

### Title:

**\*\*Ruperto Pureza vs. Court of Appeals, Asia Trust Development Bank, and Spouses Bonifacio and Crisanta Alejandro\*\***

### Facts:

Petitioner Ruperto Pureza engaged the services of respondents Spouses Bonifacio and Crisanta Alejandro, operating under Boncris Trading and Builders, to construct a two-story house in Don Juan Bayview Subdivision, Muntinlupa. To finance the construction, Pureza secured a Pag-Ibig Housing Loan from Asia Trust Development Bank for PHP 194,100.00, with loan disbursement conditional on the construction progress.

A construction agreement was established, with a net loan proceeds amount of PHP 155,356.30 to be released to the Alejandros. The construction commenced but was left unfinished. By December 18, 1984, the Alejandros informed Pureza that due to cost constraints, some finishing tasks needed to be canceled. Pureza agreed, with a condition that the loan would be released in staggered payments.

Pureza later filed an action for Specific Performance and damages against Asia Trust Development Bank and the Alejandros at the Regional Trial Court of Makati, Branch 142, asserting that the bank released loan proceeds despite construction being only 70% complete. He also sought a preliminary injunction to prevent the bank from collecting the loan or foreclosing the mortgage.

The bank and the Alejandros countered that Pureza and his wife had authorized the staggered loan disbursements according to the payment orders Pureza had signed. They also pointed to Pureza's Certificate of House Completion/Acceptance, which they claimed authorized the bank's actions.

Following an ocular inspection in 1989, the RTC ruled in favor of Pureza, ordering the bank to pay PHP 48,000.00 and the Alejandros to reimburse the bank. Additionally, all respondents were ordered to pay repair costs, moral and exemplary damages, attorney's fees, and costs of suit.

The bank and the Alejandros appealed to the Court of Appeals. The appeal was dismissed for the Alejandros due to non-payment of docket fees, but the case against Asia Trust Development Bank was modified, dismissing the complaint against the bank.

Pureza then petitioned the Supreme Court, asserting that the appellate court erred in its

decision.

### ### Issues:

1. **Was Asia Trust Development Bank negligent in releasing the loan proceeds to the Alejandros?**
2. **Should respondents be held jointly and severally liable for repair costs, damages, attorney's fees, and suit costs due to the unfinished and substandard construction?**

### ### Court's Decision:

#### **1. Negligence of Asia Trust Development Bank:**

The Supreme Court found no merit in Pureza's petition. The Court observed that Pureza had explicitly admitted the genuineness and due execution of the Order of Payment in the lower courts. By signing the Order of Payment and the Certificate of House Completion/Acceptance, Pureza authorized the bank to release the loan proceeds in staggered amounts. Thus, the bank acted within its obligations and based on Pureza's instructions. Consequently, the bank was not negligent in releasing the funds.

#### **2. Joint and Several Liability for Repair Costs and Damages:**

The Court upheld the Court of Appeals decision dismissing the suit against the bank, holding that damages on the house, even if attributable to the Alejandros, could not implicate the bank. The bank's role was confined to releasing the loan funds as instructed. Any construction defects and necessary repairs were not the bank's responsibility. Therefore, only the Alejandros could be liable for potential construction issues.

### ### Doctrine:

#### **Estoppel by Deed:**

Under Article 1431 of the Civil Code and Rule 131, Section 3(a) of the Rules of Court, estoppel applies when a party, by their declaration, act, or omission, intentionally leads another to believe in a certain fact, causing them to act upon it. They are precluded from later contesting that fact.

In this case, Pureza's actions (signing the Order of Payment and Certificate of House Completion/Acceptance) led the bank to release the loan amounts. He cannot later challenge the validity of these documents to avoid his payment obligations.

### ### Class Notes:

- **Key Concepts:**
- **Estoppel:** When an individual's actions lead another to a specific belief, they cannot

later contradict that belief to the detriment of the latter.

- **Specific Performance:** A remedy requiring a party to perform their contractual obligations.
- **Contract Obligation Fulfillment:** Financial institutions fulfilling loan disbursements are bound by the borrower's authenticated instructions and cannot be held liable for the contractor's performance unless explicitly negligent.
- **Relevant Legal Provisions:**
- **Article 1431, Civil Code of the Philippines:** Pertains to estoppel by deed.
- **Rule 131, Section 3(a), Rules of Court:** Codifies estoppel as a conclusive presumption.

### ### Historical Background:

This case is set against the backdrop of the explosion of residential developments in the Philippines during the 1980s, facilitated largely by accessible housing loans from institutions like Pag-Ibig. The case underscores the paramount importance of meticulous documentation and adherence to contractual agreements amidst economic growth and increasing mortgage loans.