

****Title: Philippine International Trading Corporation v. Threshold Pacific Corporation and Edgar Rey A. Cuales****

****Facts:****

Philippine International Trading Corporation (PITC), a government-owned corporation, entered into an Import Financing Agreement (IFA) on July 5, 1993, with Threshold Pacific Corporation (TPC), managed by Edgar Rey A. Cuales, to finance TPC's importation of urea fertilizers. The IFA involved financial assistance amounting to P50,000,000. Several conditions were outlined for disbursements, including TPC providing collateral.

****Sequence of Events:****

- ****July 5, 1993:**** PITC and TPC execute the IFA.
- ****July 6, 1993:**** The 1st Addendum to the IFA is executed due to fertilizer import delays, allowing PITC to disburse P5,876,498.63 for local purchase of fertilizers.
- ****July 9, 1993:**** PITC opens a Land Bank of the Philippines Letter of Credit to local supplier La Filipina Uy Gongco Corp for P5,273,325.
- ****August 6, 1993:**** TPC assigns sugar and molasses quedans from ASPAI to PITC as collateral without Noah's Ark's written conformity.
- ****November 4, 1993:**** The 2nd Addendum is executed, allowing another disbursement of P5,000,000 for additional local fertilizer purchases.
- ****July 7, 1994:**** PITC files a Complaint for Sum of Money alleging that TPC failed to fulfill their payment obligations due to ASPAI's checks bouncing and incapability of realizing sums from assigned quedans.

****Procedural Posture:****

- PITC filed the initial complaint in the RTC, Makati.
- RTC ruled in favor of PITC ordering TPC and Cuales to pay the amount due plus interests and fees.
- TPC and Cuales appealed to the Court of Appeals (CA), which reversed the RTC decision, declaring that the agreements were simulated, and dismissed PITC's complaint.
- PITC filed a petition for review on certiorari to the Supreme Court.

****Issues:****

1. Whether the transaction was between PITC and TPC.
2. Whether the IFA and its addendums are simulated.
3. Whether PITC is entitled to attorney's fees based on the IFA.

Court's Decision:

- **On the Transaction:** The Supreme Court found that the loan agreements expressly stated a borrower-lender relationship between PITC and TPC, independent of ASPAI.
- **Simulated Contracts:** The Supreme Court held that TPC and Cuales failed to provide sufficient evidence to demonstrate that the agreements did not express the true intentions of the parties. The court emphasized the presumptions of fairness, regulation, and the ordinary course of business, as well as the authenticity and genuineness of notarized documents.
- **Attorney's Fees:** The Supreme Court agreed that attorney's fees were justified as stipulated in the IFA. However, it upheld the RTC's discretion in reducing the claimed amount to P200,000.

Doctrine:

- The contracts' literal meaning controls if the terms are clear.
- Parole evidence rule: Parties may only present extrinsic evidence to alter, explain, or add to written terms if an issue is raised in pleadings that the written contract does not express the true intent.
- Agency to borrow money must be explicitly authorized by the principal through a special power of attorney.
- The authenticity and genuineness of notarized documents are presumed unless clear and convincing evidence proves otherwise.

Class Notes:

- **Elements of a Contract:**
 1. **Consent:** Meeting of the minds between parties.
 2. **Object:** The subject matter of the agreement.
 3. **Cause:** The reason or purpose of the contract.

Civil Code Reference:

- Article 1306: Parties' autonomy in contracts.
- Article 1370: Literal interpretation if terms are clear.

- **Agency:**
 - **Article 1869:** Agency may be express or implied.
 - **Article 1878:** Specific acts requiring a special power of attorney.

- **Doctrine:**

- Contracts clear in their terms are binding as written without extrinsic evidence.

****Historical Background:****

The PITC was created to handle international and local trade dealings for the benefit of Philippine enterprises. This case underscores the importance of proper authorization and the clear definition of relationships and liabilities in trade finance agreements. It also reveals challenges in enforcing financing agreements when intermediary agents and collateral assignments are involved.