

TWELFTH DIVISION

[CA-G.R. CV NO. 65722, September 11, 2006]

**SPS. RODRIGO AND MARTINA DELOS SANTOS, PLAINTIFFS-
APPELLANTS, VS. BIENVENIDO LIBRES AND JULIE L.
PANINGBATAN, DEFENDANTS-APPELLEES.**

D E C I S I O N

BATO, JR., J.:

For Our resolution is this appeal from the Decision dated 3 November 1999 of the Regional Trial Court, Branch 68, of Lingayen, Pangasinan, in Civil Case No. 17416, entitled *Sps. Rodrigo delos Santos and Martina Olba vs. Bienvenido Libres and Julie L. Paningbatan*, the dispositive portion of which reads:

"WHEREFORE, in view of the foregoing, judgment is hereby rendered:

1. Ordering for the dismissal of this instant case against the defendants Bienvenido Libres and Julie Paningbatan with cost against the plaintiffs; and
2. Ordering the plaintiffs' to pay jointly and severally defendants moral and exemplary damages in the sum of P20,000.00, and P10,000.00, respectively, as well as litigation expenses of P10,000.00.SO ORDERED."

[1]

The pertinent facts are as follows:

On August 18, 1995, the appellants filed with the court *a quo* a *Complaint* for foreclosure of mortgage against the appellees, alleging that appellee Bienvenido Libres executed, in favor of the appellants, three separate deeds of *Real Estate Mortgage* to secure the payment of three loans in the total amount of One Hundred Fifty Thousand Pesos (P150,000.00), which amounts were supposedly delivered by the appellants to appellee Julie L. Paningbatan,^[2] upon the instructions of appellee Bienvenido Libres.

According to the appellants, the appellees violated the terms of the mortgage when they failed to pay the principal loan and the accrued interests. The appellants prayed for the court *a quo* to render a judgment ordering the appellees to pay the principal loan plus the stipulated interests, attorney's fees, expenses and costs. Alternatively, in default of such payment, the appellants prayed that the mortgaged property be ordered sold with the proceeds thereof applied to the mortgage debt, accumulated interests, attorney's fees, expenses and costs.^[3]

On September 20, 1995, appellees filed their *Answer* (prepared and signed by appellee Bienvenido Libres) and, except for the qualifications of the parties and the

identity of the property involved, appellees denied all the rest of the allegations in the *Complaint*. Appellees claimed that the documents were falsified and their signatures appearing therein were forged. Moreover, appellee Bienvenido Libres claimed that he never authorized appellee Julie L. Paningbatan to represent him in such “anomalous” transactions. To prove his claim, appellee Bienvenido Libres requested that his signatures in the documents be examined by a handwriting expert of the National Bureau of Investigation.^[4] As relief, the appellees prayed that the case be dismissed with cost against the plaintiffs and that they be paid the amount of P20,000.00 as and by way of moral and exemplary damages and litigation expenses.^[5]

During the trial on the merits, the appellants presented two notaries public; an officer from the Registry of Deeds of Lingayen, Pangasinan; three barangay officials who presided and witnessed the barangay confrontation between the appellants and the appellees; and appellant Martina delos Santos herself.

The evidence of the appellants showed that appellees borrowed from the appellants the total amount of One Hundred Fifty Thousand Pesos (P150,000.00) which was delivered in three installments: P25,000.00 on October 23, 1993,^[6] P75,000.00 on January 18, 1994,^[7] and P50,000.00 on February 10, 1994.^[8] As security for the loan, appellee Bienvenido Libres executed three deeds of *Real Estate Mortgage*, the due execution of which was attested to by the administering notaries public.^[9] The deeds were likewise duly registered with the Office of the Register of Deeds of Lingayen, Pangasinan.^[10]

In violation of the terms of the *Real Estate Mortgage*, appellees failed to pay the principal amount and the accrued interests.^[11] Formal demand was made but despite receipt thereof, appellees refused to make any payment.^[12] Thus, *Complaints* were filed by the appellants with the barangay against the appellees.^[13] Allegedly, during the barangay confrontation, the appellees admitted their indebtedness and promised that they would pay.^[14] But no payment was made by the appellees.

For their part, appellees disputed the supposed loan in the amount of P150,000.00.^[15] Appellee Bienvenido Libres denied his signature in the *Real Estate Mortgage*^[16] and denied that he appeared before the notaries public to execute any document.^[17] Rather, according to appellee Julie Paningbatan, she was the one who transacted with appellant Martina delos Santos,^[18] and what she borrowed from the appellants was only P13,000.00.^[19] Furthermore, according to appellee Julie Paningbatan, she caused the execution of a different *Real Estate Mortgage* although similarly dated on October 30, 1993^[20] but it was her godfather, a certain Engr. Carlo Mariñas who signed the name of appellee Bienvenido Libres.^[21] Also, appellee Julie Paningbatan denied that her father admitted in the barangay confrontation that he owed the appellants the amount of P35,000.00. Instead, she was the one who admitted the indebtedness to Martina delos Santos of more or less P25,000.00 including interest.^[22]

To support their defense, appellees presented Adelia C. Demetillo, Senior Document

Examiner of the National Bureau of Investigation (NBI), who was qualified as an expert witness. Said witness submitted to the court *a quo* *Questioned Documents* Report No. 545-697 dated July 4, 1997.^[23] According to said handwriting expert, the signature of appellee Bienvenido Libres in the questioned *Real Estate Mortgage* appears to be different from said appellee's sample and standard signatures.^[24] The same finding was made with respect to the signature of one of the witnesses to the contract, Gloria Libres.

From the evidence and the pleadings, the court *a quo* rendered a *Decision* on November 3, 1999, dismissing the *Complaint*. Appellants received a copy of the *Decision* on November 10, 1999 and filed their *Notice of Appeal* on November 11, 1999, within the reglementary period.

In this appeal, appellants assign the following as errors committed by the court *a quo*:

"I.

THE TRIAL COURT ERRED IN HOLDING THAT DEFENDANT-APPELLANT (*SIC*), BIENVENIDO LIBRES, DID NOT TRANSACT THE LOAN WITH THE PLAINTIFFS.

II.

THE TRIAL COURT ERRED IN HOLDING THAT THE SIGNATURES OF DEFENDANT, BIENVENIDO LIBRES, IN THE QUESTIONED REAL ESTATE MORTGAGE WERE FORGED.

III.

THE TRIAL COURT ERRED IN HOLDING THAT PLAINTIFFS-APPELLANTS HAVE NO CAUSE OF ACTION AGAINST THE PLAINTIFFS-APPELLANTS.

IV.

THE TRIAL COURT ERRED IN DISMISSING THE COMPLAINT AGAINST THE PLAINTIFFS-APPELLANTS.

V.

THE TRIAL COURT ERRED IN HOLDING PLAINTIFFS-APPELLANTS LIABLE FOR DAMAGES."^[25]

The appeal is meritorious.

The primary issue for resolution is whether or not the court *a quo* committed a reversible error in dismissing the *Complaint*.

According to the appellants, the trial court committed serious error in holding that the appellee Bienvenido Libres did not transact with the appellants and in basing its *Decision* on the denial of defendant appellee and the findings of the NBI handwriting expert.^[26]

As correctly observed by the appellants, the court *a quo* heavily relied on the

testimony of the handwriting expert and concluded that appellee Bienvenido Libres could not have executed the *Real Estate Mortgages*. While, as a general rule, factual findings of trial courts are binding on the appellate courts, there are exceptions. As held by the Honorable Supreme Court in *Carolina Industries vs. CMS Stock Brokerage*:^[27]

“While the general rule is that findings of fact of the trial court and the Court of Appeals are binding upon this Court, said rule nevertheless admits of certain exceptions. Thus, this Court retains the power to review and rectify findings of fact of said courts (1) when the conclusion is a finding grounded entirely on speculations, surmises or conjectures; (2) when the inference made is manifestly mistaken, absurd or impossible; (3) where there is a grave abuse of discretion; (4) when the judgment is based on a misapprehension of facts; and (5) when the court, in making its findings, went beyond the issues of the case and the same are contrary to the admission of both appellant and appellee. The same rule applies where the lower court manifestly overlooked certain relevant facts not disputed by the parties, which if properly considered, would justify a different conclusion.” (Emphasis Ours)

The case at bench is an exception to the general rule. After a thorough study of the case, We find the judgment of the trial court not amply supported by the evidence and is based on a misapprehension of facts.

The trial court ignored relevant evidence which if duly considered would alter the Decision. Firstly, the court a quo gave little value if not none at all to the notarized *Real Estate Mortgage (Exhibits A, B and G for the plaintiffs)*, which were also filed with the Register of Deeds of Lingayen, Pangasinan. The evidentiary value of a notarial document cannot be overemphasized. According to the Honorable Supreme Court in *Domingo vs. Domingo*.^[28]

“The questioned Deed of Absolute Sale in the present case is a notarized document. Being a public document, it is prima facie evidence of the facts therein expressed. It has the presumption of regularity in its favor and to contradict all these, evidence must be clear, convincing, and more than merely preponderant.” (Emphasis Ours)

Secondly, the notaries public testified that appellee Bienvenido Libres personally appeared before them to execute the *Real Estate Mortgage*. The positive testimony of the notaries public should be given more weight than the self-serving denials of the appellees. The notaries public are more credible by reason of their public functions and also because they have no interest in the case, compared to the appellees who would naturally seek a favorable outcome.

Also, the claim of forgery was not sufficiently established by the appellees. They failed to present Gloria Libres and Juancho Libres, the instrumental witnesses in the contract, who could have confirmed whether or not they indeed witnessed the execution of the *Real Estate Mortgage*. So, the trial court was left only with the denials by the appellees and the testimony of the NBI handwriting expert.

However, the testimony of the handwriting expert is not clear and convincing. We have studied appellee Bienvenido Libres' signatures on the questioned deeds of *Real Estate Mortgage* and his standard signatures, and We found nothing irregular in the