Title:
Great Asian Sales Center Corporation and Tan Chong Lin vs. Bancasia Finance and Investment Corporation

Facts:
The case revolves around Great Asian Sales Center Corporation ("Great Asian"), engaged in buying and selling merchandise, which sought financial accommodations from Bancasia Finance and Investment Corporation ("Bancasia"). The accommodation involved the assignment of receivables in the form of postdated checks from Great Asian's customers. Great Asian, through Arsenio Lim Piat, Jr. ("Arsenio"), authorized by board resolutions, assigned these receivables to Bancasia between January and March 1982, cumulatively worth P1,042,005.00. The checks were ultimately dishonored by the drawee banks for various reasons. Despite demands from Bancasia, neither Great Asian nor Tan Chong Lin, who had signed surety agreements, made payments. Subsequently, during insolvency proceedings commenced by Great Asian, Bancasia was listed as a creditor. Bancasia then filed a collection suit against Great Asian and Tan Chong Lin for the unpaid amount based on the deeds of assignment and the surety agreements.

Following Bancasia's suit, the case was decided in Bancasia's favor by both the Regional Trial Court of Manila and the Court of Appeals. Great Asian and Tan Chong Lin then filed a petition for review with the Supreme Court.

Issues:
1. Did Arsenio have the authority to execute the deeds of assignment on behalf of Great Asian?
2. Is Great Asian liable to Bancasia for breach of contract under the deeds of assignment, independently of the Negotiable Instruments Law?
3. Is Tan Chong Lin liable to Bancasia under the surety agreements?

Court's Decision:
1. **Authority of Arsenio**: The Court affirmed that Arsenio was expressly authorized by Great Asian's board resolutions to secure a loan or discounting line from Bancasia, thus binding Great Asian to the deeds of assignment.

2. **Breach of Contract by Great Asian**: The Court concluded that by virtue of the with-recourse stipulation in the deeds of assignment, Great Asian was obligated to pay Bancasia the full value of the dishonored checks regardless of the Negotiable Instruments Law. This

obligation arose from contract law under the Civil Code, not necessarily from Great Asian's endorsement under the Negotiable Instruments Law.

3. **Liability of Tan Chong Lin**: The Court declared that Tan Chong Lin was liable under the surety agreements since the condition for his liability had occurred — the drawers' failure to pay. The Court rejected the argument that the warranties in the deeds of assignment materially altered his obligations or released him from liability. The comprehensive scope of the surety agreements covered the debts under consideration.

Doctrine:
The case reaffirmed that obligations arising from contracts have the force of law between the parties and must be complied with in good faith. It also highlighted that in financial transactions involving the assignment of receivables, the parties can validly construct "with recourse" stipulations that obligate the assignor to answer for non-payment, independent of the warranties typically provided by endorsers under the Negotiable Instruments Law.

Class Notes:
– **Principal and Surety**: A surety's liability is direct, primary, and that of a debtor, unless the contrary is stipulated.
– **Authority in Corporate Acts**: Corporate actions require explicit authorization from the board of directors or from delegated authority, in compliance with the Corporation Code.
– **With-Recourse Assignment**: In the context of assigning receivables, a "with recourse" stipulation obligates the assignor to pay the assignee in case of non-fulfillment by the debtor.
– **Negotiable Instruments Law and Civil Code**: The obligations under the Negotiable Instruments Law can be supplemented or modified by agreements under the Civil Code, provided such agreements are not contrary to law, morals, good customs, public order, or public policy.

Historical Background:
This case illustrates the legal complexities surrounding financial accommodations in corporate settings, specifically in the context of the Philippine legal system. It underscores the interplay between corporate governance, contract law, and the laws governing negotiable instruments, providing crucial insights for both legal practitioners and business entities in the Philippines.