Title:
Escaño and Silos vs. Ortigas, Jr.

Facts:
On April 28, 1980, the Private Development Corporation of the Philippines (PDCP) and Falcon Minerals, Inc. (Falcon) entered into a loan agreement where PDCP would lend Falcon US$320,000.00. Rafael Ortigas, Jr., along with two others, executed an Assumption of Solidary Liability for Falcon's payment to PDCP. Subsequently, other Falcon stockholders, including petitioners Salvador Escaño and Mario M. Silos, executed separate guaranties.

An agreement was later reached to transfer Falcon control to Escaño, Silos, and Joseph M. Matti, with certain stockholders selling their Falcon shares and wanting to be released from their Falcon-related liabilities. As such, on June 11, 1982, an Undertaking was executed, stipulating, among other things, that Escaño, Silos, and Matti would assume those liabilities and reimburse any among them who might pay the obligations to PDCP.

Falcon defaulted on the loan, leading PDCP to foreclose the collateral and then to sue Falcon and several guarantors, including Ortigas, Escaño, and Silos, for the remaining deficiency. During the proceedings, each defendant sought individual settlements with PDCP, culminating in Ortigas paying PDP P1.3 million for his release from the loan agreement. Ortigas then pursued claims against Escaño, Silos, and Matti under the 1982 Undertaking, leading to a Summary Judgment by the RTC ordering them to pay Ortigas jointly and severally P1.3 million plus interest and attorney's fees.

Issues:
1. Are the petitioners liable to Ortigas under the 1982 Undertaking?
2. If so, is their liability joint or solidary?
3. Are the petitioners liable for attorney's fees and interest? If so, at what rate should interest be computed?

Court's Decision:
1. The Supreme Court affirmed the petitioners' liability to Ortigas under the 1982 Undertaking, holding that the Undertaking clearly intended to relieve Ortigas and others from their liabilities concerning the loan and that Ortigas' payment to PDCP fell within the scope of this Undertaking.

2. The Court ruled that the petitioners' liability is joint, not solidary. Despite being labeled as "sureties" in the Undertaking, the document lacked an express stipulation of solidarity,

nor did it specify that one of the petitioners would act as the principal debtor with the others as sureties entitled to reimbursement. The presumption of joint obligation therefore applied.

3. The Court acknowledged Ortigas' right to recover attorney's fees due to the petitioners' acts or omissions, which led to litigation with PDCP. The Court also ruled that Ortigas was entitled to 12% interest per annum from the date of judicial demand (March 14, 1994), as his claim was essentially for the reimbursement of a sum of money paid owing to an obligation.

Doctrine:
1. Joint and Several Liability: An obligation can only be deemed solidary if explicitly stated or if the law or nature of the obligation requires it. Absent such express stipulation or legal requirement, obligations of several parties to an agreement are considered joint.
2. Suretyship and Solidarity: Labeling parties as "sureties" does not automatically imply a solidary obligation unless the agreement clearly defines one party as the principal debtor and the others as sureties with rights to full reimbursement from the principal debtor.

Class Notes:
– **Solidary vs. Joint Obligations:** In the absence of clear stipulations or legal requirements, obligations among multiple parties are presumed joint, not solidary. Solidarity must be expressly stated.
– **Suretyship:** A suretyship obliges the surety to pay the debtor's obligation to a creditor should the debtor fail to do so. It implies solidarity with the principal debtor but requires a clear principal-debtor-surety relationship.
– **Attorney's Fees and Interest in Damages:** Attorney's fees can be awarded when a party is compelled to litigate due to another party's act or omission. Interest on a sum of money obligation becomes due from the time of judicial or extrajudicial demand, at a rate of 12% per annum if it involves forbearance of money.

Historical Background:
This case incorporates key principles of obligations and contracts, particularly distinctions between joint and solidary obligations and the nature of suretyship. It underscores the importance of explicit terms in contractual agreements and clarifies the application of interest and attorney's fees in litigation related to contract enforcement.