

SECOND DIVISION

[G.R. No. 179395, December 15, 2010]

**MAXWELL HEAVY EQUIPMENT CORPORATION, PETITIONER, VS.
ERIC UYCHIAOCO YU, RESPONDENT.**

DECISION

CARPIO, J.:

The Case

This petition for review^[1] assails the 21 June 2007 Decision^[2] of the Court of Appeals in CA-G.R. CV No. 84522. The Court of Appeals affirmed with modification the 11 January 2005 Decision^[3] of the Regional Trial Court, National Capital Judicial Region, Branch 167, Pasig City. The trial court ordered, among others, the reimbursement by petitioner Maxwell Heavy Equipment Corporation (Maxwell) of the amount of P8,888,932.33 to respondent Eric Uychiaoco Yu (Yu) for the latter's payment of Maxwell's loan obligation with the Bank of Philippine Islands (BPI).

The Facts

On 3 April 2001 and 2 May 2001, Maxwell obtained loans from BPI, G. Araneta Avenue Branch, in the total sum of P8,800,000.00 covered by two Promissory Notes and secured by a real estate mortgage over two lots registered in Yu's name. Promissory Note No. 1-6743742-001 for P800,000.00 was due on 26 March 2002^[4] while Promissory Note No. 1-6743742-002 for P8,000,000.00 was due on 24 April 2002.^[5] Yu signed as Maxwell's co-maker in the Promissory Note covering the P8,000,000 loan. It appears that Yu did not sign as co-maker in the Promissory Note for P800,000.

Maxwell defaulted in the payment of the loans, forcing Yu to pay BPI P8,888,932.33 representing the principal loan amounts with interest, through funds borrowed from his mother, Mina Yu, to prevent the foreclosure of his real properties.

Thereafter, Yu demanded reimbursement from Maxwell of the entire amount paid to BPI. However, Maxwell failed to reimburse Yu. Consequently, Yu filed with the trial court a complaint for sum of money and damages.

Maxwell denied liability for Yu's claimed amount. Maxwell countered that the transactions with BPI were merely accommodation loans purely for Yu's benefit. Maxwell likewise pointed out that Yu, having signed as co-maker, is solidarily liable for the loans. Maxwell also insisted that Yu's mother is the real payor of the loans and thus, is the real party-in-interest to institute the complaint.

The trial court ruled in favor of Yu, disposing of the case as follows:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant Maxwell Heavy Equipment Corporation ordering the latter to pay the former the following sums of money:

- a) The sum of Php 8,888,932.33/00, representing the principal obligation, with legal interest thereon computed at the legal rate from the time of default on 2 April 2002 until full payment thereof;
- b) The sum of Php 200,000.00, for and as reasonable attorney's fees and;
- c. Costs of suit.

Bereft of evidence, the claim for moral as well as exemplary damages is hereby DENIED.

Also, for lack of sufficient factual and legal basis, the counterclaim is similarly DISMISSED.

SO ORDERED.^[6]

On appeal, the Court of Appeals affirmed with modification the ruling of the trial court, by deleting the award of attorney's fees and specifying the rate of interest on the allegedly reimbursable amount from Maxwell.

Hence, this petition.

The Ruling of the Court of Appeals

In affirming the trial court's ruling, the Court of Appeals rejected Maxwell's contention that the transactions with BPI were accommodation loans solely for Yu's benefit since (1) Maxwell was paying for the loans' interest and (2) various demand letters from BPI were addressed to Maxwell as the borrower.

The Court of Appeals gave credence to the testimonies of Yu and his mother on the liability of Maxwell for the claimed amount. On the other hand, it disbelieved the testimony of Caroline Yu, then president of Maxwell, denying Yu's entitlement to reimbursement for the payment he made to BPI since it was uncorroborated by any documentary evidence.

The dispositive portion of the decision of the Court of Appeals reads:

WHEREFORE, the appealed Decision dated January 11, 2005 is affirmed, subject to the modification that: