

Del Rosario v. Far East Bank & Trust Company

Title:

Del Rosario and Davao Timber Corporation v. Far East Bank & Trust Company and Private Development Corporation of the Philippines, G.R. No. 151878

Facts:

1. **Initial Loan Agreement:** On May 21, 1974, Davao Timber Corporation (DATICOR) entered a loan agreement with Private Development Corporation of the Philippines (PDCP), securing a loan of US \$265,000 and P2.5 million, totaling around P4.4 million.
2. **Security for Loan:** The loans were secured by real estate and chattel mortgages. Payments made amounted to P3 million applied to interest, service fees, and penalties, leaving a balance calculated by PDCP of over P10 million as of May 15, 1983.
3. **First Complaint (Violation of Usury Law):** On March 31, 1982, DATICOR filed a complaint against PDCP for violation of the Usury Law which was dismissed by the Court of First Instance (CFI).
4. **Appellate and Supreme Court Decisions:** The Intermediate Appellate Court (IAC) overturned the CFI's decision, voiding the interest stipulation. PDCP appealed to the Supreme Court (SC), docketed as G.R. No. 73198.
5. **Assignment of Receivables:** During the litigation, PDCP assigned part of its receivables from DATICOR to Far East Bank and Trust Company (FEBTC) for P5,435,000.
6. **MOA and Subsequent Payment:** DATICOR and FEBTC executed a Memorandum of Agreement (MOA) on December 8, 1988, where DATICOR paid FEBTC P6.4 million as settlement.
7. **Supreme Court Decision:** SC's Decision in G.R. No. 73198 found only P1.4 million due after deducting prior payments, implying an overpayment of P5.3 million.
8. **Complaint for Overpayment:** On April 25, 1994, DATICOR filed a complaint claiming the excess of P4.335 million from PDCP and P965,000 from FEBTC.
9. **RTC and CA Decisions:** The Regional Trial Court (RTC) Makati ruled for DATICOR to recover P4.035 million from PDCP. This decision was appealed, and the Court of Appeals

(CA) held that PDCP should release mortgages, and FEBTC should refund P965,000 (only).

10. **Subsequent Claim:** Petitioners then filed Civil Case No. 00-540 in RTC Makati to recover the balance (P4.335 million) from FEBTC.

11. **Motion for Summary Judgment:** DENIED.

12. **Trial Court Decision:** The trial court dismissed the case on grounds of res judicata and splitting of cause of action. Petitioners' motion for reconsideration was denied.

13. **Petition for Review:** Petitioners elevated the case to the Supreme Court on certiorari.

Issues:

1. **Whether the complaint is dismissible on the grounds of res judicata and splitting of a cause of action.**
2. **Whether FEBTC can be held liable for the balance of the overpayment of P4.335 million.**
3. **Whether PDCP can interpose as defense the provision in the Deed of Assignment and MOA regarding the non-effect of the Supreme Court's decision in G.R. No. 73198 on the receivables.**

Court's Decision:

1. **Res Judicata and Splitting Cause of Action:** The Supreme Court upheld the trial court's dismissal on the grounds of res judicata, asserting that this doctrine precludes re-litigating issues that have already been settled by a competent court and to prevent the splitting of a single cause of action among multiple suits. The final CA decision effectively adjudicated all relevant claims.
2. **FEBTC Liability:** The Supreme Court found res judicata applicable and upheld the ruling that petitioners cannot re-claim amounts from FEBTC as the matter (P965,000) had been conclusively resolved in the previous case (CA-G.R. CV No. 50591).
3. **PDCP Defense:** The decision in CA-G.R. CV No. 50591 was final and established that PDCP had no further liability. Therefore, additional claims against PDCP in this context were unwarranted and rightly barred.

****Doctrine:****

1. ****Res Judicata:**** When a final judgment is rendered by a competent court, it bars subsequent actions involving the same parties on the same cause of action or any matter that could have been raised in the first instance.
2. ****Splitting of Cause of Action:**** A single cause of action cannot be split into multiple claims and litigated piecemeal in successive suits.

****Class Notes:****

- ****Res Judicata:**** Under Rule 39, Sec. 47, once a court renders a final decision on the merits, the parties cannot re-litigate the same issues or any claims that could have been brought up in the first action.
- ****Splitting Cause of Action:**** Per Rule 2, Sec. 4, dividing an indivisible cause of action into multiple claims is prohibited, highlighting the importance of bringing all claims in one comprehensive case.

****Historical Background:****

The case stems from financial transactions in the early 1970s amid regulations such as the Usury Law and the volatile economic conditions affecting interest and currency exchange rates. The issues touch on historical practices in loan securities and the assignment of receivables within the banking sector.

The dispute showcases the transition in the Philippine judicial landscape, reflecting challenges in interpreting financial obligations across multiple legal proceedings and underscoring the principles designed to prevent the re-litigation of settled matters to ensure judicial efficiency.