404 Phil. 353

FIRST DIVISION

[G.R. No. 141968, February 12, 2001]

THE INTERNATIONAL CORPORATE BANK (NOW UNION BANK OF THE PHILIPPINES), PETITIONER, VS. SPS. FRANCIS S. GUECO AND MA. LUZ E. GUECO, RESPONDENTS.

D E C I S I O N

KAPUNAN, J.:

The respondents Gueco Spouses obtained a loan from petitioner International Corporate Bank (now Union Bank of the Philippines) to purchase a car - a Nissan Sentra 1600 4DR, 1989 Model. In consideration thereof, the Spouses executed promissory notes which were payable in monthly installments and chattel mortgage over the car to serve as security for the notes.

The Spouses defaulted in payment of installments. Consequently, the Bank filed on August 7, 1995 a civil action docketed as Civil Case No. 658-95 for "Sum of Money with Prayer for a Writ of Replevin"[1] before the Metropolitan Trial Court of Pasay City, Branch 45.[2] On August 25, 1995, Dr. Francis Gueco was served summons and was fetched by the sheriff and representative of the bank for a meeting in the bank premises. Desi Tomas, the Bank's Assistant Vice President demanded payment of the amount of P184,000.00 which represents the unpaid balance for the car loan. After some negotiations and computation, the amount was lowered to P154,000.00, However, as a result of the non-payment of the reduced amount on that date, the car was detained inside the bank's compound.

On August 28, 1995, Dr. Gueco went to the bank and talked with its Administrative Support, Auto Loans/Credit Card Collection Head, Jefferson Rivera. The negotiations resulted in the further reduction of the outstanding loan to P150,000.00.

On August 29, 1995, Dr. Gueco delivered a manager's check in the amount of P150,000.00 but the car was not released because of his refusal to sign the Joint Motion to Dismiss. It is the contention of the Gueco spouses and their counsel that Dr. Gueco need not sign the motion for joint dismissal considering that they had not yet filed their Answer. Petitioner, however, insisted that the joint motion to dismiss is standard operating procedure in their bank to effect a compromise and to preclude future filing of claims, counterclaims or suits for damages.

After several demand letters and meetings with bank representatives, the respondents Gueco spouses initiated a civil action for damages before the Metropolitan Trial Court of Quezon City, Branch 33. The Metropolitan Trial Court dismissed the complaint for lack of merit.[3]

On appeal to the Regional Trial Court, Branch 227 of Quezon City, the decision of the Metropolitan Trial Court was reversed. In its decision, the RTC held that there was a

meeting of the minds between the parties as to the reduction of the amount of indebtedness and the release of the car but said agreement did not include the signing of the joint motion to dismiss as a condition *sine qua non* for the effectivity of the compromise. The court further ordered the bank:

> 1. to return immediately the subject car to the appellants in good working condition; Appellee may deposit the Manager's check - the proceeds of which have long been under the control of the issuing bank in favor of the appellee since its issuance, whereas the funds have long been paid by appellants to secure said Manager's Check, over which appellants have no control;
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> 2. to pay the appellants the sum of P50,000.00 as moral damages; P25,000.00 as exemplary damages, and P25,000.00 as attorney's fees, and
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> 3. to pay the cost of suit.
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> In other respect, the decision of the Metropolitan Trial Court Branch 33 is hereby AFFIRMED.[4]

The case was elevated to the Court of Appeals, which on February 17, 2000, issued the assailed decision, the decretal portion of which reads:

> WHEREFORE, premises considered, the petition for review on certiorari is hereby DENIED and the Decision of the Regional Trial Court of Quezon City, Branch 227, in Civil Case No. Q-97-31176, for lack of any reversible error, is AFFIRMED *in toto*. Costs against petitioner.
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> SO ORDERED.[5]

The Court of Appeals essentially relied on the respect accorded to the finality of the findings of facts by the lower court and on the latter's finding of the existence of fraud which constitutes the basis for the award of damages.

The petitioner comes to this Court by way of petition for review on *certiorari* under Rule 45 of the Rules of Court, raising the following assigned errors:

> I
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> THE COURT OF APPEALS ERRED IN HOLDING THAT THERE WAS NO AGREEMENT WITH RESPECT TO THE EXECUTION OF THE JOINT MOTION TO DISMISS AS A CONDITION FOR THE COMPROMISE AGREEMENT.
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> II
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> THE COURT OF APPEALS ERRED IN GRANTING MORAL AND EXEMPLARY DAMAGES AND ATTORNEY'S FEES IN FAVOR OF THE RESPONDENTS.
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> III
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> THE COURT OF APPEALS ERRED IN HOLDING THAT THE PETITIONER RETURN THE SUBJECT CAR TO THE RESPONDENTS, WITHOUT MAKING

> ANY PROVISION FOR THE ISSUANCE OF THE NEW MANAGER'S/CASHIER'S CHECK BY THE RESPONDENTS IN FAVOR OF THE PETITIONER IN LIEU OF THE ORIGINAL CASHIER'S CHECK THAT ALREADY BECAME STALE.[6]

As to the first issue, we find for the respondents. The issue as to what constitutes the terms of the oral compromise or any subsequent novation is a question of fact that was resolved by the Regional Trial Court and the Court of Appeals in favor of respondents. It is well settled that the findings of fact of the lower court, especially when affirmed by the Court of Appeals, are binding upon this Court.[7] While there are exceptions to this rule,[8] the present case does not fall under any one of them, the petitioner's claim to the contrary, notwithstanding.

Being an affirmative allegation, petitioner has the burden of evidence to prove his claim that the oral compromise entered into by the parties on August 28, 1995 included the stipulation that the parties would jointly file a motion to dismiss. This petitioner failed to do. Notably, even the Metropolitan Trial Court, while ruling in favor of the petitioner and thereby dismissing the complaint, did not make a factual finding that the compromise agreement included the condition of the signing of a joint motion to dismiss.

The Court of Appeals made the factual findings in this wise:

> In support of its claim, petitioner presented the testimony of Mr. Jefferson Rivera who related that respondent Dr. Gueco was aware that the signing of the draft of the Joint Motion to Dismiss was one of the conditions set by the bank for the acceptance of the reduced amount of indebtedness and the release of the car. (TSN, October 23, 1996, pp. 17-21, Rollo, pp. 18, 5). Respondents, however, maintained that no such condition was ever discussed during their meeting of August 28, 1995 (Rollo, p. 32).
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> The trial court, whose factual findings are entitled to respect since it has the `opportunity to directly observe the witnesses and to determine by their demeanor on the stand the probative value of their testimonies' (People vs. Yadao, et al. 216 SCRA 1, 7 [1992]), failed to make a categorical finding on the issue. In dismissing the claim of damages of the respondents, it merely observed that respondents are not entitled to indemnity since it was their unjustified reluctance to sign of the Joint Motion to Dismiss that delayed the release of the car. The trial court opined, thus:
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> > `As regards the third issue, plaintiffs' claim for damages is unavailing. First, the plaintiffs could have avoided the renting of another car and could have avoided this litigation had he signed the Joint Motion to Dismiss. While it is true that herein defendant can unilaterally dismiss the case for collection of sum of money with replevin, it is equally true that there is nothing wrong for the plaintiff to affix his signature in the Joint Motion to Dismiss, for after all, the dismissal of the case against him is for his own good and benefit. In fact, the signing of the Joint Motion to Dismiss gives the plaintiff three

> (3) advantages. First, he will recover his car. Second, he will pay his obligation to the bank on its reduced amount of P150,000.00 instead of its original claim of P184,985.09. And third, the case against him will be dismissed. Plaintiffs, likewise, are not entitled to the award of moral damages and exemplary damages as there is no showing that the defendant bank acted fraudulently or in bad faith.' (Rollo, p. 15)

The Court has noted, however, that the trial court, in its findings of facts, clearly indicated that the agreement of the parties on August 28, 1995 was merely for the lowering of the price, hence -

> `xxx On August 28, 1995, bank representative Jefferson Rivera and plaintiff entered into an oral compromise agreement, whereby the original claim of the bank of P184,985.09 was reduced to P150,000.00 and that upon payment of which, plaintiff was informed that the subject motor vehicle would be released to him.' (Rollo, p. 12)

The lower court, on the other hand, expressly made a finding that petitioner failed to include the aforesaid signing of the Joint Motion to Dismiss as part of the agreement. In dismissing petitioner's claim, the lower court declared, thus:

> `If it is true, as the appellees allege, that the signing of the joint motion was a condition *sine qua non* for the reduction of the appellants' obligation, it is only reasonable and logical to assume that the joint motion should have been shown to Dr. Gueco in the August 28, 1995 meeting. Why Dr. Gueco was not given a copy of the joint motion that day of August 28, 1995, for his family or legal counsel to see to be brought signed, together with the P150,000.00 in manager's check form to be submitted on the following day on August 29, 1995? (sic) [I]s a question whereby the answer up to now eludes this Court's comprehension. The appellees would like this Court to believe that Dr. Gueco was informed by Mr. Rivera of the bank requirement of signing the joint motion on August 28, 1995 but he did not bother to show a copy thereof to his family or legal counsel that day August 28, 1995. This part of the theory of appellee is too complicated for any simple oral agreement. The idea of a Joint Motion to Dismiss being signed as a condition to the pushing through a deal surfaced only on August 29, 1995.
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> `This Court is not convinced by the appellees' posturing. Such claim rests on too slender a frame, being inconsistent with human experience. Considering the effect of the signing of the Joint Motion to Dismiss on the appellants' substantive right, it is more in accord with human experience to expect Dr. Gueco, upon being shown the Joint Motion to Dismiss, to refuse to pay the Manager's Check and for the bank to refuse to accept the manager's check. The only logical explanation for this inaction is that Dr. Gueco was not shown the Joint Motion to