

****Title:**** Gateway Electronics Corporation and Geronimo B. Delos Reyes, Jr. vs. Asianbank Corporation

****Facts:****

Gateway Electronics Corporation (Gateway), a domestic corporation engaged in the semiconductor business, procured loans from Asianbank Corporation (Asianbank) under various credit facilities, which were guaranteed by deeds of suretyship executed by Geronimo B. Delos Reyes, Jr., Gateway's President, and Andrew Delos Reyes, its Executive Vice-President.

****Timeline of Events:****

1. ****July 23, 1996:**** Geronimo and Andrew separately executed deeds of suretyship for Gateway's Php 10 million domestic bills line and USD 3 million omnibus credit line.
2. ****Post-1996:**** Asianbank approved various export packing loans totaling USD 1,700,833.48. These loans were later consolidated into Promissory Note (PN) No. FCD-0599-2749 and secured by a chattel mortgage on Gateway's USD 2 million equipment.
3. ****Loan Default:**** Gateway made initial payments but eventually defaulted on its obligations.
4. ****July 15 & 30, 1999:**** Two issued checks totaling USD 60,000 were dishonored.
5. ****November 23, 1999:**** Gateway's debt to Asianbank amounted to USD 2,235,452.17.
6. ****December 15, 1999:**** Asianbank filed a complaint for a sum of money against Gateway, Geronimo, and Andrew in RTC Makati City (Civil Case No. 99-2102).
7. ****October 7, 2003:**** RTC ruled in favor of Asianbank, holding Gateway, Geronimo, and Andrew jointly and severally liable.
8. ****November 10, 2004:**** Gateway filed for insolvency (SEC Case No. 037-04).
9. ****March 16, 2005:**** Metrobank, Asianbank's successor, filed a Notice of Creditor's Claim.
10. ****October 28, 2005:**** CA affirmed the RTC decision.
11. ****March 17, 2006:**** CA denied Gateway and Geronimo's motion for reconsideration.

****Issues:****

1. Whether the insolvency court exclusively has jurisdiction over claims against Gateway's properties, effectively suspending Asianbank's civil action.
2. Whether the CA erred by admitting the deed of suretyship without the original document being presented.
3. Whether the repeated loan extensions granted to Gateway without Geronimo's consent relieved him of his surety obligations.

4. Whether Asianbank deviated from normal banking practice in a manner that affects their right to claim against Geronimo as surety.

Court's Decision:

1. Insolvency Court Jurisdiction:

The Court held that the issuance of the insolvency order stayed civil actions against Gateway, thus suspending Asianbank's civil claim against Gateway. Yet, this stay did not extend to Geronimo's liability as a surety, which remains independent of Gateway's insolvency proceedings.

2. Admission of the Deed of Suretyship:

The Court ruled that Geronimo failed to specifically deny under oath the execution and genuineness of the deed. Thus, the court considered the existence and authenticity of the deed as judicially admitted, negating the need to present the original document.

3. Loan Extensions Without Consent:

The deed of suretyship included a waiver of the right to notice for any extension or modification of the loan's terms. Consequently, such extensions did not relieve Geronimo of his liability.

4. Deviation from Normal Banking Practice:

The Court found that Asianbank's extensions and failure to foreclose the chattel mortgage were within their rights and did not extinguish Geronimo's obligation as a surety.

Doctrine:

- Suretyship and Principal Debt:** Liability of the surety is independent of that of the principal debtor, and the creditor can proceed against the surety without first commencing action against the debtor.
- Continuing Suretyship:** Suretyship agreements can cover future loans if these are within the scope of the initial contract.
- Judicial Admissions:** Failure to specifically deny under oath allegations in a pleading constitutes an admission.
- Insolvency Proceedings:** Insolvency proceedings stay the action against the debtor's assets but not against the sureties.

Class Notes:

- Suretyship:** Principle that surety's liability arises jointly and severally with the

principal debtor's obligations.

- **Judicial Admissions:** Rule 8, Sec. 8 and Rule 129, Sec. 4 of the Rules of Court underline that uncontested written documents are deemed admitted unless explicitly denied under oath.

- **Insolvency Proceedings:** Under Act No. 1956, insolvent debtor's properties are subject to the jurisdiction of the insolvency court, but surety obligations remain enforceable independently.

Historical Background:

This case sits at the intersection of corporate finance and surety law, reflecting practical issues surrounding business insolvency, the obligations of sureties, and the procedural standards for evidentiary admissions within the Philippine legal system. It underscores the complexities of navigating creditor-debtor relationships in scenarios of financial distress, with implications for corporate governance and creditor protection mechanisms in the late 1990s and early 2000s in the Philippines.