

Title: Lim v. Equitable PCI Bank, G.R. No. 85139

Facts:

Francisco Lim (petitioner) executed an Irrevocable Special Power of Attorney in favor of his brother, Franco Lim, to mortgage his co-owned property on November 17, 1988. By virtue of this, Banco De Oro released a loan of P8.5 million on February 9, 1989, which Franco fully paid on December 28, 1992. On June 14, 1996, Francisco, Franco, and their mother Victoria Yao Lim secured a P30 million loan from Equitable PCI Bank, mortgaging the same property. When the loan defaulted, the bank foreclosed the property.

On January 11, 2001, Francisco filed a motion for a TRO and a complaint to cancel the Special Power of Attorney, mortgage contract, Certificate of Sale, TCT No. 9470, and Tax Declaration No. 96-31807, claiming his signatures were forged and he did not authorize Franco to mortgage the property. Respondent countered that the court had no jurisdiction to issue a TRO, and that as per the notarized document, regularity was presumed.

The Regional Trial Court (RTC) granted the TRO, followed by an order for a writ of preliminary injunction. Franco and Victoria did not participate in the proceedings. On April 4, 2005, the RTC ruled in favor of Francisco, declaring the documents null and void. However, upon appeal, the Court of Appeals (CA) set aside the RTC decision, sustaining the validity of the mortgage and the bank's foreclosure.

Issues:

1. Did the CA err in holding no evidence was presented to support the claim of forgery?
2. Is the presentation of expert evidence indispensable to proving forgery?
3. Did the CA err in setting aside the RTC decision and dismissing Francisco's complaint?
4. Did Equitable PCI Bank exercise the required diligence in this mortgage transaction, and did any lapse violate Francisco's rights?

Court's Decision:

1. **Forgery Proof Requirement**: The Supreme Court affirmed that allegations of forgery must be proven by clear, positive, and convincing evidence. Mere allegations and comparisons without authentic samples are insufficient. Petitioner failed to submit genuine signature specimens for comparison, and testimony that Francisco was abroad during the mortgage execution was not sufficient to establish forgery.
2. **Expert Evidence for Forgery**: While expert witnesses can aid in proving forgery, they are not indispensable. Judges are competent to determine authenticity using their judgment and the evidence presented. In this case, no substantial evidence was provided to validate

the claim of forgery.

3. **CA Decision to Dismiss**: The CA's decision to reverse the RTC was upheld. The petitioner's failure to provide substantial proof meant that the mere allegation of forgery was not sufficient to nullify the notarized documents and their presumption of regularity.

4. **Due Diligence by Bank**: The Court found no negligence by the respondent bank. There was no sufficient evidence presented to show that Equitable PCI Bank failed to exercise due diligence before entering into the mortgage contract. The errors in describing Francisco's status and citizenship were not attributable to the bank. Furthermore, the nature of the property as potentially conjugal was not sufficiently raised or contested in lower courts, thus the bank rightfully relied on the registered titles.

Doctrine:

Allegations of forgery must be substantiated by clear and convincing evidence, not mere denial or allegations without proper comparison to genuine signatures. Notarized documents carry a presumption of regularity that requires substantial evidence to overcome.

Class Notes:

- **Forgery Proof**: Clear, positive, and convincing evidence is required; mere allegations aren't enough.
- **Notarized Documents**: Presumption of regularity must be overcome with substantial proof.
- **Expert Witnesses**: Helpful but not necessary for proving forgery; judges can make determinations based on comparative evidence presented.
- **Due Diligence**: Financial institutions are expected to exercise due diligence; failure to do so must be proven by the alleging party.
- **Real Property Laws**: Be aware of the impact of registered titles and the presumption of ownership under the Torrens system (Philippine National Bank v. CA highlighted).

Historical Background:

This case delves into the practical application of forgery allegations within the Philippine judicial system, exemplifying the robust presumption of regularity granted to notarized documents and the necessity for substantial evidence to overcome such presumptions. This context reflects the country's legal standards in authenticating documents and addressing claims of forgery within the dynamism of property and banking practices.