

SECOND DIVISION

[G.R. NO. 123807, December 13, 2005]

PACIFIC MILLS, INC. AND CLOVER MANUFACTURING CORPORATION, PETITIONERS, VS. THE HON. COURT OF APPEALS, THE DEVELOPMENT BANK OF THE PHILIPPINES AND THE ASSET PRIVATIZATION TRUST (NOW SUBSTITUTED BY THE PRIVATIZATION AND MANAGEMENT OFFICE), RESPONDENTS.

DECISION

CHICO-NAZARIO, J.:

Before Us is a petition for review on *certiorari*,^[1] which assails the Decision^[2] and Resolution^[3] of the Court of Appeals in CA-G.R. CV No. 35108, dated 24 August 1995 and 31 January 1996, respectively. Said Decision and Resolution reversed and set aside the ruling of the Regional Trial Court, Branch 101, Quezon City which held that the petitioners have fully paid their loan with private respondent Development Bank of the Philippines (DBP).

THE FACTS

The facts, as summed up by the court *a quo*, are as follows:

Plaintiffs, which are sister companies, contracted several loans from defendant DBP. As securities for said loans, plaintiffs mortgaged to defendant DBP several parcels of land covered by TCT Nos. 136639, 136640, 136641, 134249 and 134252, with a total area of 44,321 square meters and their improvements, and the acrylic, spinning and finishing equipments [sic]. On June 30, 1986, the accounts of plaintiffs were transferred to defendant APT, but the Remedial Management Group of defendant DBP still handled the accounts for defendant APT. In defendant DBP's letter, dated July 17, 1987, to plaintiffs, the latter's indebtedness was pegged at P4,165,756.21, which was later on reduced to P3,984,881.91 per defendant DBP's letter, dated August 6, 1987 (Exhibits C and D). In a letter, dated August 20, 1987, defendant DBP informed plaintiffs that the Central Bank, per their debt-equity swap arrangement, credited to its account P4,165,756.29, which amount was used to pay the remaining balance of plaintiffs, including additional charges thereon, amounting to P4,018,940.67 as of August 12, 1987; that the excess amount of P146,815.62 shall be refunded to plaintiffs by way of credit to the savings account to be set up for plaintiff Pacific Mills, Inc. with defendant DBP; and that the Legal Department of defendant DBP was preparing the necessary deed of cancellation of mortgage, which document would be released after the clearance of plaintiff's accounts with the Transaction Processing department of defendant DBP (Exhibit E). In the letters, dated September 30, 1987 and October 16, 1987, of

defendant DBP to plaintiffs, the former reiterated that there existed an excess payment by plaintiffs by virtue of the debt-equity swap arrangement in the amount of P146,815.62, which amount defendant DBP proposed to refund by setting up a savings account (Exhibits A and B, pre-trial order). Thereafter, in the letter, dated October 5, 1987, plaintiffs, among other things, demanded from the latter to return the excess amount of P146,815.62, with interest (Exhibit F). The claim for refund was referred by defendant DBP to the Central Bank for approval (Exhibit G). However, per post-audit of plaintiffs' accounts by the Commission on Audit, there existed an unpaid balance of P4,855,910.67. Defendant DBP informed plaintiffs about the existence of the said balance and demanded immediate payment thereof in the letter, dated January 6, 1988 (Exhibit 2). In the letter, dated March 21, 1988, defendant DBP explained that the balance was discovered after post-audit adjustment of the accounts of plaintiffs preparatory to their final settlement and eventual closure; and that there was a mistake in the previous computation (Exhibit 3). The statement of account of plaintiffs showed that as of August 12, 1987, the outstanding obligations of plaintiffs, after the debt-equity swap arrangement with the Central Bank, was P5,152,916.98, the amount determined after computation of the interests, advances and the payments made by the plaintiffs from 1985 to 1987 (Exhibits 4 and 5). Due to the refusal of defendants to cancel the mortgages on the properties of plaintiffs, the latter instituted the present suit.^[4]

The case instituted by herein petitioners in the trial court was one for cancellation of mortgages and release of the originals of the owner's duplicate transfer certificates of title. The trial court ruled in favor of herein petitioners in its Decision dated 25 July 1991. Part of the trial court's decision declared:

. . . [T]he Court finds nothing substantial to defeat its [DBP's] own admission unequivocally stated in Exh. "E"/"1" that indeed plaintiffs have paid in full its total balance obligation with an excess payment even of P146,815.62.^[5]

The dispositive portion of the trial court's decision is reproduced hereunder:

WHEREFORE, premises above considered, finding that plaintiffs have paid in full their last remaining obligation in the amount of P4,018,940.67 as admitted by defendants in their communication as of August 20, 1987, Exhibits "E" and also "1", said defendants are hereby ordered to cancel the Deed of Mortgage constituted on their T.C.T. Nos. 136639, 136640, 136641, 134249 and 134252, and for the defendants to release the said titles to plaintiffs, together with the improvements thereon, namely: acrylic, spinning and finishing equipments.

Further, the defendants are likewise ordered to reimburse plaintiffs the amount of P146,815.62 which is plaintiff's excess payment with interest of 14% per annum from date plaintiffs made demand therefore.

Defendants are likewise ordered to pay the attorney's fees of plaintiffs in the amount of P30,000.00, plus the costs of suit.^[6]

The trial court's decision was fundamentally based on the letter dated 20 August 1987 sent by DBP to the petitioners, *viz*:

August 20, 1987

Clover Manufacturing Corporation
28 Novaliches, Balintawak
Quezon City

Attention: Mr. Joseph U. Lim
Acting President

Gentlemen:

This refers to your letter of August 17, 1987 indicating that the Central Bank has credited our account for P4,495,700.00 in full settlement of the remaining balance of Clover's account including additional charges thereon which as of August 12, 1987 amounted to P4,018,940.67.

The credit advice we received from the Central Bank, however, indicates a credit of only P4,165,756.29; hence, the excess amount is P146,815.62. As previously agreed, the excess shall be refunded to you by way of credit to the savings account to be set up for Pacific Mills, Inc. with DBP. Herewith are the application/specimen signature forms and the list of other requirements.

With regards to the remaining assets of Clover mortgaged with DBP, our Legal Department is now preparing the necessary Deed of Cancellation of Mortgage. This document shall be released after clearance of your account with our Transaction Processing Department.

Thank you.

Very truly yours,

(SGD)AMANDA S.
GUIAM
Senior Manager^[7]

Herein private respondents, not satisfied with the ruling of the trial court, interposed an appeal with the Court of Appeals. It was docketed as CA-G.R. CV No. 35108. The court *a quo*, in its decision dated 24 August 1995, reversed and set aside the ruling of the trial court, the dispositive portion of which is quoted hereunder:

WHEREFORE, the Decision, dated July 25, 1991, of the RTC-Quezon City, Branch 101, in Civil Case No. Q-53552 is hereby **REVERSED** and **SET ASIDE**. Plaintiffs Pacific Mills, Inc. and Clover Manufacturing Corporation are hereby ordered to pay their obligations to defendants Development Bank of the Philippines (DBP) and Asset Privatization Trust (APT), which, as of August 12, 1987, amounted to P5,152,916.98, subject to interest

and penalties until fully paid. Costs against plaintiffs Pacific Mills, Inc. and Clover Manufacturing Corporation.^[8]

A Motion for Reconsideration was filed by the petitioners but was denied by the Court of Appeals in its Resolution dated 31 January 1996.

Undeterred, the petitioners instituted the present action before this Court under Rule 45 of the 1997 Rules on Civil Procedure.

The instant petition was given due course per our Resolution dated 20 November 1996.^[9]

A Manifestation with Entry of Appearance was filed by the Privatization and Management Office (PMO) dated 01 February 2001. In it, the PMO alleged that under Republic Act No. 8758,^[10] the term of existence of Asset Privatization Trust (APT) expired on 31 December 2000. It alleged further that by virtue of the issuance of Executive Order No. 323^[11] by the President of the Philippines, it has assumed the powers, functions, duties and responsibilities of private respondent APT, as well as over all the latter's properties, real or personal. It prayed that it be substituted as private respondent in the instant case in lieu of the defunct APT.^[12] Per Resolution^[13] of this Court dated 26 February 2001, the PMO's prayer was granted.

ASSIGNMENT OF ERRORS

The petitioners raise as errors the following:

I

THE COURT OF APPEALS DECIDED A QUESTION OF SUBSTANCE NOT IN ACCORD WITH LAW AND APPLICABLE DECISIONS OF THE HONORABLE COURT WHEN IT REVERSED AND SET ASIDE THE FINDING OF THE TRIAL COURT THAT THE REPEATED AND UNEQUIVOCAL ACKNOWLEDGMENTS AND ADMISSIONS BY RESPONDENTS OF THE FULL PAYMENT OF THE REMAINING ACCOUNTS OF PETITIONERS CONSTITUTED SUFFICIENT PROOF THAT PETITIONERS' ACCOUNTS WERE NOT ONLY FULLY PAID AND SETTLED, BUT THERE WAS EVEN AN OVERPAYMENT OF P146,815.62

II

THE COURT OF APPEALS DECIDED A QUESTION OF SUBSTANCE NOT IN ACCORD WITH LAW AND APPLICABLE DECISIONS OF THE HONORABLE COURT WHEN IT REVERSED AND SET ASIDE THE FINDING OF THE TRIAL COURT THAT THE STATEMENT OF ACCOUNTS AND WORKING SHEETS PRESENTED BY RESPONDENTS TO OVERCOME THEIR ADMISSIONS WERE NOTHING MORE THAN MERE CONCLUSIONS BEREFT OF SUPPORTING DOCUMENTS

III

THE COURT OF APPEALS DECIDED A QUESTION OF SUBSTANCE NOT IN

ACCORD WITH LAW AND APPLICABLE DECISIONS OF THE HONORABLE COURT WHEN IT DID NOT ORDER THE CANCELLATION OF THE MORTGAGE DESPITE FULL PAYMENT OF PETITIONERS' OBLIGATIONS TO RESPONDENTS

IV

THE COURT OF APPEALS ERRED WHEN IT SET ASIDE THE GRANT OF ATTORNEY'S FEES TO PETITIONERS.^[14]

ISSUE

Gathered from the above assignment of errors, it is fairly apparent that the sole issue that must be resolved is:

WHETHER OR NOT THE RESPONDENT DBP IS ALREADY ESTOPPED FROM CLAIMING THAT THE OBLIGATION OF THE PETITIONERS IS NOT FULLY SETTLED WHEN IT ISSUED ITS LETTER DATED 20 AUGUST 1987.

THE COURT'S RULING

The petitioners contend in the main that acknowledgments made by the DBP constitute sufficient evidence that their obligation has been discharged necessitating the cancellation of the mortgages. These admissions, according to petitioners, should now bar DBP from assailing as false and incorrect the accounts which they themselves prepared.^[15] The petitioners cite our earlier rulings in the cases of *Gonzales v. Harty and Hartigan*^[16] and *Herman v. Radio Corporation of the Philippines*.^[17]

In *Gonzales*, we held in part:

Revision of accounts that have already been approved may be demanded only in the cases in which the law so permits for justifiable reasons, and as was said in the decision of *Pastor v. Nicasio* (6 Phil. Rep. 152), such revision will not be permitted unless the plaintiff can show that there was fraud, deceit, error, or mistake in the approval of the accounts.

The plaintiff is now barred from assailing as false and incorrect the accounts approved by him for the years 1907 to 1910, inasmuch as he made no objection and took no exception to them before their acceptance and approval, nor has he shown that he was deceived for the purpose of obtaining his approval thereof. Even if the accounts were erroneous, they could not now be revised, since the plaintiff, by stating in his receipt that the sum received by him was the liquidated balance of, and full satisfaction for, all the revenues that appertained or might appertain to him, has explicitly and completely waived all right, he might have had to any amounts he may then have failed to collect.^[18]

In *Herman*, we held:

. . . [W]henever a party has, by his own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing