

Title

****Casent Realty Development Corp. v. Philbanking Corporation: A Case on Judicial Admission and Demurrer to Evidence****

Facts

Casent Realty Development Corporation executed two promissory notes in favor of Rare Realty Corporation in 1984, with amounts of PhP 300,000 and PhP 681,500, respectively, bearing high-interest rates and penalties for late payment. These notes were later assigned to Philbanking Corporation in 1986 through a Deed of Assignment. Casent Realty failed to pay the notes upon maturity, accumulating an obligation of PhP 5,673,303.90 by 1993, leading Philbanking to file a collection complaint against Casent Realty.

Casent Realty, in its defense, cited a Dacion en Pago agreement purportedly extinguishing its debt and argued that they had overpaid by about PhP 4 million, also claiming damages. However, after the trial court's pre-trial, Philbanking presented evidence, and in response, Casent Realty filed a demurrer to evidence, arguing that Philbanking's failure to respond to their affirmative defenses admitted the genuineness of the documents proving the debt's extinguishment.

The trial court granted Casent Realty's demurrer, dismissing the case, which Philbanking appealed. The Court of Appeals reversed the trial court's decision, emphasizing that the demurrer to evidence should have focused solely on Philbanking's presented evidence and not on the affirmative defenses. The appellate court ordered Casent Realty to pay the amounts specified in the promissory notes with interests and penalties.

Issues

1. Whether the Court of Appeals erred in excluding the petitioner's affirmative defenses in resolving a demurrer to evidence.
2. Whether Casent Realty is liable to pay Philbanking despite the assertions of a debt-extinguishing Dacion en Pago and subsequent proof of no outstanding obligations.

Court's Decision

The Supreme Court held the petition partly meritorious. It emphasized that a demurrer to evidence should consider not only the plaintiff's (Philbanking's) evidence but also judicial admissions which could include the genuineness of documents like the Dacion en Pago and Confirmation Statement. However, it agreed with the CA that simply admitting the genuineness and due execution of these documents does not necessarily mean admitting the

allegations within them.

The Court clarified that Rule 8, Section 8 of the Rules of Court required Philbanking to deny the genuineness of these documents under oath, which it failed to do, hence admitting them. However, this admission did not extend to the contents or implications of the documents. The case turned on whether the Dacion en Pago included the promissory notes, which the Court determined it did not, based on the details of the Deed of Assignment and the specifics of the Dacion en Pago. Thus, the Supreme Court affirmed the CA's decision, holding Casent Realty liable for the debt.

Doctrine

Judicial admissions, unless made through palpable mistake or denied to have been made, do not require proof and are considered as admitted facts in the proceeding. However, admitting the genuineness and due execution of a document does not automatically admit the veracity of its contents or the arguments based upon it.

Class Notes

- **Judicial Admission:** An admission made by a party during the proceedings, which does not require proof. It may only be contradicted by showing a palpable mistake or denial of making such an admission.
- **Demurrer to Evidence:** A motion to dismiss based on the argument that the plaintiff has not shown any right to relief even with their evidence. It should consider all means sanctioned by the rules, including judicial admissions, without the need for the defendant to present evidence.
- **Rule 8, Section 8 vs. Rule 6, Section 10:** When a defense is based upon a document, a specific denial under oath is required; otherwise, its genuineness and due execution are deemed admitted, which is more controlling than the general rule that new matters in the answer are deemed controverted if not replied to.

Historical Background

This case illustrates the procedural intricacies of Philippine civil procedure, particularly around demurrers to evidence and judicial admissions, and emphasizes the importance of responding specifically and under oath to actionable documents in litigation. It demonstrates how legal interpretations and procedural missteps can significantly sway the outcome of financial disputes.