Title: Bautista v. Bendecio and Mascariñas

Facts: Virginia B. Bautista loaned a total of P1,100,000.00 to her niece, Ma. Julieta B. Bendecio, on three different occasions in February 2013. The loans were intended to be repaid in May 2013 with a monthly interest rate of 8%. It was later agreed that Merlyn Mascariñas, Bendecio's business partner, would assume the obligation to repay Bautista. However, Bautista did not receive the payment as promised, leading her to file a complaint for collection of sum and damages against both Bendecio and Mascariñas in the RTC in September 2013. The defendants argued that Mascariñas' assumption of the loan and issuing of a promissory note for the payment evidenced by returned checks to Bendecio implied that Bendecio's obligation was extinguished. The RTC ruled in favor of Bautista, a decision which the CA affirmed upon appeal. Dissatisfied, Bendecio and Mascariñas appealed to the Supreme Court.

Issues:
1. Whether the CA erred in finding Bendecio and Mascariñas jointly and solidarily liable for the loan amounting to P1,100,000.00.
2. Whether the alleged novation of the loan agreement by substituting Bendecio with Mascariñas as the debtor with the consent of the creditor (Bautista) effectively extinguished Bendecio's obligation to Bautista.
3. Whether the return of issued checks to Bendecio constitutes payment and extinguishment of the obligation.

Court's Decision:
The Supreme Court denied the petition, finding no merit in Bendecio and Mascariñas' arguments. The Court held that novation, to be effective, requires the explicit consent of the creditor, which was not evident in this case. The mere fact that Bautista accepted Mascariñas' promissory note did not imply Bendecio's release from her obligation, nor did the return of checks constitute payment. Consequently, both Bendecio and Mascariñas were held solidarily liable for the loan. The decision of the CA was affirmed with modification concerning the adjustment of interest rates according to prevailing jurisprudence.

Doctrine: The Court reiterated the doctrine that novation requires the unequivocal consent of the creditor to substitute the debtor, which can never be presumed. It also highlighted that mere delivery of checks does not discharge the obligation under a judgment unless the payment is actually realized.

Class Notes:
– **Novation** requires explicit consent of the creditor and complete incompatibility between the old and new obligations.
– **Solidary Liability** among business partners for debts incurred in furtherance of their partnership may be imposed when actions of one partner cause loss to a third party.
– **Doctrine of Consents** – substitution of debtor in novation requires the consent of the creditor.
– **Delivery of Checks** – does not constitute payment unless the checks have been cashed or their value received by the creditor.
– **Interest Rates** – must be reasonable; courts have the authority to reduce iniquitous or unconscionable rates.

Historical Background: This case highlights the intricacies of novation and the solidary liability of business partners in the context of personal lending and the execution of obligations under Philippine law. Through this decision, the Supreme Court has once again affirmed its stance on the importance of the consent of all parties involved in the novation of obligations and the non-presumption of payment through the mere issuance of checks.