

Title: Agrifina Aquintey vs. Spouses Felicidad and Rico Tibong - G.R. No. 173209, March 14, 2007

Facts:

1. Agrifina Aquintey filed a complaint for a sum of money and damages on May 6, 1999, before the RTC of Baguio City, against spouses Felicidad and Rico Tibong, alleging unpaid loans amounting to P773,000.00 with monthly interest rates of 6% to 7%.
2. Despite demands, the Tibongs did not repay the loan. Agrifina supported her claim with promissory notes and acknowledgment receipts.
3. The spouses admitted to borrowing money but counterclaimed that novation (transformation of the obligation) occurred by executing deeds of assignment in Agrifina's favor; thus, their obligation was extinguished.
4. The trial court issued a pre-trial order outlining the issues, including the verification of the loan amount, interests, and damages.
5. The RTC ruled in favor of Agrifina, stating that Felicidad's obligation was not novated by the deeds of assignment, which stood as separate contracts.
6. The Tibongs appealed, and the CA affirmed with modifications, determining the total loan as P637,000.00, after deducting the assigned credits and promissory notes amounting to P585,659.00.

Procedural Posture:

1. Agrifina initially filed the complaint before the RTC of Baguio City.
2. The RTC ruled in favor of Agrifina for P472,000 but modified the claim considering the collected sums.
3. The Tibongs appealed to the CA, which modified the total indebtedness to P51,341.00.
4. Agrifina filed a petition under Rule 45 for review by the Supreme Court.

Issues:

1. Did Felicidad Tibong borrow P773,000.00 from Agrifina?
2. Was the respondents' loan partially extinguished by the deeds of assignment and promissory notes?
3. Can Agrifina collect from the respondents and their debtors without constituting unjust enrichment?

Court's Decision:

1. **\*\*Loan Amount Verification\*\***: The SC upheld that the Tibongs indeed borrowed P773,000 as shown by their counter-affidavit, despite some documentations being lost.

2. **Partial Extinguishment of Debt Due to Dation in Payment**:

- The SC agreed with the CA that Felicidad's obligation had not been novated by the deeds of assignment.
- The deeds of assignment were viewed as a dation in payment, which partially extinguished the original loan equivalent to the value of the debts reassigned to Agrifina.

3. **Unjust Enrichment**:

- Agrifina had collected payments from Tibong's debtors amounting to P301,000.00, creditable against the total loan.
- The SC confirmed that collecting both from the Tibongs and their debtors would result in unjust enrichment.

Doctrine:

The case illustrates that a debtor's obligation can remain despite an assignment of credits unless an explicit intention to novate (utterly replace one obligation with another) is established. Dation in payment (dacion en pago) partially extinguishes the debt by transferring the debtor's credit to the creditor, accepted proportionate to the debt owed.

Class Notes:

- **Novation** (Art. 1291, Civil Code): Requires an express agreement or acts clearly showing intent to extinguish the old obligation, replacing it with a new one.
- **Dation in Payment** (Art. 1245, Civil Code): Involves the transmission of ownership of a thing by the debtor to the creditor as an agreed equivalent of the debt.
- **Assignment of Credit** (Art. 1624, Civil Code): Transfers credit rights from the assignor to the assignee without the debtor's consent required for its perfection.
- **Rules on Denials** (Rule 8, Sec. 10 & 11, Rules of Court): Specific and unequivocal denials are essential for defenses.

Historical Background:

This legal dispute arose in a typical credit transaction between individuals leveraging informal lending agreements. At the turn of the millennium, such cases were instrumental in defining and clarifying obligations arising from informal financial dealings and the impacts of secondary agreements like assignments of credit and promissory notes in the Philippine legal context. The case underscores the careful consideration courts must apply in determining the existence and extents of debt, while balancing principles of equity to prevent unjust enrichment.