

Title: Filipinas Textile Mills, Inc. and Bernardino Villanueva vs. Court of Appeals and State Investment House, Inc.

Facts:

SIHI filed a Complaint on December 6, 1985, against Filtex and Villanueva for the collection of P3,118,949.75, with interest and other charges. Filtex applied for domestic letters of credit in 1983, which SIHI issued for the purchase of raw materials. Filtex purchased materials using these credits from Indo-Phil, Texfiber, and Polyamide, issuing sight drafts payable to SIHI's order, which was accepted by Filtex and paid for by SIHI. Villanueva executed a comprehensive surety agreement in 1982, guaranteeing Filtex's indebtedness to SIHI. Replacement trust receipts were issued by Filtex on June 22, 1984, agreeing to hold and sell the merchandise on SIHI's account. SIHI filed a Complaint due to Filtex's failure to settle its obligations, which led to litigation in the Regional Trial Court of Manila, then to the Court of Appeals, and ultimately to the Supreme Court for review.

Issues:

1. Admissibility of documents (letters of credit, sight drafts, trust receipts, comprehensive surety agreement) lacking documentary stamps.
2. Determination of Filtex's full payment or outstanding balance to SIHI.
3. Validity of the comprehensive surety agreement executed by Villanueva.

Court's Decision:

1. **Admissibility of Documents:** The Supreme Court ruled that the documents were admissible in evidence despite the absence of documentary stamps. It highlighted that Filtex and Villanueva's failure to specifically deny, under oath, the genuineness and due execution of these documents led to their implied admission.
2. **Outstanding Balance:** The Court declined to re-evaluate factual issues regarding Filtex's claim of having overpaid its obligations to SIHI. It upheld the appellate court's findings that there remained an unpaid balance.
3. **Validity of Comprehensive Surety Agreement:** Villanueva's challenge to the surety agreement's validity was dismissed. The Court found no merit in his arguments against the agreement's enforceability.

Doctrine:

1. **Admissibility of Documents:** Documents can be deemed admitted in terms of their genuineness and due execution if a specific denial under oath is not made, despite lacking

documentary stamps.

2. **Comprehensive Surety Agreement:** Surety agreements are valid and enforceable despite alleged unconsented alterations or leniencies granted to the principal debtor unless there's a definite and enforceable agreement for an extension of payment without the surety's consent.

Class Notes:

1. **Rule on Admissibility of Documents:** Any action or defense based on a written document must be specifically denied under oath by the adverse party to dispute genuineness and due execution, otherwise, such documents are deemed admitted (Sec. 8, Rule 8 of the Rules of Court).

2. **Liability for Documentary Stamps:** The parties making, signing, issuing, accepting, or transferring documents are responsible for affixing the necessary documentary stamps (Section 173 of the Internal Revenue Code).

3. **Suretyship Validity and Liability:** Sureties remain liable even with extensions or leniency granted to the principal debtor unless there's a definitive alteration made without the surety's consent or notification.

Historical Background:

The case highlights the legal and procedural intricacies involved in commercial transactions and the enforceability of surety agreements and trust receipts in the Philippines. It addresses the significance of documentary requirements and the implications of a party's failure to contest the genuineness and due execution of documents upon which financial obligations are based. The decision reinforces the principle that legal documents, even when lacking in documentary stamps, can be deemed admissible if not duly contested, shaping future handling and expectations around commercial documentations and agreements within the Philippine legal framework.