

Title: P.C. Javier & Sons, Inc. v. Hon. Court of Appeals, et al. (G.R. No. 130606)

Facts:

1. **Initial Loan Application:**

- **February 1981:** P.C. Javier & Sons Services, Inc. (the petitioner corporation) applied for a P1.5 million loan from First Summa Savings and Mortgage Bank (later renamed PAIC Savings and Mortgage Bank), under the Industrial Guarantee Loan Fund (IGLF).
- **March 21, 1981:** The bank approved the loan and forwarded it to the Central Bank (CB) for processing.

2. **Loan Releases:**

- **May 18, 1981:** The first tranche of P750,000 was released to the petitioner corporation.
- **November 21, 1981:** The second tranche of P750,000 was released with a deduction of P250,000 placed under time deposit as additional collateral.

3. **Loan Repayment and Default:**

- The petitioners claimed delayed release of loan proceeds and improper withholding of P250,000.
- **February 15, 1983:** Petitioner executed a chattel mortgage on additional machinery to cover collateral deficiencies.
- **November 22, 1983:** Respondent bank issued a demand letter due to non-payment and long-overdue accounts.
- **May 2, 1984:** Second demand letter sent; foreclosing mortgage due to failure to pay.

4. **Foreclosure Proceedings:**

- **April 1984:** Respondent bank initiated extrajudicial foreclosure of the real estate mortgage executed by the petitioner. Foreclosure auction was scheduled for May 9, 1984.
- **May 7, 1984:** Petitioners filed a complaint for annulment of mortgage, foreclosure, preliminary injunction, prohibition, and damages.

5. **Procedural History:**

- **December 10, 1990:** RTC ordered a status quo, halting foreclosure proceedings despite denying writ of preliminary injunction.
- **July 6, 1993:** RTC dismissed the complaint, upholding the bank's right to foreclose and awarded damages and attorney's fees to the respondent bank.
- **May 11, 1994:** RTC denied petitioners' motion for reconsideration.

- **January 31, 1997**: Court of Appeals (CA) affirmed RTC's decision in toto.
- **June 20, 1997**: CA denied petitioners' motion for reconsideration.
- **Appeal to Supreme Court (SC)**: Petitioners filed an appeal on certiorari under Rule 45.

Issues:

1. **Corporate Name Change Notification:**

- Whether the bank was obliged to notify petitioners of the name change from First Summa Savings and Mortgage Bank to PAIC Savings and Mortgage Bank, Inc., and whether the petitioners' failure to receive such notification justified withholding repayment.

2. **Withholding of Loan Proceeds:**

- Whether the respondent bank's withholding P250,000 from the loan proceeds as additional collateral was justified and if this act constituted unjust enrichment.

3. **Award of Damages:**

- Whether the award of damages and attorney's fees to the respondent bank was justified given the petitioners' lack of malice or bad faith in filing the case.

Court's Decision:

1. **Corporate Name Change Notification:**

- The SC held that there is no legal requirement for a bank to formally notify its debtors of a corporate name change. Although no formal notice was shown, sufficient evidence indicated that petitioners were aware of the name change through various communications and documents.

- Petitioners' defense based on lack of formal notification lacked merit. Knowledge of the corporate name change was evident, and the petitioners were obligated to repay the loans.

2. **Withholding of Loan Proceeds:**

- The SC ruled that the bank's action to withhold P250,000 was justified due to the collateral shortage. The RTC found that the collateral provided by petitioners was insufficient to cover the loan, which petitioners acknowledged through subsequent security arrangements.

- The claim of unjust enrichment was dismissed as petitioners' time deposit was used to pay part of the loan. No unjust enrichment occurred since the transaction was authorized by petitioners.

3. **Award of Damages:**

- The SC upheld the CA's decision to award damages to the respondent bank. The bank was subjected to unnecessary litigation and expenses due to the petitioners' baseless claims. Petitioners' nondisclosure and avoidance tactics demonstrated bad faith.
- Courts found the damages justified to reclaim expenses from stalled foreclosure processes and the baseless lawsuit filed by the petitioners.

Doctrine:

1. **Corporate Name Change:**

- A corporation's change in its name does not create a new corporate entity. The rights and liabilities remain unchanged and it is unnecessary to formally notify debtors unless mandated by specific regulation.

2. **Collateral Sufficiency and Loan Obligations:**

- A borrower cannot challenge collateral requirements imposed by the lender if the borrower failed to contest these conditions in a timely manner.

3. **Unjust Enrichment:**

- Petitioners cannot claim unjust enrichment without demonstrating a lack of just cause. It requires a transfer of value devoid of lawful consideration, which was not evident in this case.

4. **Awarding Damages:**

- Actual, compensatory, and exemplary damages are appropriate when a party demonstrates bad faith and delays lawful credit recovery through unfounded legal actions.

Class Notes:

- **Corporate Law:**

- No statutory requirement for formal notification of corporate name change.
- Legal personality remains intact despite changes in corporate nomenclature.

- **Obligations and Contracts:**

- Requirements for additional collateral must be adhered to if acknowledged or not contested promptly by the debtor.
- Unjust enrichment must meet criteria of lack of just cause and inequitable benefit.

- **Damages:**

- Bad faith or malice in litigation can justify an award for actual and exemplary damages

and attorney's fees.

****Historical Background:****

The case arose from significant financial and operational restructuring periods within financial institutions during the early 1980s in the Philippines, marked by changing regulatory frameworks under the Central Bank and shifting bank identities to reflect mergers, acquisitions, or strategic repositioning. The outcome underscores the judiciary's role in delineating corporate and financial obligations amidst evolving banking landscapes.