

### Title:

**\*\*Teresita I. Buenaventura vs. Metropolitan Bank and Trust Company: A Comprehensive Analysis of Obligations Arising from Promissory Notes\*\***

### Facts:

Teresita Buenaventura obtained two loans from the Metropolitan Bank and Trust Company (Metrobank), secured by Promissory Note (PN) Nos. 232663 and 232711, each valued at ₱1,500,000 and maturing on July 1, 1997, and April 7, 1998, respectively. The PNs stipulated interest and credit evaluation and supervision fees (CESF) at rates of 17.532% and 14.239% per annum, with an 18% per annum penalty on the unpaid principal upon default.

Buenaventura attempted to settle her obligations through rediscounting three postdated checks issued by her nephew, Rene Imperial, against Metrobank's Tabaco Branch with the bank's Timog Branch, claiming she was merely acting as a guarantor and could not be compelled to pay unless Imperial's properties were exhausted.

Upon Buenaventura's failure to settle the outstanding amounts, Metrobank initiated a recovery action before the Regional Trial Court (RTC) of Makati City, Branch 61. The RTC and, upon appeal, the Court of Appeals (CA), ruled in favor of Metrobank, holding Buenaventura primarily liable under the PNs. Her motion for reconsideration was denied by the CA, prompting an appeal to the Supreme Court.

### Issues:

1. Whether the promissory notes executed by Buenaventura are valid and enforceable.
2. If the promissory notes are contracts of adhesion and should be strictly construed against Metrobank.
3. Whether Buenaventura's stance that the promissory notes were mere guaranties for Imperial's payment is tenable.
4. If Buenaventura can claim legal subrogation.
5. Whether the computation of interests and penalties by Metrobank and affirmed by the lower courts was correct.

### Court's Decision:

1. **\*\*Validity of Promissory Notes\*\***: The Supreme Court affirmed that a duly executed contract is binding between parties and must be complied with. The promissory notes were deemed valid and enforceable as there was no substantial evidence to prove simulation or

fictitiousness.

2. **Contract of Adhesion**: Even assuming the promissory notes were contracts of adhesion, the Court ruled that their terms were clear, unambiguous, and thus enforceable as written.

3. **Guaranty Claim**: The Court dismissed Buenaventura's claim that she was merely a guarantor for Imperial's obligation. No provision in the promissory notes indicated a guaranty, and Buenaventura's liabilities arose as a principal debtor, not as a guarantor.

4. **Legal Subrogation**: The argument for legal subrogation was rejected as it was not supported by the record, nor did it find applicability in the case, which focused on Buenaventura's obligations under the promissory notes.

5. **Computation of Interests and Penalties**: The Supreme Court corrected the computation of interests and penalties, aligning them with the stipulated rates in the promissory notes and applicable laws. The CA's ruling was modified to enforce the proper interest rates and compute the penalty from the date of default.

### ### Doctrine:

This case reiterates the principle that contracts, including promissory notes, must be honored and complied with as written unless shown to be contrary to law, morals, good customs, public order, or public policy. Contracts of adhesion are binding if terms are clear and unambiguous. Guaranty cannot be presumed and must be explicitly stipulated. Finally, the computation of interests and penalties must align with the stipulation in the contracts and prevailing jurisprudence.

### ### Class Notes:

- Contracts and their enforceability are based on mutual consent and the clear terms stipulated therein.
- Promissory notes serve as an acknowledgment of debt and outline conditions including, but not limited to, interest rates, penalty clauses, and maturity dates, which bind signatories to said conditions.
- The principles of guaranty and subrogation require specific, affirmative stipulations; they cannot be presumed or inferred.
- Interest rates stipulated in contracts must be honored unless shown to be in violation of law or jurisprudence. Interest on interest requires judicial demand.
- Promissory notes, as contracts, are subject to the general principles of contracts under the

Civil Code of the Philippines, specifically Articles 1305, 1345, 2047, and 2055.

### Historical Background:

In the context of the case, the Philippine legal system's handling of promissory notes and obligations reflects its adherence to the principles of contract law, emphasizing the sanctity of contracts and the judicial system's role in interpreting and enforcing these agreements. This case serves as an educational benchmark for understanding obligations under promissory notes, the interpretation of contracts of adhesion, and the application of interest and penalties in default situations.