

Title:

Norton Resources and Development Corporation vs. All Asia Bank Corporation

Facts:

Norton Resources and Development Corporation (petitioner), a construction and development company, obtained a loan from All Asia Bank Corporation (respondent) worth PHP 3,800,000.00 on April 13, 1982, for constructing 160 housing units in Davao City. A Memorandum of Agreement (MOA) was signed, stipulating a service/commitment fee of PHP 320,000.00 offered by the petitioner and accepted by the respondent, intended to be deducted from the loan proceeds. The Home Financing Corporation (HFC) guaranteed the loan, obliging to cover the loan upon the petitioner's default. Petitioner defaulted after constructing only 35 units, leading to the respondent calling on HFC's guarantee.

HFC paid PHP 2,990,757.99 of the outstanding PHP 3,240,757.99 loan, withholding PHP 250,000.00, which led to litigation in the Regional Trial Court (RTC) of Davao City (Civil Case No. 17048). The court ruled in favor of the respondent, ordering HFC to pay the withheld amount with interest, attorney's fees, and collection expenses. This decision was affirmed by the Court of Appeals (CA) and became final.

On February 22, 1993, the petitioner filed a new complaint (Civil Case No. 21-880-93) against the respondent, arguing that the commitment fee should be calculated per constructed unit, making them overpay by PHP 250,000.00. The respondent contended that the MOA did not specify a per-unit basis payment and claimed the suit was barred by res judicata. The RTC ruled in favor of the petitioner, which the CA eventually reversed, prompting the petitioner to elevate the matter to the Supreme Court under a Petition for Review on Certiorari.

Issues:

1. Whether the MOA accurately reflected the parties' true intention regarding the payment of the commitment/service fee.
2. Whether the petitioner is entitled to recover PHP 250,000.00 representing the fee for the 125 unconstructed units.
3. Whether Victor Facundo, the Vice President and General Manager of the petitioner at the time of the MOA's execution, had the authority to enter into the agreement and negotiate its terms.

Court's Decision:

The Supreme Court denied the petition, affirming the CA's decision that the MOA's terms were clear and unambiguous, thus foreclosing any interpretation that the commitment/service fee was to be paid on a per-unit basis. It emphasized that contracts should be enforced as written unless they contravene law, morals, good customs, or public policy. The court held the parol evidence rule prevents altering the contract terms through external evidence unless specific exceptions apply, none of which were present in this case. Therefore, the petitioner's claim for the return of PHP 250,000.00 was without merit, and the MOA must stand as executed.

Doctrine:

1. The literal meaning of contract stipulations governs when terms are clear, embodying the unanimous intent of the contracting parties.
2. The parol evidence rule bars the admission of external evidence to contradict or alter written contract terms, except under specified exceptions.

Class Notes:

- ****Parol Evidence Rule****: Ensures the integrity of written agreements by restricting the use of oral or external evidence to modify, explain, or contradict the agreement's terms, unless exceptions apply (Article 1370, Civil Code; Section 9, Rule 130, Revised Rules of Court).
- ****Res Judicata****: Prevents the re-litigation of claims and issues that have already been judged, emphasizing the finality of judgments.

Historical Background:

The case underscores the judicial preference for enforcing contracts as they are written, provided they do not conflict with legal principles. It highlights the challenges in proving the parties' intentions contrary to the clear and explicit terms of a written agreement, particularly in commercial and development transactions.