

FIRST DIVISION

[G.R. NO. 161319, January 23, 2007]

**SPS. EDGAR AND DINAH OMENGAN, PETITIONERS, VS.
PHILIPPINE NATIONAL BANK, HENRY M. MONTALVO AND
MANUEL S. ACIERTO,* RESPONDENTS.**

D E C I S I O N

CORONA, J.:

This petition for review on certiorari^[1] seeks a review and reversal of the Court of Appeals (CA) decision^[2] and resolution^[3] in CA-G.R. CV No. 71302.

In October 1996, the Philippine National Bank (PNB) Tabuk (Kalinga) Branch approved petitioners-spouses' application for a revolving credit line of P3 million. The loan was secured by two residential lots in Tabuk, Kalinga-Apayao covered by Transfer Certificate of Title (TCT) Nos. 12954 and 12112. The certificates of title, issued by the Registry of Deeds of the Province of Kalinga-Apayao, were in the name of Edgar^[4] Omengan married to Dinah Omengan.

The first P2.5 million was released by Branch Manager Henry Montalvo on three separate dates. The release of the final half million was, however, withheld by Montalvo because of a letter allegedly sent by Edgar's sisters. It read:

7 November 1996
The Manager

Philippine National Bank
Tabuk Branch
Poblacion, Tabuk
Kalinga

Sir:

This refers to the land at Appas, Tabuk in the name of our brother, Edgar Omengan, which was mortgaged to [the] Bank in the amount of Three Million Pesos (P3,000,000.00), the sum of [P2.5 Million] had already been released and received by our brother, Edgar.

In this connection, it is requested that the remaining unreleased balance of [half a million pesos] be held in abeyance pending an understanding by the rest of the brothers and sisters of Edgar. **Please be informed that the property mortgaged, while in the name of Edgar Omengan, is owned in co-ownership by all the children of the late Roberto and Elnora Omengan. The lawyer who drafted the document registering the subject property under Edgar's name**

can attest to this fact. We had a prior understanding with Edgar in allowing him to make use of the property as collateral, but he refuses to comply with such arrangement. Hence, this letter.
(emphasis ours)

Very truly yours,

(Sgd.) Shirley O. Gamon

(Sgd.) Imogene O. Bangao

(Sgd.) Caroline O. Salicob

(Sgd.) Alice O. Claver^[5]

Montalvo was eventually replaced as branch manager by Manuel Acierto who released the remaining half million pesos to petitioners on May 2, 1997. Acierto also recommended the approval of a P2 million increase in their credit line to the Cagayan Valley Business Center Credit Committee in Santiago City.

The credit committee approved the increase of petitioners' credit line (from P3 million to P5 million), provided Edgar's sisters gave their conformity. Acierto informed petitioners of the conditional approval of their credit line.

But petitioners failed to secure the consent of Edgar's sisters; hence, PNB put on hold the release of the additional P2 million.

On October 7, 1998, Edgar Omengan demanded the release of the P2 million. He claimed that the condition for its release was not part of his credit line agreement with PNB because it was added without his consent. PNB denied his request.

On March 3, 1999, petitioners filed a complaint for breach of contract and damages against PNB with the Regional Trial Court (RTC), Branch 25 in Tabuk, Kalinga. After trial, the court decided in favor of petitioners.

Accordingly, judgment is hereby rendered finding in favor of [petitioners.]
[PNB is ordered]:

- 1) To release without delay in favor of [petitioners] the amount of P2,000,000.00 to complete the P5,000,000.00 credit line agreement;
- 2) To pay [petitioners] the amount of P2,760,000.00 representing the losses and/or expected income of the [petitioners] for three years;
- 3) To pay lawful interest, until the amount aforementioned on paragraphs 1 and 2 above are fully paid; and
- 4) To pay the costs.

SO ORDERED.^[6]

The CA, however, on June 18, 2003, reversed and set aside the RTC decision dated April 21, 2001.^[7]

Petitioners now contend that the CA erred when it did not sustain the finding of breach of contract by the RTC. ^[8]