

### Title: **\*\*Prudential Bank and Trust Company (Now Bank of the Philippine Islands) vs. Liwayway Abasolo\*\***

### Facts:

Leonor Valenzuela-Rosales inherited two parcels of land in Sta. Cruz, Laguna. After her demise, her heirs authorized Liwayway Abasolo via a Special Power of Attorney (SPA) on June 14, 1993, to sell these properties. In 1995, Corazon Marasigan, interested in purchasing the properties, proposed mortgaging them to Prudential Bank and Trust Company (PBTC) to finance the acquisition. Abasolo agreed and was advised by PBTC's employee, Norberto Mendiola, to allow Marasigan to mortgage the properties and to act as a co-maker for loan release. Consequently, Abasolo transferred the titles to Marasigan, who mortgaged the properties to PBTC. However, the loan proceeds were released to Marasigan directly, contrary to the alleged assurance given to Abasolo that she would receive the payment directly.

Abasolo accepted partial payments from Marasigan, totaling P665,000, but eventually filed a complaint for the collection of sum of money and annulment of sale and mortgage with damages against Marasigan and PBTC, before the Regional Trial Court (RTC) of Sta. Cruz, Laguna, after Marasigan failed to fully pay the purchase price. The RTC, and subsequently the Court of Appeals, held PBTC subsidiarily liable for the payment should Marasigan default.

### Issues:

1. Is PBTC subsidiarily liable for Corazon Marasigan's failure to pay Liwayway Abasolo the full purchase price for the properties?
2. Was there a contractual obligation between PBTC and Abasolo regarding the loan proceeds?

### Court's Decision:

The Supreme Court reversed the decisions of the lower court and the Court of Appeals, holding that PBTC is not subsidiarily liable for Marasigan's failure to fully pay Abasolo. The Court reasoned that:

- There was no direct lender-borrower relationship between PBTC and Abasolo, nor was there any obligation on the part of PBTC to release the loan proceeds to Abasolo.
- The principle of relativity of contracts supports PBTC's position as contracts only take effect between the parties involved unless a stipulation in favor of a third person is made clear which wasn't present in this case.

- The absence of a written request to PBTC evidencing Abasolo's alleged agreement with the bank was critical given the nature of banking operations.
- Abasolo's reliance on Mendiola's advice did not suffice to impose liability on PBTC, as there was no evidence of authority or fraud.

### Doctrine:

The Supreme Court reiterated the principle of relativity of contracts, emphasizing that contracts have effect only among the parties involved unless there is a clear and definite stipulation favoring a third party.

### Class Notes:

- **Principle of Relativity of Contracts**: Contracts bind only the parties who entered into them, and benefits or obligations for third parties should be explicitly stipulated.
- **Evidence in Banking Transactions**: Written documentation is crucial in banking transactions, especially when claims involve arrangements diverging from typical procedures.
- **Subsidiary Liability**: Requires a lawful, direct obligation. A party cannot be held subsidiarily liable without a clear, direct contractual link involving the specific obligation.

**Historical Background**: Positioned amidst a reforming banking sector in the Philippines, this case underscores the stringent requirements for documentation in banking transactions and the limitations of oral assurances in establishing obligations against financial institutions.