAMER SALAZAR BY INDORSING THE CHECK (A) DID NOT BECOME A HOLDER OF THE CHECK, (B) DID NOT PRODUCE THE TECHNICAL EFFECT OF AN INDORSEMENT ARISING FROM NEGOTIATION; AND (C) DID NOT INCUR CIVIL LIABILITY.^[6]

After petitioner filed her appellees' brief, the case was submitted for decision. On September 29, 2005, the CA rendered its assailed Decision, the decretal portion of which reads:

IN VIEW OF ALL THE FOREGOING, the instant appeal is GRANTED, the challenged Decision is REVERSED and SET ASIDE, and a new one entered ordering the appellee to pay the appellant the amount of P214,000.00, plus interest at the legal rate from the written demand until full payment. Costs against the appellee.^[7]

In so ruling, the CA found that petitioner indorsed the Prudential Bank check, which was later replaced by a Solid Bank check issued by Timario, also indorsed by petitioner as payment for the 300 cavans of rice bought from respondent. The CA, applying Sections 63,^[8] 66^[9] and 29^[10] of the Negotiable Instruments Law, found that petitioner was considered an indorser of the checks paid to respondent and considered her as an accommodation indorser, who was liable on the instrument to a holder for value, notwithstanding that such holder at the time of the taking of the instrument knew her only to be an accommodation party.

Respondent filed a motion for reconsideration, which the CA denied in a Resolution dated March 2, 2006.

Hence this petition, wherein petitioner raises the following assignment of errors:

1. THE COURT OF APPEALS ERRED IN IGNORING THE RAMIFICATIONS OF THE ISSUANCE OF THE SOLIDBANK CHECK IN

REPLACEMENT OF THE PRUDENTIAL BANK CHECK WHICH WOULD HAVE RESULTED TO THE NOVATION OF THE OBLIGATION ARISING FROM THE ISSUANCE OF THE LATTER CHECK.

2. THE COURT OF APPEALS ERRED IN REVERSING THE DECISION OF THE REGIONAL TRIAL COURT OF LEGASPI CITY, BRANCH 5, DISMISSING AS AGAINST THE PETITIONER THE CIVIL ASPECT OF THE CRIMINAL ACTION ON THE GROUND OF NOVATION OF OBLIGATION ARISING FROM THE ISSUANCE OF THE PRUDENTIAL BANK CHECK.
3. THE COURT OF APPEALS COMMITTED GRAVE ABUSE OF DISCRETION TANTAMOUNT TO LACK OR EXCESS OF JURISDICTION WHEN IT DENIED THE MOTION FOR RECONSIDERATION OF THE PETITIONER ON THE GROUND THAT THE ISSUE RAISED THEREIN HAD ALREADY BEEN PASSED UPON AND CONSIDERED IN THE DECISION SOUGHT TO BE RECONSIDERED WHEN IN TRUTH AND IN FACT SUCH ISSUE HAD NOT BEEN RESOLVED AS YET.^[11]

Petitioner contends that the issuance of the Solid Bank check and the acceptance thereof by the respondent, in replacement of the dishonored Prudential Bank check, amounted to novation that discharged the latter check; that respondent's acceptance of the Solid Bank check, notwithstanding its eventual dishonor by the drawee bank, had the effect of erasing whatever criminal responsibility, under Article 315 of the Revised Penal Code, the drawer or indorser of the Prudential Bank check would have incurred in the issuance thereof in the amount of P214,000.00; and that a check is a contract which is susceptible to a novation just like any other contract.

Respondent filed its Comment, echoing the findings of the CA. Petitioner filed her Reply thereto.

We find no merit in this petition.

Section 119 of the Negotiable Instrument Law provides, thus:

SECTION 119. Instrument; how discharged. - A negotiable instrument is discharged:

- (a) By payment in due course by or on behalf of the principal debtor;
- (b) By payment in due course by the party accommodated, where the instrument is made or accepted for his accommodation;
- (c) By the intentional cancellation thereof by the holder;
- (d) **By any other act which will discharge a simple contract for the payment of money;**
- (e) When the principal debtor becomes the holder of the instrument at or after maturity in his own right. (Emphasis ours)

And, under Article 1231 of the Civil Code, obligations are extinguished: