

**THE CAPITAL INSURANCE & SURETY CO., INC.,  
PLAINTIFF-APPELLANT, VS. ESTEBAN M. SADANG AND MARIA  
LACHICA, DEFENDANT-APPELLEES.**

*G.R. No. L-18857. December 11, 1967*

Ponente: MAKALINTAL, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/39e99873cdd1/>

---

**MAKALINTAL, J.:**

The following statement of facts, reproduced from the brief for plaintiff-appellant, the Capital Insurance Surety Co., Inc., is admitted as correct by defendants-appellees:

"Plaintiff Capital Insurance & Surety Co. Inc. subscribed on June 21, 1954 to a bond (Exhibit A) in the amount of P42,000.00 in behalf of Mateo Pinto and in favor of the Macondray Farms, Inc., the purpose of which was to guarantee the payment of rentals of the fishpond and other obligations of Mateo Pinto as contained in the lease agreement marked as Exhibit A-1.

To protect the interest of plaintiff Capital Insurance & Surety Co., Inc. from any liability that may arise from the above-mentioned bond, Mateo Pinto and the defendants in this case Esteban M. Sadang and Maria Lachica, executed an indemnity agreement (Exhibit B) and a deed of real estate mortgage (Exhibit C) on the property of the defendants located in the Province of Nueva Vizcaya and covered by Transfer Certificate of Title No. 2216 issued by the Register of Deeds of Nueva Vizcaya.

Mateo Pinto failed to pay the rentals of the leased fishpond to Macondray Farms, Inc. in the total amount of P24,668.83.[1]

Because of the failure of Mateo Pinto to pay the said amount of P24,668.83 to Macondray Farms, Inc., plaintiff in the instant case as Macondray had to pay, as it did pay Macondray Farms, Inc., the amount of P24,668.83 on May 14, 1956 to settle the obligation of Mateo Pinto with the said Macondray Farms, Inc.

Notwithstanding repeated demands, Mateo Pinto and his indemnitors including herein defendants failed to reimburse the Capital Insurance & Surety Co., Inc., the said amount of P24,688.83.

Because of such failure to make reimbursement, the Capital Insurance & Surety Co., Inc., filed Civil Case No. 30061 against Mateo Pinto and his indemnitors including the defendants in this instant case for the collection of the above-mentioned amount.

On the strength of the agreement of the parties in Civil Case No. 30061 (Exhibit E) wherein it is agreed among others, that if after the sale of all the said properties, the judgment shall not have been fully satisfied, then plaintiff may file a separate civil action against the defendants-spouses, Esteban M. Sadang and Maria Lachica, the other indemnitors, but at the same time dismissed the case against the herein defendants without prejudice (Exhibit F-1).

Two executions were issued by the court for the enforcement of the above-mentioned decision in Civil Case No. 30061 and after applying the proceeds of the sale of the properties in public auction there is still a deficiency in the amount of P14,456.44 which, in view of the failure of the herein defendants to pay in spite of

plaintiff's repeated demands, had to become the subject of this instant case.

It is the contention of plaintiff that by virtue of the indemnity agreement (Exhibit B) and the real estate mortgage (Exhibit C) of the herein defendants, they are liable for the said deficiency of P14,456.44, plus interest, plus attorney's fees and costs of the suit. On the other hand defendants contend that their liability under the mortgage contract (Exhibit C) is limited to the first P20,000.00 that might be incurred under the bond and that since Mateo Pinto actually paid Macondray Farms, Inc., the amount of P19,700.00, they are liable to pay only the amount of "300.00 which remain after deducting what was paid by Mateo Pinto to Macondray Farms, Inc. from the first liability of P20,000.00.

After due hearing, the trial court rendered judgment on April 20, 1961 (pp. 93-101, Record on Appeal) ordering defend-ants to pay to plaintiff only the amount of P300.00 and without costs."

To point on which the parties disagree is the interpretation of the following stipulation in the mortgage contract executed by defendants-appellees:

"This mortgage is constituted to indemnify the mortgagee for any damage, cost, expenses and charges of whatever kind and nature that it may incur or sustain as a consequence of having acted as surety on the bond referred to above, and or its substitution, modification, alteration, change and/or renewals. That liability secured by the above properties is limited to the first P20,000.00 that might be incurred under the bond issued in favor of the Macondray Farms, Inc."

Appellant lays stress on the general statement of appellees' liability as it appears in the contract, to wit: "to indemnify the mortgagee for any damage, cost, expenses and charges of whatever kind and nature that it may incur or sustain as a consequence of having acted as surety or the bond..." Similar stress is laid on the fact that be-cause the principal debtor, Mateo Pinto, paid to Macondray Farms, Inc., the sum of P19,700.00 before he became in default, no liability ever attached to appellant under its bond for that amount, and hence it should not be considered as part of, or applied to, "the first P20,000.00 that might be incurred under the bond...", which defined the limit of appellees' obligation.

At first blush the argument seems logical. But the real intention of the parties is revealed by the testimony of appellee Esteban Sadang concerning the circumstances which led to the inclusion of the particular stipulation aforequoted. We quote from the record:

"Q. In the course of your testimony in the last hearing you mentioned that there have been two contracts of mortgage prepared in connection with this pro-erty belonging to you and situated in Nueva Vizcaya and you also stated that the first draft or first copy of the Deed of contract was not signed by you. Will you please state to the Court the reason for not signing the first deed of mortgage that was presented to you for signature?

A. When Mr. Pinto brought me to the Capital Insurance Company I was per-mitted to see the written document prepared by Atty. Achacoso with Atty. Nera as his companion and in the presence of one, the mestizo who was supposed to be the manager of the Bonding Department. At that time, I was made to understand that if I would consent to be one of the bonds-men I would only answer to the first P20,000.00 of the total P42,000.00 bond which the Capital Insurance was sup-posed to underwrite to Mateo Pinto in favor of Macondray Farms and I told Atty. Achacoso in the presence of the mestizo the then Manager of the Bonding Department that I was only supposed to answer to the first P20,000.00 of the total bond indebted-ness of P42,000.00. That the moment the first P20,000.00 is paid the bond-ing company automatically releases my responsibility to them.

Q. Showing to you again this Exhibit C for the plaintiff, is this the second draft or second contract that was prepared by Mr. Achacoso after you have made that interview in clarifying in so far as liability with the bond is concerned?

(Witness looking at Exhibit C)

A. Yes, this last letter was the one inserted, "That the liability secured by the above properties is limited to the first P20,000.00 that might be incurred under the bond issued in favor of the Macondray Farms, Inc."

Q. In the first draft of the contract of mortgage that was sought to be signed by you do you mean then that this last three lines of the second paragraph of page 2 of Exhibit 3 did not exist?

A. It did not and so I insisted it should be specifically mentioned that I was answerable only to the first P20,000.00.

Q. Who made you understand that?

A. Atty. Achacoso, in fact Atty. Nera was present including that mestizo.

Q. What did Mr. Achacoso explained to you as to the extent of the liability of the property on the last three lines of the second page of Exhibit C?

A. He emphatically informed me that when that liability will be paid may free me to some connected liability with the other bondsmen and he said, it is very clear. So I consented to sign with my wife."

The foregoing testimony is clear enough. Esteban Sadang agreed to be an indemnitor only on condition that he would answer for the "first P20,000.00 of the total P42,000.00 bond," and that "the moment the first P20,000.00 is paid the bonding company automatically releases my responsibility to them." The trial court found the said testimony to be uncontradicted. If the mortgage contract as actually drafted seems to be vague or ambiguous, the doubt must be resolved against appellant, whose lawyer pre-pared the document, and in accordance with the real intention of the parties as explained by defendants-appellees.

The trial court correctly held said defendants-appellants liable only for the sum of P300.00. However, it failed to provide for the stipulated interest thereon at the rate of 12% per annum, which if not paid would be liquidated and added to the capital quarterly, and to order foreclosure of the mortgaged properties in case of non-payment.

WHEREFORE, the judgment appealed from is affirmed, with the modification indicated above concerning interest, the same to begin from the date of the filing of the complaint. In case of non-payment of the sum thus adjudged, including interest, the mortgaged properties will be sold as provided in Rule 68. No costs in this instance.

Concepcion, C.J., Reyes, JBL, Dizon, Bengzon, Zaldivar, Sanchez, Ruiz Castro, Angeles and Fernando, JJ., concur.

---

[1] Mateo Pinto paid only the amount of P19,700.00.

**ABOUT BATAS.ORG**

# Study smarter at BATAS.org

*The Philippine bar review and law-school companion built around how your brain actually remembers.*

**The complete Philippine law library - free for everyone.**

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

**Audio case-brief lectures.**

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

**Bar review built on the science of memory.**

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

**The full law-school curriculum.**

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

**Mock exams that tell you where you stand.**

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

**A study planner that keeps you on pace.**

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

**Start free at <https://batas.org>**

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.