

Title:

Spouses Marcelian Tapayan and Alice Tapayan vs. Ponceda M. Martinez

Facts:

Ponceda Martinez (Respondent) owned a parcel of land (Pingol Property) in Ozamiz City, which was mortgaged to the Philippine National Bank (PNB) and the Development Bank of the Philippines (DBP) to secure loans for various purposes. Upon the request of her son Clark Martinez, the respondent agreed to mortgage her property to DBP for Petitioners Spouses Marcelian and Alice Tapayan (Petitioners) to secure a loan of P1,000,000.00 (DBP Loan). In return, the Petitioners were to pay off the existing PNB loan of the Respondent using part of the DBP Loan proceeds amounting to P65,320.55.

A Deed of Undertaking was executed on August 29, 1998, where petitioners agreed to mortgage their Carangan Property if they failed to pay the DBP Loan. The DBP Loan was unpaid when due, and Respondent had to pay DBP P1,180,200.10 to save her Pingol Property.

On September 14, 1999, Respondent filed a suit for Specific Performance with Damages in the Regional Trial Court (RTC), Ozamiz City, to compel Petitioners to mortgage their Carangan Property or reimburse her. Petitioners countered by denying the allegations and asserting that the Deed of Undertaking was fraudulent. The RTC decided in Respondent's favor, citing the presumption of regularity of notarized documents and required Petitioners to mortgage their property or reimburse Respondent.

Petitioners appealed to the Court of Appeals (CA), arguing jurisdictional issues among other defenses. The CA affirmed the RTC's decision.

Issues:

1. Whether the Deed of Undertaking was a genuine and binding contract enforceable against Petitioners.
2. Whether Petitioners are liable to reimburse Respondent One Million One Hundred Fourteen Thousand Eight Hundred Seventy-Nine Pesos and 55/100 (P1,114,879.55).
3. Whether Petitioners could be compelled to mortgage their Carangan Property to secure the said amount.
4. Whether procedural errors, particularly the failure to engage in barangay conciliation, could invalidate the RTC's jurisdiction.

Court's Decision:

* The Supreme Court ruled that the Deed of Undertaking was a valid and binding contract, as notarized documents enjoy presumption of regularity, and Petitioners failed to present clear evidence to the contrary.

* The Court concluded that Petitioners were the principal obligors of the DBP Loan and that no substantial evidence supported their claim of being mere accommodation borrowers.

* It was determined that Petitioners must reimburse the Respondent P1,114,879.55, reduced from the original amount due to deductions of payments made to PNB as stipulated.

* The Court found no jurisdictional error regarding barangay conciliation proceedings and upheld the notion that such requirements were met.

Doctrine:

The key legal principles highlighted in this decision include:

1. **Presumption of Regularity of Notarized Documents**: Notarized documents are presumed regular and truthful unless clear evidence proving otherwise is presented.
2. **Best Evidence Rule**: Objections to documentary evidence must be timely to be considered. Failure to object results in waiving the right to object.
3. **Enforceability of Deeds and Contracts**: Contracts duly executed and acknowledged are binding and enforceable unless invalidated by concrete contrary evidence.
4. **Obligation and Application of Payments**: Clear stipulations in contracts regarding obligations and application of payments must be strictly adhered to.

Class Notes:

- **Best Evidence Rule**: Rule 130, Section 3 of the Rules of Court requires the original document to be presented as evidence. Objections must be timely.
- **Presumption of Regularity**: Documents notarized enjoy a presumption of regularity (Rule 132), rebuttable by clear and convincing evidence.
- **Contracts and Obligations**: The binding nature of contracts (Civil Code of the Philippines, Articles 1159 and 1305).

Historical Background:

The case illustrates practical applications of procedural laws involving property and contractual obligations in the Philippines. The legal relationships emphasized here are deeply rooted in familial affiliations and reflect the Philippine tradition of engaging in business agreements among relatives, which sometimes culminates in legal disputes when obligations are unmet. Furthermore, it underscores the judiciary's rigor in upholding notarized agreements, reflecting societal trust in the notarial system.