

Title:

Celestina T. Naguiat v. Court of Appeals and Aurora Queaño (1995)

Facts:

Aurora Queaño (Queaño) applied for a loan from Celestina Naguiat (Naguiat) in the amount of P200,000.00. To this end, on August 11, 1980, Naguiat issued and endorsed two checks totaling P190,000.00 to Queaño and executed a Real Estate Mortgage on the same date to secure the loan. Queaño issued a promissory note and a postdated check of P200,000.00 to Naguiat. The postdated check, upon maturity, was dishonored for insufficiency of funds and Queaño requested a stop payment arguing she never received the proceeds, as the checks remained with Ruby Ruebenfeldt, allegedly Naguiat's agent.

Naguiat sought extrajudicial foreclosure, but Queaño filed for cancellation of the Real Estate Mortgage in Pasay City RTC on August 11, 1981, claiming she never received the loan proceeds. The court enjoined the foreclosure sale and eventually voided the mortgage. Naguiat appealed the RTC decision to the Court of Appeals, which affirmed the RTC's decision. Naguiat then filed a Petition for Review to the Supreme Court.

Issues:

1. Whether the presumption of validity of a notarized mortgage deed as a public document has been rebutted.
2. Whether Check payments effected the delivery of the loan proceeds for the purpose of perfecting the loan contract.
3. Whether Ruebenfeldt's representations could be admitted against Naguiat on the basis of agency.

Court's Decision:

The Supreme Court denied Naguiat's petition and affirmed the decision of the RTC and the Court of Appeals. It held that, contrary to Naguiat's assertions, the presumption of truthfulness in the public document (mortgage deed) can be defeated by clear and convincing evidence, which in this case was the absence of consideration, as the loan proceeds were never received by Queaño.

Delivery of checks did not result in the consummation of the loan contract since the Civil Code stipulates that checks have to be cashed to produce the effect of payment. With no evidence presented to show that the checks were actually encashed or credited to Queaño's account, the loan contract remained unrealized, rendering the mortgage void for lack of

consideration.

Concerning Ruebenfeldt's role, the Court held that sufficient evidence demonstrated an agency relationship between Naguiat and Ruebenfeldt - either actual or ostensible. Additionally, the evidence showed that the loan proceeds were not transferred to Queaño, thus Ruebenfeldt's acts and declarations, as Naguiat's agent, bound Naguiat.

Doctrine:

The doctrine established by the case centers on the principle that the presumption of truthfulness attached to a notarized document is rebuttable, and that a real contract of loan and its accessory contract, the mortgage, are perfected only upon the delivery of the object of the contract, which in a loan contract means the delivery of the loan proceeds.

Class Notes:

1. A Real Estate Mortgage contract secures the fulfillment of a principal obligation.
2. Delivery of checks is not equivalent to delivery of loan proceeds unless the checks are cashed (Art. 1249, Civil Code).
3. The presumption of regularity in a public document can be rebutted by clear and convincing evidence.
4. Agency by estoppel (Art. 1873, Civil Code): Individuals are bound by the acts of another who appeared with their authority unless they corrected the assumption.
5. A petition for review on certiorari under Rule 45 limits the appellants to raising only questions of law.

Historical Background:

The case provides a notable application of the doctrines regarding payment, loans, mortgages, and agency amid the context of financial dealings between parties in the Philippines. Reflective of the civil law tradition which requires actual delivery of money as a crucial element in the perfection of loan contracts, the Supreme Court upheld the importance of actual receipt of loan proceeds to validate both the loan itself and its accessory contracts, as well as the principle that notarized documents are not incontrovertible.