

METROPOL (BACOLOD) FINANCING & INVESTMENT CORPORATION, PLAINTIFF-APPELLEE, VS. SAMBOK MOTORS COMPANY AND NG SAMBOK SONS MOTORS CO., LTD., DEFENDANTS-APPELLANTS.

G.R. No. L-39641. February 28, 1983

Ponente: DE CASTRO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/3ed3f7ea1735/>

DE CASTRO, J.:

The former Court of Appeals, by its resolution dated October 16, 1974 certified this case to this Court the issue raised therein being one purely of law.

On April 15, 1969 Dr. Javier Villaruel executed a promissory note in favor of Ng Sambok Sons Motors Co., Ltd., in the amount of P15,939.00 payable in twelve (12) equal monthly installments, beginning May 18, 1969, with interest at the rate of one percent per month. It is further provided that in case on non-payment of any of the installments, the total principal sum then remaining unpaid shall become due and payable with an additional interest equal to twenty-five percent of the total amount due.

On the same date, Sambok Motors Company (hereinafter referred to as Sambok), a sister company of Ng Sambok Sons Motors Co., Ltd., and under the same management as the former, negotiated and indorsed the note in favor of plaintiff Metropol Financing & Investment Corporation with the following indorsement:

"Pay to the order of Metropol Bacolod Financing & Investment Corporation with recourse. Notice of Demand; Dishonor; Protest; and Presentment are hereby waived.

SAMBOK MOTORS CO. (BACOLOD)

By:

RODOLFO G. NONILLO

Asst. General Manager"

The maker, Dr. Villaruel defaulted in the payment of his installments when they became due, so on October 30, 1969 plaintiff formally presented the promissory note for payment to the maker. Dr. Villaruel failed to pay the promissory note as demanded, hence plaintiff notified Sambok as indorsee of said note of the fact that the same has been dishonored and demanded payment.

Sambok failed to pay, so on November 26, 1969 plaintiff filed a complaint for collection of a sum of money before the Court of First Instance of Iloilo, Branch I. Sambok did not deny its liability but contended that it could not be obliged to pay until after its co-defendant Dr. Villaruel, has been declared insolvent.

During the pendency of the case in the trial court, defendant Dr. Villaruel died, hence, on October 24, 1972 the lower court, on motion, dismissed the case against Dr. Villaruel pursuant to Section 21, Rule 3 of the Rules of

Court.[1]

On plaintiff's motion for summary judgment, the trial court rendered its decision dated September 12, 1973, the dispositive portion of which reads as follows:

"WHEREFORE, judgment is rendered:

"(a) Ordering Sambok Motors Company to pay to the plaintiff the sum of P15,939.00 plus the legal rate of interest from October 30, 1969;

"(b) Ordering same defendant to pay to plaintiff the sum equivalent to 25% of P15,939.00 plus interest thereon until fully paid; and

"(c) To pay the cost of suit."

Not satisfied with the decision, the present appeal was instituted, appellant Sambok raising a lone assignment of error as follows:

"The trial court erred in not dismissing the complaint by finding defendant-appellant Sambok Motors Company as assignor and a qualified indorsee of the subject promissory note and in not holding it as only secondarily liable thereof."

Appellant Sambok argues that by adding the words "with recourse" in the indorsement of the note, it becomes a qualified indorser; that being a qualified indorser, it does not warrant that if said note is dishonored by the maker on presentment, it will pay the amount to the holder; that it only warrants the following pursuant to Section 65 of the Negotiable Instruments Law: (a) that the instrument is genuine and in all respects what it purports to be; (b) that he has a good title to it; (c) that all prior parties had capacity to contract; (d) that he has no knowledge of any fact which would impair the validity of the instrument or render it valueless.

The appeal is without merit.

A qualified indorsement constitutes the indorser a mere assignor of the title to the instrument. It may be made by adding to the indorser's signature the words "without recourse" or any words of similar import.[2] Such an indorsement relieves the indorser of the general obligation to pay if the instrument is dishonored but not of the liability arising from warranties on the instrument as provided in Section 65 of the Negotiable Instruments Law already mentioned herein. However, appellant Sambok indorsed the note "with recourse" and even waived the notice of demand, dishonor, protest and presentment.

"Recourse" means resort to a person who is secondarily liable after the default of the person who is primarily liable.[3] Appellant, by indorsing the note "with recourse" does not make itself a qualified indorser but a general indorser who is secondarily liable, because by such indorsement, it agreed that if Dr. Villaruel fails to pay the note, plaintiff-appellee can go after said appellant. The effect of such indorsement is that the note was indorsed without qualification. A person who indorses without qualification engages that on due presentment, the note shall be accepted or paid, or both as the case may be, and that if it be dishonored, he will pay the amount thereof to the holder.[4] Appellant Sambok's intention of indorsing the note without qualification is made even more apparent by the fact that the notice of demand, dishonor, protest and presentment were all waived. The words added by said appellant do not limit his liability, but rather confirm his obligation as a general indorser.

Lastly, the lower court did not err in not declaring appellant as only secondarily liable because after an instrument is dishonored by non-payment, the person secondarily liable thereon ceases to be such and becomes a principal debtor.[5] His liability becomes the same as that of the original obligor.[6] Consequently, the holder need not even proceed against the maker before suing the indorser.

WHEREFORE, the decision of the lower court is hereby affirmed. No costs.

SO ORDERED.

Makasiar (Chairman), Concepcion Jr., Guerrero and Escolin, JJ., concur.

Abad Santos, J., I concur and wish to add the observation that the appeal could have been treated as a petition for review under R.A. 5440 and dismissed by minute resolution.

Aquino, J., is on leave.

[1] Sec. 21. Where claim does not survive - When the action is for recovery of money, debt or interest thereon, and the defendant dies before final judgment in the Court of First Instance, it shall be dismissed to be prosecuted in the manner especially provided in these rules.

[2] Section 38, The Negotiable Instruments Law.

[3] Ogden, The Law of Negotiable Instruments, p. 200 citing Industrial Bank and Trust Company vs. Hesselberg, 195 S. W. (2d) 470.

[4] Ang Tiong vs. Ting, 22 SCRA 715.

[5] Pittsburg Westmoreland Coal, Co. vs. Kerr, 115 N.E.

[6] American Bank vs. Macondray & Co., 4 Phil. 695.

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.