

## SECOND DIVISION

[ G.R. No. 146535, August 18, 2006 ]

**NATIVIDAD G. REYES, PETITIONER, VS. RCPI EMPLOYEES  
CREDIT UNION, INC., RESPONDENT.**

### DECISION

**GARCIA, J.:**

Assailed and sought to be set aside in this petition for review on *certiorari* is the Decision<sup>[1]</sup> dated December 27, 2000 of the Court of Appeals (CA) in *CA-G.R. CV No. 49720*, reversing an earlier decision of the Regional Trial Court (RTC) of Caloocan City, Branch 125, in an action for a sum of money with damages thereat commenced by petitioner Natividad Reyes against the respondent, RCPI Employees Credit Union, Inc., a duly registered credit union of RCPI employees organized and existing under Philippine laws.

The facts:

On December 8, 1986, David F. Halican, President and Chairman of the Board of Directors of the respondent credit union, together with Nestor Estremera, respondent's Accounting Officer, executed in favor of petitioner Natividad Reyes a promissory note<sup>[2]</sup> purportedly for and in behalf of the respondent. In full, the note reads:

#### PROMISSORY NOTE

P 162. 338.52

For value received, we promise to pay Mrs. Natividad G. Reyes the sum of ONE HUNDRED SIXTY-TWO THOUSAND THREE HUNDRED THIRTY-EIGHT & 52/100 (P162,338.52) only payable on or before March 8, 1987.

In case of default, interest at the rate of 2% a month will be charged and liquidated damages in the amount of P15,000.00 will be paid by the maker/s plus 10% of the entire amount as and for attorney's fees, should the matter be referred to a lawyer.

RCPI Building,  
Cubao, Quezon  
City.  
December 8,  
1986.

RCPI  
EMPLOYEES

CREDIT UNION,  
INC.

By:

(SIGNED)  
DAVID  
F. HALICAN  
President &  
Chairman of the  
Board

ROLANDO O.  
BABAR  
Vice Chairman

(SIGNED)  
NESTOR  
E. ESTREMER  
Accounting  
Officer

Unable to collect the amount of the note on its due date despite repeated demands therefor, the petitioner filed with the RTC of Caloocan City a complaint<sup>[3]</sup> for a sum of money with damages against the respondent credit union.

In its Answer,<sup>[4]</sup> the respondent, as defendant, denied any obligation to the petitioner asserting that it "*did not authorize*" the signatories to the promissory note sued upon "*to act for and in behalf of the association,*" hence the plaintiff has no cause of action against it. In the same Answer, the respondent interposed a counterclaim in the sum of P1,049,515.70,<sup>[5]</sup> representing the amount allegedly misappropriated by the latter while serving as respondent's treasurer from 1981 to 1987, as allegedly shown in the Financial Audit Report prepared and submitted by the Philippine Federation of Credit Cooperatives, inc., which conducted an audit of respondent's financial condition.

Following a pre-trial conference which failed to bring the parties to an amicable settlement, a **Request for Admission**<sup>[6]</sup> of material and relevant facts therein stated was served by the petitioner on the respondent. In its Reply<sup>[7]</sup> thereto, the respondent denied the alleged facts sought to be admitted, claiming that the same are irrelevant and immaterial to the suit filed against it.

In the ensuing trial on the merits, the parties adduced their respective testimonial and documentary evidence.

To buttress her allegation that the respondent as defendant in the case is liable to her under the subject promissory note, petitioner, as plaintiff, proffered in evidence the promissory note itself and her oral testimonies that when the respondent credit union defaulted in the payment of its obligation under said promissory note, David F. Halican, respondent's President and Chairman of its Board, issued four (4) postdated PCIB checks in her favor, which checks were all dishonored by the drawee bank when presented for payment; that when requested to make good the dishonored checks, the respondent instead filed a complaint for estafa against her before the City Prosecutor's Office of Quezon City (I.S. No. 88-2693), thereunder

alleging her misappropriation of corporate funds while still treasurer of the respondent, which complaint was recommended for dismissal by the investigating fiscal for insufficiency of evidence, a recommendation duly approved by the City Prosecutor and against which a petition for review was dismissed by the Department of Justice; that thereafter, the respondent filed another estafa case against her (I.S. No. 90-108555) which was likewise dismissed by the City Prosecutor; that she filed with the same office a criminal complaint for violation of Batas Pambansa Big. 22 (I.S. No. 91-7502) against David Halican in connection with the same dishonored postdated PCIB checks, but her complaint was dismissed because she, as the payee in those checks, is also a signatory thereto; and that the respondent's board of directors was informed of the loan covered by the promissory note in question.

Anent the respondent's counterclaim, which is for the same amount allegedly misappropriated by her. the petitioner testified that it is the respondent which has an account payable to her since 1987 as shown by the very same Financial Audit Report<sup>[8]</sup> referred to by the respondent in its Answer.

For its part, the respondent credit union, maintaining its main defense that David F. Halican had no authority to sign the subject promissory note for and in its behalf, adduced in evidence the testimonies of two (2) of the members of its board of directors, namely Rolando Babar and Hector Bolano. to disprove petitioner's claim that its board knew of the loan contracted by Halican and of the latter's execution of the subject promissory note. In support of its counterclaim, the respondent presented the four (4) postdated PCIB checks drawn and signed by Halican and payable to the petitioner, as well as the Financial Audit Report earlier adverted to, showing that the petitioner incurred an accountability in the amount of P-1,049,515.70 while still the respondent's treasurer in custody of its funds and checks and herself a signatory to its checks together with Halican as the respondent's former president.

On November 2, 1994, the trial court came out with its decision<sup>[9]</sup> rendering judgment for the petitioner, thus:

WHEREFORE, premises considered, judgment is hereby rendered as follows:

1. Ordering defendant [respondent] to pay plaintiff [petitioner] the sum of P162,338.52 representing the principal obligation;
2. Ordering defendant to pay plaintiff the sum of P1 84,680.00 representing stipulated interest from April 1987 to. December 1991, plus the sum equivalent to 2% monthly interest from January. 1992 until the entire amount is fully paid;
3. Ordering the defendant to pay plaintiff the sum of P15,000.00 as liquidated damages;
4. Ordering the defendant to pay plaintiff the sum of P36,2]0.00 as attorney's fees; and
5. Costs of suit.

SO ORDERED. (Words in brackets added).

In its decision, the trial court ruled that Halican's authority to execute the same promissory note for and in behalf of the respondent was impliedly admitted by the latter when it failed to deny under oath the matters alleged in the petitioner's **Request for Admission**, *supra*, particularly paragraph B thereof, reading as follows:

x x x

x x x

x x x

B.

On December 8, 1986, the RCPI Employees Credit Union, Inc. through Mr. David F. Halican and Nestor Estremera, executed a Promissory Note wherein they promised to pay Mrs. Natividad G. Reyes the sum of P162,338.00 on or before March 8, 1987. (The copy of this document is attached to the complaint as Annex "A").

In the same decision, the trial court virtually dismissed the respondent's counterclaim for lack of factual and legal bases.

From the adverse decision of the trial court, the respondent credit union went on appeal to the CA in *CA-G.R. CV No. 49720*.

As stated at the threshold hereof, the CA, in its Decision<sup>[10]</sup> dated December 27, 2000, reversed that of the trial court and ordered the dismissal of the petitioner's complaint, and likewise adjudged the petitioner liable to the respondent on the latter's counterclaim. To the CA, the petitioner failed (1) to prove that David F. Halican was authorized by the board of directors of the respondent credit union to borrow money, much less execute the disputed promissory note in its behalf; and (2) to refute by convincing evidence the existence of her liability to the respondent by way of counterclaim which the latter has proven by preponderance of evidence. Specifically, the CA decision dispositively reads:

WHEREFORE, premises considered, the appealed decision of the Regional Trial Court of Calookan City, Branch 125 in Civil Case No. 15427 is hereby REVERSED AND SET ASIDE and a new one entered DISMISSING the Complaint against the defendant-appellant and finding the plaintiff-appellee LIABLE to pay to the former the amount of P1,041,595.70 plus legal interest at the rate of 6% per annum to be computed from judicial demand, *i.e.*, September 11, 1992 until the same shall have been fully paid.

Costs against the plaintiff-appellee.

SO ORDERED.

Hence, petitioner's present recourse on her main submission that the challenged CA decision is contrary to law and the evidence on record.

The petition is partly meritorious.

To the mind of the Court, two (2) issues commend themselves for its resolution, to wit: (1) whether or not the respondent credit union is liable to the petitioner on the subject promissory note executed and signed by its officers, namely, its president,