

FIRST DIVISION

[G.R. No. 170563, December 20, 2006]

SPOUSES PEDRO AND PAZ SURTIDA, Petitioners, vs. RURAL BANK OF MALINAO (ALBAY), INC., Respondent.

DECISION

CALLEJO, SR., J.:

This is a Petition for Review on *Certiorari* of the Decision^[1] of the Court of Appeals (CA) in CA-G.R. CV No. 52591 and its Resolution^[2] denying the motion for reconsideration thereon. The assailed decision reversed and set aside the Decision^[3] of the Regional Trial Court (RTC) of Legazpi City, Branch 7.

Antecedents

On June 16, 1986, the spouses Pedro and Paz Surtida executed a real estate mortgage over their 1,750 square meters residential land, located in Sto. Domingo, Albay, in favor of the Rural Bank of Malinao (Albay), Inc. (Rural Bank). The deed was executed as security for the payment of the P100,000.00 loan the spouses Surtida had applied for.^[4] The deed was filed in the Office of the Registry of Deeds on August 12, 1986.

The spouses Surtida secured a loan of P149,500.00 from the Rural Bank evidenced by a Promissory Note dated June 16, 1986.^[5] On the same day, the spouses received Cashier's Check Nos. 6947^[6] and 6948^[7] totalling P140,862.22. The loan was to mature on December 2, 1987.

On November 4, 1987, the spouses Surtida secured another loan in the amount of P106,800.00 from the Rural Bank to mature on October 29, 1988.^[8] The spouses Surtida also received the net proceeds of their loan on the same day via Cashier's Check No. 7641^[9] as shown by their signatures at the dorsal portions thereof.

The spouses Surtida failed to pay their loans. On August 31, 1989, they executed a Dation in Payment over a 300 sq m undivided portion of their property covered by T.D. No. 519, in payment of their P157,968.20 loan.^[10] On January 5, 1990, the spouses Surtida executed another Dation in Payment in favor of the Rural Bank over a portion of their property, located in Sto. Niño, Sto. Domingo, Albay.^[11]

In a letter dated January 14, 1993, the Rural Bank informed the spouses Surtida that they were being given a preferential right to repurchase the property.^[12] The spouses Surtida rejected the offer.

On April 20, 1993, the Rural Bank demanded that the spouses Surtida vacate that

portion of Lot 1635 which the spouses Surtida had ceded to it. The spouses Surtida rejected the Rural Bank's demand, and even sent a letter dated May 6, 1993, where they denied having received any loan from the bank. They further stated that the note in the real estate mortgage and the dation in payment were simulated contracts. They likewise demanded for a detailed statement of their loans.

This prompted the Rural Bank to file a complaint against the spouses Surtida for unlawful detainer in the Municipal Trial Court (MTC).

For their part, the spouses Surtida filed a complaint against the Rural Bank in the RTC of Legazpi City for the annulment of the promissory notes, real estate mortgage, and dation in payment. They alleged that they had never secured any loan from the bank; the said deeds were fictitious; and they were made to sign the documents to enable it to avail of rediscounting facilities from the Central Bank of the Philippines. They further stated that they never appeared before the notary public, who appeared to have notarized the said documents. The spouses Surtida prayed that, after due proceedings, judgment be rendered in their favor, thus:

WHEREFORE, it is prayed of this Honorable Court that the documents known as *Dacion En Pago* xerox copies of which are hereto attached and marked as ANNEXES "A" & "B" declared null and void and without any force and effect and to condemn further the defendant to pay the plaintiffs actual and moral damages in the amount of P200,000.00 plus exemplary damages the amount of which is left to the assessment of this Honorable Court, and P50,000.00 attorney's fee exclusive of appearance fee at P1,000.00 per appearance, and to pay the cost of the suit.

Plaintiffs further pray for whatever other relief and remedy that this Honorable Court may deem just and proper under the premises.^[13]

The case was docketed as Civil Case No. 8792. In its Answer to the complaint, the Rural Bank specifically denied the material allegations of the spouses Surtida. It averred that the loans of the spouses Surtida were never presented to the Central Bank for rediscounting, since rediscounting of loans from rural banks were stopped in 1984, and was renewed only in March 1991. It alleged that the complaint was filed in retaliation to the complaint for unlawful detainer it had filed against them.

On January 25, 1996, the RTC rendered judgment in Civil Case No. 8792 in favor of the spouses Surtida. The dispositive portion of the decision reads:

WHEREFORE, decision is rendered as follows:

1. The documents, Dations in Payment dated August 31, 1989 and January 5, 1990, referred to as Doc. No. 473, Page 97, Book 68, Series of 1989 notarized by Atty. Ireneo de Lumen (Exh. 8-A) and Doc. No. 51, Page 12, Book 1, Series of 1990 notarized before Atty. Jose Verches (Exh. B-9), respectively, are declared null and void, and without force and effect;
2. The Promissory Notes dated June 16, 1986 and November 4, 1987 (Exhibits 1 and 2) and the Real Estate Mortgage dated June 16, 1986 (Exh. 6) and registered on August 12, 1986 which is referred to as Doc. 1862, Page 74, Book 63, Series of 1986, all executed by

the Spouses Pedro Surtida and Paz Surtida, are likewise declared of no force and effect; and

3. For lack of factual and legal basis, no award of damages.

No pronouncement as to cost.^[14]

The trial court ruled that Rene Imperial, the majority stockholder of the Rural Bank of Malinao and the Rural Bank of Sto. Domingo, Albay, took advantage of his friendship with Pedro Surtida (also a stockholder). The latter was made to pre-sign blank forms of promissory notes, real estate mortgage and dation in payment. The proceeds of the original loan were remitted to the spouses Surtida on the same date the promissory notes were executed, and even before the real estate mortgage was registered in the Office of the Registry of Deeds. According to the trial court, this was impossible because all these could not have been done in one day. It further declared that the real estate mortgage was executed as security for the loan secured by plaintiffs in 1982 in the total amount of P100,000.00 inclusive of interest. However, the spouses Surtida adduced documentary evidence of their payment of said loans. Hence, the trial court concluded, the real estate mortgage and the subsequent dation in payment purportedly executed by the spouses Surtida was without any consideration.

The court gave no probative weight to the documentary and testimonial evidence of the bank that the spouses had received the proceeds of the two loans via signed cashier's checks. It averred that the bank failed to furnish the spouses Surtida with a breakdown of their loan account.^[15] The trial court relied in the decision of the CA in *Ibay v. Mayon Savings and Loan Bank*.^[16]

The Rural Bank appealed the decision to the CA, alleging that:

1. THE LOWER COURT ERRED IN FINDING THAT THE DEFENDANT RURAL BANK HAS CAUSED PLAINTIFFS TO PRE-SIGN VARIOUS BLANK FORMS WHICH IS UNSUPPORTED BY ANY EVIDENCE OF THE PLAINTIFFS BUT SOLELY ON THE BASIS OF THE DEFENDANT'S LOAN DOCUMENTS BEARING THE SAME DATES AND THE RELEASE OF THE LOAN PROCEEDS PRIOR TO THE REGISTRATION OF THE REAL ESTATE MORTGAGE.
2. THE LOWER COURT ERRED IN FINDING THAT THE DEFENDANT BANK FAILED TO PROVE CONSIDERATION FOR THE PROMISSORY NOTES AND REAL ESTATE MORTGAGE AND IN EVENTUALLY DECLARING THE DATION IN PAYMENT TO BE LIKEWISE WITHOUT CONSIDERATION.
3. THE LOWER COURT ERRED IN NOT FINDING THAT THE PLAINTIFFS VOLUNTARILY CONVEYED THEIR REAL ESTATE PROPERTIES IN FAVOR OF THE DEFENDANT IN PAYMENT OF THEIR LOANS.
4. THE LOWER COURT ERRED IN NOT AWARDING TO THE DEFENDANT ITS CLAIM FOR DAMAGES AGAINST THE PLAINTIFFS.^[17]

On June 23, 2004, the CA rendered judgment reversing the decision of the RTC.^[18] The *fallo* reads:

WHEREFORE, the foregoing considered, the appealed decision is REVERSED and SET ASIDE and a new judgment is hereby rendered declaring the two Dations in Payment dated August 31, 1989 and January 5, 1990, the Real Estate Mortgage dated June 16, 1986 and Promissory Notes dated June 16, 1986 and November 4, 1987 valid and binding. No costs.

SO ORDERED.^[19]

According to the appellate court, the spouses Surtida's claim that the assailed documents were executed merely to accommodate the Rural Bank is belied by the testimonial and documentary evidence on record. The spouses Surtida received the net proceeds of the loans as shown by their signatures at the dorsal portion of the cashier's checks. Moreover, plaintiffs-appellees executed the Dation in Payment without any protestation. Under Section 9, Rule 130 of the Revised Rules of Court, "when the terms of an agreement have been reduced to writing, as in this case, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors-in-interests, no evidence of such terms other than the contents of the written agreement."^[20]

The spouses Surtida filed a Motion for Reconsideration,^[21] which the appellate court likewise denied in a Resolution dated September 29, 2004. The decision of the CA became final and executory on November 3, 2004. Entry of judgment was, thereafter, made of record in the book of entries of judgment.

On December 14, 2005, the spouses Surtida, now petitioners, filed the instant petition, alleging that

The Honorable Court of Appeals decision dated June 23, 2004 and the order denying the motion for reconsideration dated September 29, 2004 is contrary to law and the decision of the Honorable Supreme Court issued in cases of similar nature and circumstances.^[22]

Petitioners aver that the findings of the trial court on the credibility of the witnesses and the probative weight of the evidence of the parties should have been accorded respect. As between the findings of the trial court and that of the CA, the former must prevail. Moreover, the trial court's Decision is supported by the evidence.

In its comment on the petition, respondent avers that the Decision of the CA had become final and executory as evidenced by the entry of judgment issued by the CA and made of record in the book of entries of judgment. Hence, this Court has no appellate jurisdiction over the Decision of the CA.

Petitioners averred in their Reply that respondent had sold Lot 1635-A to Fe Orense for P130,000.00 on September 16, 2005 under a Deed of Absolute Sale.^[23] The property covered by T.D. No. 519 had also been sold to Maila Fernandez. Thus, respondent has no right to appeal via petition for review on *certiorari*.

The Issues

The Court is to resolve the following issues: (1) whether the Court has appellate jurisdiction over the Decision and Resolution of the CA; and (2) whether the

Decision and Resolution of the CA are in accord with the evidence and the law.

The petition is denied.

Irrefragably, when petitioners filed their petition in this Court, the Decision of the CA was already final and executory. The corresponding entry of judgment^[24] was already made of record. Clearly then, the decision of the appellate court is immutable and unalterable. The rule is that a final judgment may no longer be modified in any respect, even if the modification is meant to correct erroneous conclusions of fact or law, and regardless of whether the modification is attempted to be made by the court rendering it or by the highest court of the land.^[25] The doctrine is founded on considerations of public policy and sound practice that, at the risk of occasional errors, judgments must become final at some definite point in time.^[26]

Even on its merits, the petition is destined to fail.

Indeed, the general rule is that findings of facts of the trial court will not ordinarily be disturbed by an appellate court absent any clear showing that the trial court has overlooked, misunderstood or misapplied some facts or circumstances of weight or substance which could very well affect the outcome of the case. It is the trial court that had the opportunity to observe the witnesses' manner of testifying, their furtive glances, calmness, sighs or their scant or full realization of their oaths.^[27] Nevertheless, the higher court is not entirely precluded from reviewing and reversing these findings if it is not convinced that they conform to the evidence of record and to its own impressions of the credibility of the witnesses.^[28]

We quote with approval the Decision of the CA:

Appellees aired their alleged misgivings in signing the foregoing documents upon the alleged prodding of Rene Imperial that such were only for the purpose of accommodating appellant in its effort to avail of the rediscounting scheme of the Central Bank without receiving consideration thereon. We find this strange. First, granted for the sake of argument that the two promissory notes were executed by appellees for the purpose of simulating a loan transaction, it is, however, difficult to understand why they did not register any protest at all when appellant sent them demand letters. Their natural reaction upon being made to pay the alleged simulated loan would have been an irate refusal and protestation. At that very instance, they should have immediately asked the court for the nullification of the two promissory notes and the real estate mortgage they executed for lack of consideration. Or else, written the bank protesting the demand for payment if it had really no basis. Surprisingly, they even executed two *dacciones en pago* on two separate dates.

Second, the fact that appellees did not denounce appellant's letters dated January 14, 1993 giving them preferential right to repurchase the property they conveyed by way of *dacion en pago* and that of April 20, 1993 foreclosing the option given to them to repurchase the subject property and demanding for them to turn over the possession of the