

MANUFACTURERS BANK AND TRUST CO., PLAINTIFF-APPELLEE, VS. WOODWORKS, INC., DEFENDANT-APPELLANT.

G.R. No. L-29453. December 28, 1970

Ponente: REYES, J.B.L., J.

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REYES, J.B.L., J.:

This appeal from the decision of the Court of First Instance of Manila (Civil Case No. 52195) was endorsed to this Court by the Court of Appeals (CA-G. R. No. 34989) on the ground that the question involved is purely of law.

The only error assigned by defendant-appellant is whether the decision appealed from is illegal, immoral and was promulgated without due process of law.

The appealed decision was rendered by the lower court when the parties failed to submit a stipulation of facts after the trial of the case was postponed five (5) times. The said court found as well-taken plaintiff's Manifestation of 30 April 1964, invoking its Order of 7 February 1964 giving the parties thirty (30) days from said date within which to submit a stipulation of facts, otherwise "the defendant shall be deemed to have confessed judgment". It is the lower court's position that defendant-appellant has no valid and, meritorious defense and that, not having taken exception to the undertaking (to confess judgment) in the said Order of 7 February 1964, received by defendant itself, it can not now complain against it.

It also considered the reception of plaintiff's evidence unnecessary. Instead, it proceeded to decide the case in favor of plaintiff on the basis of the pleadings submitted.

It appears in the complaint that plaintiff-appellee issued for the accommodation of defendant-appellant four (4) letters of credit, Nos. 59/2373, 60/048, 60/1401 and 59/2655[1] applied for in 1959 and 1960, for the purchase of certain equipment and flour. Covering sight drafts in dollars were converted into pesos at the pre-vailing Central Bank rate totalling P66,682.43. The above-mentioned goods were released to defendant under corresponding trust receipts. Having defaulted in the payment of P72,894.33 as of 6 November 1962, plaintiff sought to recover from defendant the said amount plus interest of 7% and attorney's fees equivalent to 10% of the amount due, and the cost of suit.

In its answer, defendant-appellant admits having applied for the letters of credit, but denies responsibility for the goods allegedly released to it under the said documents, related drafts and trust receipts because (a) the signatures were not authorized so as to bind appellant; (b) copies of some documents are not legible, thus, the terms and genuineness or authority to sign can not be verified; (c) the goods still belong to or are under the disposition of the appellee even if the documents are genuine; and (d) appellant has not been benefited by the machineries either because they were lost on deposit by force majeure or that they have not been received. Appellant prayed for the dismissal of the complaint.

The lower court approved 5 postponements in all, on the ground that the possibility of an amicable settlement was

being considered or that the parties desired to submit a stipulation of facts. The first and second postponements were at the instance of the defendant. The third was with the concurrence of counsel for plaintiff, and the fourth was upon motion of parties. The last and fifth postponement on 7 February 1964 was at the instance of defendant's counsel, on the basis of which the court gave the parties additional time within which to submit the stipulation of facts, at the same time setting the case for a pre-trial conference on 27 April 1964.

Defendant-appellant later submitted to the court Annex "A", an undated and unsigned draft of the proposed Deed of Assignment between defendant and Sta. Cecilia Sawmill, Inc., which was also for the conformity of the plaintiff. Sta. Cecilia Sawmill, Inc., was to assume defendant's obligation in favor of plaintiff for a consideration of P120,000. This contract was to be the basis of an amicable settlement and stipulation of facts, but the same was never finalized. However, instead of resetting the case for a pre-trial conference or trial on the merits, the court decided the same based on the pleadings filed by the parties. Hence, this appeal.

We agree with appellant that the decision of the court below can not stand, and must be reversed.

The foundation upon which the trial court based its action of rendering judgment against the herein defendant-appellant, without setting the case for trial or receiving any evidence whatever, was the order of 7 February 1964. Its dispositive part is as follows (Record on Appeal, page 15) -

"WHEREFORE, it appearing that this has been postponed for the 5th time in this instance, on the same ground of formulating a stipulation of facts, as prayed for, the parties are granted 30 days from today within which to submit a stipulation of facts, but upon failure to do so, the defendant shall be deemed to have confessed judgment in this case.

"Let this case be set for pretrial conference on April 27, 1964, at 8:30 am."

The injustice and inequity of the sanction thus imposed upon the failure to submit a stipulation of facts is readily apparent. Under it, a judgment for the plaintiff was a foregone conclusion: all it had to do was to refuse to agree to any stipulation. To place defendant under such an alternative, to stipulate or lose the case, amounted to a refusal to hear its side, and to deny it due process. The order was thus unwarranted and illegal, hence it was not binding; and defendant-appellant's failure to except thereto did not validate it.

Judgment upon confession is one which is rendered against a party upon his petition or consent. It usually happens when the defendant appears in court and confesses the right of the plaintiff to judgment or files a pleading expressly agreeing to the plaintiff's demand.[2] There is no showing on record of either. It has likewise been held by this Court that a judgment upon confession stands upon the same footing as a judgment upon agreements or compromise.[3] If a compromise may not be effected by counsel without special authority[4], neither may a judgment upon confession be entered against a client by mere agreement of counsel except with the knowledge and at the instance of such client.[5] No such authority for defendant's counsel to compromise the case was here proved or shown.

Neither can the questioned judgment be regarded to be valid as judgment on the pleadings. It is settled that judgment on the pleadings can only be rendered when the pleading of the party against whom the motion is directed, be he the plaintiff or defendant, does not render any issue, or admits all the material allegations of the pleading of the movant. Otherwise, judgment on the pleadings cannot be rendered.[6] The complaint shows that plaintiff seeks to collect from defendant the sum of P72,894.33 plus 7% interest and attorney's fees. An examination of the answer readily discloses that while defendant admits the application for the issuance of the letters of credit, it denies responsibility for the goods claimed to have been released to it for reasons already stated. Thus, far from admitting the material allegations in the said complaint, the defendant alleged specific denials which raised certain issues, some of which are factual. Upon these issues the truth can be ascertained only

upon adduction of proofs in a trial on the merits. It is not shown that the necessary facts are before the trial court to warrant a judgment. In fact, the pre-trial conference which was scheduled was never held.

WHEREFORE, the appealed judgment is set aside, and the case is ordered remanded for trial and further proceedings. No costs.

Concepcion, C.J., Dizon, Castro, and Barredo, JJ., no part.

Makalintal, Zaldivar, Fernando, Teehankee, Villamor, and Makasiar, JJ., concur.

[1] Exhibits "B", "F", "J", and "N".

[2] De Ocampo vs. Florenciano (1960) 107 Phil. 37, Cited in 1 Moran's Comments on the Rules of Court, page 640, 1963 Ed.; Acenas, et al. vs. Sison, et al., G.R. No. L-17011, 30 August 1963.

[3] Natividad vs. Natividad, 51 Phil. 613; Anduiza vs. Quirona, G.R. No. L-5073, 20 May 1953.

[4] Monte de Piedad vs. Rodrigo, 56 Phil. 310.

[5] Natividad vs. Natividad (1928), 51 Phil. 613, 619.

[6] Tan vs. Gua Tian Ho, G.R. No. L-18820, 29 December 1962, 6 SCRA 1031; Benavides vs. Alabastro, G.R. No. L-19762, 23 December 1964, 12 SCRA 553; See also Section 1, Rule 19, Revised Rules of Court.

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