

Title: C.G. Dizon Construction, Inc., Cenen Dizon vs. Asia Pacific Finance Corporation (Now Union Bank of the Philippines)

Facts:

In August 1980, Teodoro Bañas executed a Promissory Note in favor of C.G. Dizon Construction, Inc. (C.G. Dizon), promising to pay P390,000.00 in installment to C.G. Dizon. This note was endorsed by C.G. Dizon to Asia Pacific Finance Corporation (Asia Pacific), secured by a Deed of Chattel Mortgage over three Caterpillar Bulldozer Crawler Tractors. Additionally, Cenen Dizon executed a Continuing Undertaking, binding himself and C.G. Dizon to pay the obligation jointly.

Partial payments were made by C.G. Dizon to Asia Pacific, but subsequent payments were defaulted. Asia Pacific then sent a Statement of Account for the unpaid balance, which went unheeded, leading to a lawsuit against Bañas, C.G. Dizon, and Cenen Dizon. The defendants admitted the authenticity of the documents but claimed they were merely a facade to conceal a loan with usurious interest, prohibited by banking laws. They also argued a verbal agreement to settle the obligation by surrendering two bulldozers, which was allegedly accepted by Asia Pacific.

The trial court issued a writ of replevin, leading to the surrender and foreclosure of two bulldozers. Teodoro Bañas passed away during the case, leading to the dismissal of the case against him. Meanwhile, Asia Pacific was substituted by International Corporate Bank, which later merged into Union Bank of the Philippines. The Regional Trial Court ruled in favor of Asia Pacific, a decision affirmed by the Court of Appeals.

Issues:

1. Whether the transaction between petitioners and Asia Pacific violated banking laws, rendering it null and void.
2. Whether the alleged verbal agreement to accept the bulldozers in full satisfaction of the debt was binding.
3. The legality and binding effect of the Promissory Note, Deed of Chattel Mortgage, and Continuing Undertaking.
4. The appropriate computation of the petitioners' liability, including interest and attorney's fees.

Court's Decision:

The Supreme Court dismissed the argument that the transaction violated banking laws,

affirming it was a legitimate purchase of receivables at a discount by Asia Pacific, an investment house. The Court also rejected the notion of a binding verbal agreement to settle the obligation through the surrender of bulldozers, citing lack of credible evidence and the improbability of seasoned businessmen failing to formalize such an important agreement.

The Court upheld the legality and binding nature of the notarized documents, emphasizing that the Promissory Note, Deed of Chattel Mortgage, and Continuing Undertaking showed clear, unequivocal intent of the parties. It was ruled that the oral evidence could not override these written agreements.

Regarding liabilities, the Court calculated an unpaid balance of P87,637.50 plus interest at 14% per annum from March 20, 1981, until fully paid. It decided to reduce the attorney's fees from 25% to 15% of the principal obligation, considering the petitioners' partial payments and efforts to settle the debt.

Doctrine:

The Supreme Court reiterated the doctrine that notarized documents have a presumption of regularity and are considered accurate expressions of the parties' agreements. Oral evidence cannot prevail over written agreements. Furthermore, investment houses can engage in the purchase of receivables at a discount, and this does not violate banking laws.

Class Notes:

- Notarized documents are considered prima facie evidence of the facts therein and have a presumption of regularity.
- Oral evidence is subordinate to written agreements in determining the intent and agreement of the parties.
- Contracts are binding as written, and parties cannot later impose conditions that are not stipulated.
- An investment house can purchase receivables at a discount as part of its operations without violating banking laws.
- Attorney's fees stipulated in a contract are considered as liquidated damages and are enforceable up to the amount specified, however, courts can adjust these if deemed excessive or if the obligation was partly or irregularly complied with.

Historical Background:

This case sheds light on practices within the Philippine financial industry, particularly on the roles of investment houses in purchasing receivables and issuing promissory notes. It

underscores the legal boundaries of financial transactions and the obligations they entail. It also illustrates the judiciary's role in interpreting agreements and ensuring that parties cannot evade liabilities through unrecorded verbal agreements or allegations of illegality in their own schemes.