Title:
Republic Planters Bank vs. Court of Appeals and Fermin Canlas

Facts:
In this case, the plaintiff Republic Planters Bank filed a complaint against Pinch Manufacturing Corporation (formerly Worldwide Garment Manufacturing, Inc.), Shozo Yamaguchi, and Fermin Canlas for the recovery of sums of money under nine promissory notes, with interest, attorney's fees, and penalty charges. These promissory notes were issued by Worldwide Garment Manufacturing, Inc., where Yamaguchi served as President/Chief Operating Officer and Canlas as Treasurer. Both were authorized by Board Resolution No. 1 dated August 1, 1979, to apply for credit facilities with Republic Planters Bank. The promissory notes explicitly stated that Yamaguchi and Canlas promised to pay the ordered sums to the Republic Planters Bank, jointly and severally.

The Regional Trial Court (RTC) ruled in favor of Republic Planters Bank, ordering Yamaguchi and Canlas to pay the sums with interest. Canlas appealed to the Court of Appeals, which absolved him from liability under the promissory notes, modifying the original decision. Canlas argued that as he signed the notes in his capacity as an officer of Worldwide Garment Manufacturing, Inc., he should not be held personally liable.

Issues:

1. Whether Fermin Canlas, having signed the promissory notes in a representational capacity, can be held personally liable.
2. Whether the change in corporate name from Worldwide Garment Manufacturing, Inc. to Pinch Manufacturing Corporation affects the liability of the officers for actions taken under the former name.
3. Whether signing promissory notes that were allegedly in blank at the time of signing absolves Canlas from liability.
4. Applicability and interpretation of the interest rates under the Negotiable Instruments Law and relevant banking laws.

Court's Decision:
The Supreme Court reversed and set aside the decision of the Court of Appeals, finding Fermin Canlas jointly and severally liable for the indebtedness under all nine promissory notes. The Court ruled that:
– Under the Negotiable Instruments Law, persons who sign promissory notes are makers

and are liable as such. Canlas, having signed the notes, cannot escape liability.
– A change in the corporate name does not extinguish the personality of the original corporation nor its liabilities; it remains the same corporation with a different name.
– The addition of “and (in) his personal capacity” below the signatures in the notes does not affect the solidary liability of Canlas.
– The Supreme Court noted the customary practice of banks requiring client signatures on pre-filled promissory notes and rejected Canlas’ claim of signing in blank.

Doctrine:
The case reaffirms the principles under the Negotiable Instruments Law, particularly the liability of co-makers of promissory notes. It also clarifies that a change in corporate name does not affect the corporation’s liabilities nor the liabilities of its officers who acted within their authority. Moreover, it distinguishes between the interests by way of compensation under the Usury Law and interests by way of damages under the Civil Code, with the latter not being subject to ceilings prescribed by the Usury Law.

Class Notes:
1. **Liability of Co-makers in Negotiable Instruments**: Co-makers are jointly and severally liable on negotiable instruments they sign, under the Negotiable Instruments Law (Act 2031, Section 60).
2. **Corporate Name Change**: A change in corporate name does not create a new entity nor absolve the corporation or its officers from prior liabilities (6 Fletcher, Cyclopedia of the Law of Private Corporations, pp. 224-225).
3. **Negotiable Instrument Signed in Blank**: Signing a negotiable instrument in blank holds the signatory liable according to the completed instrument, subject to the limitations established under Section 14 of the Negotiable Instruments Law.
4. **Interest Rates**: Distinction between interests applied as compensation (governed by the Usury Law, as amended) and interests as damages (under Article 2209 of the Civil Code), with the latter not being subject to ceilings.

Historical Background:
The case is seated in the broader context of corporate financing practices in the Philippines, exploring the legal nuances of promissory notes as instruments of corporate debt, the responsibilities of corporate officers, and the implications of corporate name changes on liability. It underscores the judiciary’s interpretation of the Negotiable Instruments Law and its application to the banking sector’s operations, highlighting the precarious balance between corporate authority and personal liability.