

Title: Duty Paid Import Co. Inc., et al. vs. Landbank of the Philippines

Facts:

Landbank of the Philippines (LBP) granted a P250,000,000.00 Omnibus Credit Line Agreement to Duty Paid Import Co. Inc. (DPICI) on November 19, 1997. Additional signatories, namely Ramon P. Jacinto, Rajah Broadcasting Network, Inc., and RJ Music City, executed a Comprehensive Surety Agreement, making them jointly and severally liable for DPICI's loan obligations. Various promissory notes totaling P250,000,000.00 were executed from July 24, 1997, to August 4, 1998. A real estate mortgage on a condominium unit was also executed as security for a P10,000,000.00 loan portion. Upon failure to pay the obligations, LBP foreclosed the mortgage and, after applying the sale proceeds, found a balance of P304,524,438.98 remaining. Subsequent demand letters to DPICI remained unheeded, leading LBP to initiate a collection suit.

Petitioners argued the suit was premature, alleging an unproven restructuring agreement, and contended the balance sought was in excess of their actual debt, attributing failure to pay to the Asian financial crisis as a force majeure.

The RTC ruled in favor of LBP, finding the petitioners solidarily liable. This decision was upheld by both an unsuccessful motion for reconsideration at the RTC and subsequent appeal to the Court of Appeals (CA), which found no evidence of loan restructuring and dismissed other defenses raised by petitioners.

Issues:

1. Whether LBP had a valid cause or right of action against the petitioners.
2. If the suit was prematurely filed due to a purported, yet unsubstantiated, loan restructuring agreement.
3. Dispute over the actual amount of the loan obligations.
4. Petitioners' liability for the claimed amounts, termed excessive and laden with high interest rates and penalties.
5. Solidarity of petitioners Ramon P. Jacinto, Rajah Broadcasting Corp., and RJ Music with DPICI.
6. Justifiability of non-payment of debts due to external factors like the economic crisis.

Court's Decision:

The Supreme Court denied the petition for review on certiorari, affirming the CA's decision, which upheld the RTC's judgment. It stressed that only questions of law, not of fact, are

usually entertained in such petitions, and found no exceptional circumstance to deviate from this rule. Key findings include:

- The claim of a restructuring agreement was unsupported by evidence.
- The assertion that the economic crisis absolved the petitioners of their obligations was invalid, as the loan was undertaken with awareness of existing economic conditions.
- The Court confirmed petitioners were indeed solidarily liable as sureties under the terms of the Comprehensive Surety Agreement, directly binding them to the loan obligations regardless of the sufficiency of loan collaterals.

Doctrine:

- The principle that factual findings of lower courts are binding when supported by substantial evidence.
- The role of sureties in loan agreements, being directly and immediately liable upon the principal debtor's default, without a prerequisite for the creditor to exhaust collateral or proceed against the debtor first.

Class Notes:

- **Legal Standing and Cause of Action**: A plaintiff must establish a breach of a definable legal right by the defendant.
- **Surety Agreements**: A surety binds themselves to perform if the principal fails, without necessity for the creditor to exhaust other avenues.
- **Burden of Proof**: The party alleging a fact must substantiate their claim with evidence.
- **Economic Crisis as Force Majeure**: Not a valid defense in fulfilling contractual obligations especially when the event was foreseeable.
- **Rule 45 Petitions**: Limited to questions of law; factual findings by lower courts carry significant weight.

Historical Background:

This case reflects the judicial approach to loan agreements and the enforcement of financial obligations amidst economic downturns like the late 1990s Asian financial crisis. It underscores the importance of evidence in adjudicating claims of loan restructuring and highlights the binding nature of surety agreements, reaffirming established principles in the wake of economic challenges.