

### Title:

Kaunlaran Lending Investors, Inc. and Lelia Chua Sy vs. Loreta Uy

### Facts:

The case originated from a complaint filed by Loreta Uy on September 12, 1988, before the Regional Trial Court (RTC) of Dagupan City seeking the annulment of real estate mortgage documents plus damages against Kaunlaran Lending Investors, Inc. (KLII), Lelia Chua Sy, Wilfredo Chua, and Magno Zareno. The crux of Uy's complaint was that her consent in the mortgage of her properties was vitiated and the mortgage documents were executed without consideration. Uy's son, Jose Sim, initially negotiated the loan secured by Uy's properties for a business venture. Despite attempts to withdraw the loan application and recover the property titles after discovering the loan proceeds were allegedly used for Wilfredo Chua's personal debts, the mortgage was still annotated on Uy's titles. Uy filed both civil and criminal actions against the defendants. The civil case, dismissed by the RTC, was consolidated with the criminal case for estafa against the defendants.

### Issues:

1. Whether the real estate mortgage and related documents are null and void due to absence of consideration and vitiated consent.
2. The credibility and admissibility of conflicting testimonies from witnesses and defendants, specifically regarding the proceeds of the loan and their receipt by Loreta Uy.
3. The authority and credibility issues surrounding the verification and certificate of non-forum shopping.

### Court's Decision:

The Supreme Court (SC) granted the petition, setting aside the decision of the Court of Appeals (CA) which had reversed the RTC's dismissal of Uy's complaint. The SC reinstated the RTC's decision, underlining the principle that findings of fact by the trial court generally carry significant weight unless substantial reasons suggest otherwise. The SC critically assessed testimonies and evidences presented, especially concerning the credibility of witnesses who recanted their statements. The court observed discrepancies in the testimonies that led to doubts about the veracity and reliability of some witnesses' accounts. The SC emphasized the procedural lapse by the CA in not providing a cogent reason for disregarding the trial court's credibility assessments.

### Doctrine:

The decision reiterates the principle of giving deference to the trial court's assessment of

witness credibility due to its position to directly observe the demeanor of witnesses. Furthermore, it highlights the requirement that corporate actions, such as verification and certificate of non-forum shopping in legal filings, must be authorized by the corporate entity's board of directors or by duly authorized officers to be considered valid.

### Class Notes:

1. **Vitiated Consent** - Consent given under duress, fraud, or mistake, which can render contracts voidable.
2. **Preponderance of Evidence** - The greater weight of evidence required in civil cases, not necessarily quantified by the number of witnesses or documents but by the quality and persuasiveness of the evidence.
3. **Verification and Certificate of Non-Forum Shopping** - Must be personally signed by the petitioner or a duly authorized person in case of corporations, underlining the principle that corporate actions require proper delegation of authority.
4. **Credibility of Witnesses** - The assessment of credibility is generally the domain of the trial court due to its advantage of observing the demeanor of witnesses.
5. **Recantation of Testimony** - Treated with caution in judicial proceedings, with understanding that it does not automatically negate earlier statements.

### Historical Background:

This case reflects the intricacies of real estate transactions and the implications of mortgage agreements in the Philippines. It underscores the judiciary's role in scrutinizing consent and consideration in contractual agreements, as well as the procedural requirements for corporate litigants in judicial filings. This decision contributes to the broader legal discourse on contractual validity and the evidentiary standards for proving vitiated consent and consideration, situated within the specific context of Philippine jurisprudence on civil and property law.