

THIRD DIVISION

[G.R. NO. 171989, July 04, 2007]

FIRST CORPORATION, PETITIONER, VS. FORMER SIXTH DIVISION OF THE COURT OF APPEALS, BRANCH 218 OF THE REGIONAL TRIAL COURT OF QUEZON CITY, ** EDUARDO M. SACRIS, AND CESAR A. ABILLAR, RESPONDENTS.

D E C I S I O N

CHICO-NAZARIO, J.:

This is a Special Civil Action for *Certiorari* under Rule 65 of the 1997 Revised Rules of Civil Procedure seeking to annul, on the ground of grave abuse of discretion amounting to lack or excess of jurisdiction, the Decision ^[1] of the Regional Trial Court (RTC) of Quezon City in Civil Case No. Q01-44599 dated 28 June 2004, as affirmed by the Court of Appeals in its Decision^[2] and Resolution^[3] dated 29 November 2005 and 14 February 2006, respectively, in CA-G.R. CV No. 84660 entitled, *Eduardo M. Sacris v. First Corporation and First Corporation v. Cesar A. Abillar*.

Herein petitioner First Corporation is a corporation duly organized and existing under Philippine laws and engaged primarily in trade. Herein private respondent Eduardo M. Sacris (Sacris) is the alleged creditor of the petitioner corporation, while private respondent Cesar A. Abillar (Abillar) had served as the President and Chairman of the Board of the petitioner corporation from 1993 until 26 February 1998.

The controversy of the present case arose from the following generative facts:

In 1991, the corporate officers of the petitioner corporation namely: Vicente C. Esmeralda, Edgardo C. Cerbo, Nicolas E. Esposado, Rafael P. La Rosa and herein private respondent Abillar, convinced private respondent Sacris to invest in their business as the petitioner corporation needed a fresh equity infusion, particularly in its Rema Tip Top Division, to make viable its continuous operation. The petitioner corporation made a promise of turning such equity into shareholding in the petitioner corporation. While the conversion of such investment into shareholding was still pending, private respondent Sacris and the petitioner corporation agreed to consider the same as a loan which shall earn an interest of one percent per month. Accordingly, from the year 1991 up to 1994, private respondent Sacris had already extended a P1.2 million loan to the Rema Tip Top Division of the petitioner corporation.

In 1997, private respondent Sacris extended another P1 million loan to the petitioner corporation. Thus, from 1991 up to 1997, the total loan extended by private respondent Sacris to the petitioner corporation reached a total amount of P2.2 million. All loans were given by private respondent Sacris to herein private respondent Abillar, as the latter was then the President and Chairman of the Board

of Directors of the petitioner corporation. The receipts for the said loans were issued by the petitioner corporation in the name of private respondent Abillar. Petitioner corporation failed to convert private respondent Sacris's investment/loan into equity or shareholding in the petitioner corporation. In its place, petitioner corporation agreed to pay a monthly interest of 2.5% on the amount of the loan extended to it by private respondent Sacris. Petitioner corporation likewise made partial payments of P400,000.00 on the principal obligation and interest payment in the amounts of P33,750.27 and P23,250.00, thus, leaving an outstanding balance of P1.8 million.

In the meantime or on 27 February 1998, a Special Stockholders' Meeting of the petitioner corporation was held to elect the members of the Board of Directors and also to elect a new set of officers. The stockholders of the petitioner corporation no longer re-elected private respondent Abillar as President and member of the Board of Directors because they had already lost their confidence in him for having been involved in various anomalies and irregularities during his tenure. Thereby, private respondent Abillar was ousted from the petitioner corporation.

On 13 March 1998, private respondent Sacris, for a valuable consideration, executed a Deed of Assignment^[4] in favor of private respondent Abillar, assigning and transferring to private respondent Abillar his remaining collectibles due from the petitioner corporation in the amount of P1.8 million. As consideration for the execution of the aforesaid Deed of Assignment, private respondent Abillar shall pay private respondent Sacris the outstanding balance of P1.8 million due from the petitioner corporation on or before 30 July 1998.

On 10 April 1998, private respondent Abillar, by virtue of the Deed of Assignment, filed a Complaint for Sum of Money with Prayer for a Writ of Preliminary Attachment and Damages before the RTC of Pasig City against the petitioner corporation. The said case was docketed as Civil Case No. 66757. While the case was still pending, both private respondents agreed to rescind the Deed of Assignment that they had executed on 13 March 1998 for failure of private respondent Abillar to comply with his undertaking to pay private respondent Sacris the amount of P1.8 million on or before 30 July 1998. Thus, on 27 August 1998, private respondents Sacris and Abillar executed a Deed of Rescission^[5] of the Deed of Assignment dated 13 March 1998. Consequently, private respondent Sacris himself made a demand upon the petitioner corporation to pay its outstanding obligation of P1.8 million but the latter refused to do so.

Hence, before pre-trial of the aforesaid Civil Case No. 66757, private respondent Sacris filed a Motion for Intervention attaching thereto his Complaint in Intervention. At first, the RTC of Pasig City denied the said Motion for Intervention. Subsequently, however, the trial court admitted the Complaint in Intervention filed by private respondent Sacris and dismissed the Complaint originally filed by private respondent Abillar against the petitioner corporation. The admission of the Complaint in Intervention prompted petitioner corporation to file a Petition for *Certiorari* and Prohibition before the Court of Appeals, docketed as CA-G.R. SP No. 54322 entitled, *First Corporation v. Hon. Jose R. Hernandez, Presiding Judge of Branch 158 of the Regional Trial Court of Pasig City and Mr. Eduardo Sacris*. In a Decision^[6] dated 31 May 2001, the Third Division of the Court of Appeals granted the Petition filed by the petitioner corporation and issued a Writ of *Certiorari*, as a result of which, the Orders of the RTC of Pasig City dated 27 April 1999 and 21 July 1999^[7] in Civil Case

No. 66757 were set aside. The appellate court directed Judge Jose R. Hernandez^[8] to *dismiss the Complaint with prejudice* and to *deny the Motion in Intervention without prejudice*. The dispositive portion of the aforesaid Decision reads:

WHEREFORE, finding merit in the [P]etition, the Court issues the writ of certiorari and sets aside the Orders dated 27 April 1999 and 21 July 1999 in Civil Case No. 66757. The respondent judge is directed to dismiss the Complaint **with prejudice** and deny the Motion in Intervention **without prejudice**. Resultantly, if they are so minded, the [herein] petitioner First Corporation may institute an action in pursuit of its claims against [herein private respondent] Cesar A. Abillar; and [herein private respondent] Eduardo Sacris may sue the [petitioner] First Corporation on his claims embodied in his rejected Complaint in Intervention.^[9]

Based on the aforesaid Decision of the Court of Appeals, private respondent Sacris filed a Complaint for Sum of Money with Damages before the RTC of Quezon City against the petitioner corporation, docketed as Civil Case No. Q01-44599, to recover his alleged collectible amount of P1.8 million due from the petitioner corporation. Petitioner corporation filed its Answer denying the material allegations stated in the Complaint. Petitioner corporation denied having liability to private respondent Sacris, as it had no knowledge of or consent to the purported transactions or dealings that private respondent Sacris may have had with private respondent Abillar. Subsequently, petitioner corporation filed a Third-Party Complaint against private respondent Abillar alleging that the investment/loan transactions of private respondent Sacris, the basis of his cause of action against the petitioner corporation, were all entered into by private respondent Abillar without the knowledge, consent, authority and/or approval of the petitioner corporation or of the latter's Board of Directors. The aforesaid transactions were not even ratified by the petitioner corporation or by its Board of Directors. Private respondent Abillar filed his Answer to the said Third-Party Complaint raising therein the same allegations found in the Complaint filed by private respondent Sacris. Pre-trial ensued followed by the trial on the merits.

On 28 June 2004, the RTC of Quezon City rendered a Decision in Civil Case No. Q01-44599 in favor of the private respondents. The decretal portion of which reads:

WHEREFORE, premises considered, the court renders judgment in favor of [herein private respondents] EDUARDO M. SACRIS and CESAR A. ABILLAR but against [herein petitioner] FIRST CORPORATION, as follows:

1. Ordering [petitioner] corporation to pay the balance of P1,800,000.00 plus an interest of twenty-four percent (24%) per annum computed from the time this action was filed until fully paid;
2. Ordering [petitioner] corporation to pay [private respondent Abillar] P20,000.00 as and by way of attorney's fees;
3. Ordering [petitioner] corporation to pay [private respondent Sacris] P50,000.00 as and by way of attorney's fees; and
4. Ordering [petitioner] corporation to pay the cost of suit.^[10]

Feeling aggrieved, the petitioner corporation appealed the above-quoted Decision of the court *a quo* to the appellate court where it was docketed as CA-G.R. CV No. 84660. On 29 November 2005, the Court of Appeals rendered a Decision dismissing the appeal filed by the petitioner corporation because it did not find any reversible error in the Decision of the RTC of Quezon City dated 28 June 2004. The petitioner corporation moved for the reconsideration of the said Decision but it was denied by the Court of Appeals in its Resolution dated 14 February 2005 because the issues raised therein had already been passed upon by the appellate court.

Hence, this Petition for *Certiorari* under Rule 65.

Petitioner corporation comes before this Court alleging grave abuse of discretion amounting to lack or excess of jurisdiction on the part of the RTC of Quezon City in rendering its Decision dated 28 June 2004 in Civil Case No. Q01-44599, as affirmed by the Court of Appeals in its Decision and Resolution dated 29 November 2005 and 14 February 2006, respectively, in CA- G.R. CV No. 84660. Thus, petitioner corporation now presents the following issues for this Court's resolution:

- I. PUBLIC RESPONDENTS COMMITTED GRAVE ABUSE OF DISCRETION AND ACTED WITHOUT AND/OR IN EXCESS OF THEIR JURISDICTION IN HOLDING THAT PRIVATE RESPONDENT [SACRIS'S] CLAIMS OF A PURPORTED LOAN ARE SUPPORTED BY PREPONDERANCE OF EVIDENCE.
- II. PUBLIC RESPONDENTS COMMITTED GRAVE ABUSE OF DISCRETION AND ACTED CONTRARY TO LAW AND EVIDENCE IN HOLDING THAT PETITIONER BENEFITED FROM THE PURPORTED LOAN FROM PRIVATE RESPONDENT [SACRIS].
- III. PUBLIC RESPONDENTS COMMITTED GRAVE ABUSE OF DISCRETION AND/OR ACTED WITHOUT AND/OR IN EXCESS OF THEIR JURISDICTION IN NOT FINDING THAT PRIVATE RESPONDENT ABILLAR WAS NOT AUTHORIZED BY PETITIONER TO BORROW MONEY FROM PRIVATE REPSONDENT SACRIS.
- IV. PUBLIC RESPONDENTS COMMITTED GRAVE ABUSE OF DISCRETION AND WITHOUT AND/OR IN EXCESS OF JURISDICTION IN NOT AWARDING DAMAGES TO PETITIONER AND IN DISMISSING THE THIRD-PARTY COMPLAINT FILED BY PETITIONER AGAINST [PRIVATE RESPONDENT] CESAR ABILLAR.

In the Memorandum^[11] filed by the petitioner corporation, it avers that the RTC of Quezon City and the appellate court erred in holding that private respondents' claim of the existence of the purported loans was supported by a preponderance of evidence, despite the fact that the pieces of documentary evidence presented by the private respondents were tainted with irregularities. Thus, the RTC and the appellate court committed grave abuse of discretion amounting to excess of their jurisdiction in giving credence to these pieces of documentary evidence presented by the private respondents. The aforesaid pieces of documentary evidence are the following: (1) the certifications and official receipts to prove petitioner corporation's indebtedness to private respondent Sacris; (2) Exhibits "G"- "FF," inclusive, consisting of check vouchers which allegedly proved petitioner corporation's loans from private

respondent Sacris which was subject to 2.5% interest; (3) deposit slips and official receipts, supposedly evidence of deposit payments made by private respondent Abillar to the petitioner corporation; (4) Exhibit "GG," to show that the amount of P150,000.00 given in the form of a loan was used by the petitioner corporation in paying its employees' 13th month pay; and (5) Exhibit "RR," which consists of a handwritten note to prove petitioner corporation's offer to settle amicably its account with private respondent Sacris.

Petitioner corporation further argues that the conclusion made by the RTC of Quezon City and the appellate court that it benefited from the loans obtained from private respondent Sacris had no basis in fact and in law. More so, it was grave abuse of discretion on the part of the RTC of Quezon City and the Court of Appeals to conclude that the alleged loans were reflected in its financial statements. Petitioner corporation points out that its financial statements covering the period 1992-1997 revealed that only its financial statements for the years 1992 and 1993 reflected entries of "loans payable." The other financial statements following the year 1993 no longer had any entries of outstanding loan due from the petitioner corporation. Thus, the RTC of Quezon City and the appellate court had no basis for claiming that the alleged loans from private respondent Sacris were reflected in its financial statements.

Also, petitioner corporation alleges that it was grave abuse of discretion for the RTC and the appellate court to hold that private respondent Abillar was authorized by the petitioner corporation to borrow money from private respondent Sacris, deliberately ignoring the provisions of the by-laws of petitioner corporation which only authorized private respondent Abillar, as President, to act as its signatory of negotiable instruments and contracts. The by-laws clearly authorized private respondent Abillar to perform only the ministerial act of "signing," and never gave private respondent Abillar a blanket authority to bind the petitioner corporation in any kind of contract, regardless of its nature and its legal consequences or effects on the petitioner corporation and its stockholders.

Lastly, petitioner corporation contends that the RTC and the Court of Appeals likewise acted with grave abuse of discretion in not awarding damages in its favor and in dismissing its Third- Party Complaint against private respondent Abillar.

On the other hand, private respondents argue that the grounds enumerated by the petitioner corporation for the allowance of its Petition for *Certiorari* before this Court clearly call for the review of the factual findings of the RTC of Quezon City. Private respondents further avow that the petitioner corporation is simply using the remedy of *certiorari* provided for under Rule 65 of the Revised Rules of Civil Procedure as a substitute for an ordinary appeal. They claim that *certiorari* under Rule 65 of the aforesaid Rules cannot be used for the review of the findings of fact and evidence. Neither is it the proper remedy to cure errors in proceedings nor to correct erroneous conclusions of law or fact. Thus, private respondents maintain that the petitioner corporation is merely using the remedy of *certiorari* as a delaying tool to prevent the Decision of the RTC of Quezon City from immediately becoming final and executory.

Likewise, private respondents aver that for failure of the petitioner corporation to allege in its appeal before the Court of Appeals that the RTC of Quezon City committed grave abuse of discretion, petitioner corporation cannot now make the