

SECOND DIVISION

[G.R. No. 132256, February 20, 2003]

**SPOUSES EUFRONIO DELFIN AND VIDA DELFIN, PETITIONERS,
VS. MUNICIPAL RURAL BANK OF LIBMANAN (CS), INC.,
REPRESENTED BY ITS MANAGER, MARIDEL JAUCIAN, AND THE
PROVINCIAL SHERIFF OF CAMARINES SUR, RESPONDENTS.**

DECISION

BELLOSILLO, J.:

This petition for review under Rule 45 of the 1997 *Rules of Civil Procedure* seeks the reversal of the Decision of the Court of Appeals^[1] which modified the decision of the trial court^[2] declaring the loan obligations to respondent Municipal Rural Bank of Libmanan of petitioner spouses Eufronio Delfin and Vida Delfin fully discharged and ordering the release of the real estate mortgages constituted in relation thereto.

In her Complaint for accounting, collection of sum of money, refund of usurious interest, with damages and prayer for writ of preliminary injunction, later superseded by an Amended Complaint dated 20 September 1984 with prior approval of the trial court,^[3] petitioner Vida Delfin (plaintiff therein) alleged under her First Cause of Action that defendant Municipal Rural Bank of Libmanan caused the publication of a Public Auction Sale in the 18 and 25 December 1983 and 1 January 1984 issues of the *Naga Times*, the pertinent portion of which reads:

NOTICE OF PUBLIC AUCTION SALE

WHEREAS, by virtue of the power of attorney inserted in the deed of mortgage executed by Mrs. Vida Delfin ... in favor of the Municipal Rural Bank of Libmanan, Inc. ... under date of October 26, 1977 and for the payment and satisfaction of the debt of TWO HUNDRED FIFTY SEVEN THOUSAND SIX HUNDRED TWENTY SEVEN & 30/100 (P257,627.30), including interest thereon, plus daily interest and expenses from July 9, 1983 to the date of sale plus 10% of the total amount of indebtedness as attorney's fee, also secured by the said mortgage, plus sheriff's fees and expenses in connection with the foreclosure sale, the undersigned Deputy announces on February 20, 1984, he will sell at public auction for cash to the highest bidder, the following real estate properties together with all the improvements thereon, to wit:

TAX DECLARATION NO. 4258
TAX DECLARATION NO. 9590
TAX DECLARATION NO. 9591
TAX DECLARATION NO. 9592
TAX DECLARATION NO. 3056

Plaintiff Vida Delfin further alleged that she obtained from the defendant bank a loan for P30,000.00 secured by a *Real Estate Mortgage* dated 26 October 1977 covering a parcel of land under Tax Declaration No. 4258 but the loan released amounted to only P27,000.00 payable within 180 days or maturity date on 11 May 1978 at 12% interest per annum, evidenced by a *Discount Statement* dated 12 November 1977. According to her, she made a full satisfaction of the foregoing loan on 17 April 1978 before the maturity date of 11 May 1978, as evidenced by Official Receipt No. 6705 for P27,706.05.

Under her Second Cause of Action, plaintiff Vida Delfin averred that she entered a contract of loan with defendant bank secured by a *Real Estate Mortgage* dated 7 May 1981 constituted over a parcel of land under Tax Declaration No. 13056 (3056). Subsequently, she obtained other commercial loans, particularly, the amount of P32,787.00 under *Promissory Note* dated 6 June 1981 which she paid in full under Official Receipt No. 35907,^[4] and P40,000.00 under *Promissory Note* dated 2 July 1981 which was also paid in full as shown by Official Receipt Nos. 28296 dated 4 May 1983 and 35905 dated 10 January 1983.^[5] Plaintiff Vida Delfin insisted that despite the full settlement of her indebtedness, defendant bank continued to withhold the cancellation and release of the real estate mortgages and, worse, maliciously caused the publication of the aforecited *Notice of Public Auction Sale*.

Since defendants did not respond to the Amended Complaint, their Answer to the original Complaint was adopted by the trial court as their Answer thereto. Defendants argued that the loans obtained by plaintiff Vida Delfin on 18 November 1981 for P43,000.00, on 2 July 1981 for P8,000.00, and on 6 June 1981 for P32,787.00 were restructured and merged into one (1) common account on 10 January 1983 including other loans granted by defendant bank to plaintiffs' relatives^[6] which by 10 January 1983 had ballooned to P227,680.20,^[7] thus constraining defendant bank to extrajudicially foreclose the mortgage.

Incidentally, on 10 January 1983 plaintiffs were issued nine (9) official receipts consecutively numbered from 35905 to 35913^[8] corresponding to nine (9) unpaid matured obligations arising out of nine (9) promissory notes.^[9]

Since the case involved intricate accounting procedures, the trial court appointed on 4 December 1989 Atty. Fabian Mendez, Jr., a certified public accountant, as Commissioner "to go over the transaction between the plaintiff Vida Delfin and defendant Rural Bank of Libmanan, and determine the transaction between the same parties, not only upon the allegations in the 37-page *Complaint*, but as well as the *Answer* thereto, and other evidences (sic) that may be received by him from both parties."^[10]

After the defendant bank failed to comply with several orders by the Commissioner to bring the original copies of its annexes, the Commissioner submitted his report to the trial court on 16 June 1990 pertinent portions of which state -

x x x the loans secured by the lands under Tax Declaration Numbers 4258, 9590, 9591, 9592, and 3056 (9193) as published December 18 & 25 for Auction Sale after an earlier Extra Judicial Foreclosure, have already been fully paid by plaintiff even before the notice of auction sale was published on December 5, 1983 x x x x I also take the liberty of

calling the attention of the Honorable Court to the misleading opening paragraph in the Notice of Auction Sale as well as the use of the date, October 26, 1977 when in fact no loan for the amount of (P257,627.30) was incurred or released by defendants to plaintiff on said date. (Exhs. B-2, B-3, and B-4, pp. 435-436, id.).

On 3 August 1990 the trial court directed the Commissioner to evaluate the documents/annexes submitted by the defendant bank "to determine once and for all who is indebted and to whom."

In a *Supplemental Report* dated 19 December 1990 the Commissioner observed that

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Taking into consideration the documentation procedures of defendants, it was found out that several documents were not yet available at the time.

These documents, defendant, and counsel promised to bring on August 25, 1990, which was later sought to be extended to August 31 or September 1, 1990 in a motion dated August 23, 1990 x x x x

In conclusion, therefore it is presumed that the failure of defendant without justifiable cause to submit the documents enumerated above is a waiver or concealment on their part of facts favorable to the complainant. This is also borne out among others, by the entry in the application for loan on the question about source and amount of income showing a net of P127,077.00. For all intents and purposes it is highly irregular to extend a loan (P244,154.00) twice as big as ones earning capacity P127,077.00 more so that the entries appearing in the application for loan are obviously with the knowledge if not with the direct participation of defendant or its/her employee.^[11]

In ruling that the loans obtained by plaintiff Vida Delfin were not restructured since they had already been settled, the trial court reasoned that "a comparison of rural bank receipt no. 35905 dated 10 January 1983^[12] x x x will readily show that while the receipt "Annex L" is clean on its face, receipt "Exh. 5" has stamp across it the word 'RESTRUCTURED.' In the same manner is official receipt No. 35913. Only in the duplicate copy held by the defendant rural bank, 'Exh. 5-7,' does the word 'RESTRUCTURED' appear stamped across but not in the original receipt (Annex 'P,' xerox copy). The notation 'RESTRUCTURED' also appeared in the 'ledgers' submitted to the court."

The trial court observed that assuming the loans were restructured, it remained a mystery why the notation "RESTRUCTURED" was not stamped also in the original receipts issued to and in the possession of the plaintiff, an incident most unlikely to happen given the defendant bank's many long years of experience in restructuring old matured loans.

Aggrieved by the decision, both parties appealed.

Plaintiff-appellant Vida Delfin, now joined by her husband Eufonio Delfin, assailed the decision on the ground that the trial court erred in not finding that she was entitled to moral, exemplary, and other forms of damages as well as reimbursement

of such expenses as attorney's fees and costs as a consequence of litigation.^[13]

Defendant-appellant bank likewise impugned the decision of the trial court on the ground that it erred in holding that the loans of the Delfin couple had been fully settled and paid and in ordering the release of the real estate mortgages.^[14]

In ruling for defendant-appellant bank, the appellate court ratiocinated - ^[15]

The first real estate mortgage in question is dated October 26, 1977 for the amount of P30,000.00, secured by a riceland covered by Tax Declaration No. 4258. The Discount Statement shows that the commercial loan obtained by plaintiff-appellant Vida Delfin is P27,000.00 with a term of 180 days (or 6 months), the maturity date specifically mentioned therein as May 11, 1978. Deducting 180 days from said maturity, gives the date when the loan was obtained by plaintiff-appellant Vida Delfin, which is, January 11, 1978. The real estate mortgage was executed on October 26, 1977. The loan referred to by plaintiffs-appellants as having been paid by them on April 17, 1978 under Official Receipt No. 6705 was obtained only on January 11, 1978 or three (3) months after the subject real estate mortgage was executed.

Obviously therefore, without any doubt, plaintiffs-appellants have paid different loans. It is not controverted that plaintiffs-appellants have been securing numerous loans from defendant-appellant bank, not only for herself but also for her brothers and daughter. It is not therefore illogical to conclude that there was confusion on the part of the plaintiffs-appellants as to which of the loans obtained by her personally or as a co-maker were fully paid. Plaintiffs-appellants not only failed to prove full payment of the said loan but also failed to prove damages incurred by them by reason of the publication of the notice of public auction sale.

As for the second *Real Estate Mortgage* executed on 27 May 1981 secured by a parcel of land covered by Tax Declaration No. 13256 for the loan of P30,000.00, the Court of Appeals found that plaintiff-appellants also failed to prove its full payment. According to the appellate court, the amount of the actual loan as reflected in the *Discount Statement* was P32,787.00 while the above-mentioned real estate mortgage referred to a loan of P30,000.00. Hence, the appellate court concluded that plaintiff-appellants failed to prove their claim of full settlement under the second cause of action.^[16]

The Court of Appeals also ruled that there was a restructuring of unpaid loans as claimed by defendant-appellant bank in view of the following documents/evidence:

(a) Exhibit "1" - a Promissory Note dated January 8, 1983 for P122,077.00 signed by plaintiff Vida Delfin (Exhs. 1 & 1-A. p. 596, Original Records, Vol. II); Discount Statement dated January 8, 1983 showing that appellant Vida Delfin Received the net proceeds of P114,090.00 in the form of Cashier's Check No. 7031 (Exhibits 1-C and 1-C-1, p. 598, id.); and

(b) Exhibit "4" - Promissory Note dated January 8, 1983 likewise for P122,077.00, signed by plaintiff-appellant Vida Delfin (p. 603, id);