

TOWN SAVINGS AND LOAN BANK, INC. PETITIONER, VS. THE COURT OF APPEALS, SPOUSES MIGUELITO HIPOLITO AND ALICIA N. HIPOLITO, RESPONDENTS.

G.R. No. 106011. June 17, 1993

Ponente: GRINO-AQUINO, J.

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GRINO-AQUINO, J.:

This is a petition for review on certiorari to set aside the decision dated March 12, 1992, of the Court of Appeals in CA-G.R. CV No. 29475 entitled, "Town Savings and Loan Bank, Inc. vs. Spouses Miguel Hipolito and Alicia N. Hipolito" reversing the decision dated September 14, 1990 of the Regional Trial Court of Bulacan which declared that the Hipolitos were accommodation parties on the promissory note and holding them liable to pay Town Savings And Loan Bank the sum of P1,392,600.00.

On or about May 4, 1983, the Hipolitos applied for, and were granted, a loan in the amount of P700,000.00 with interest of 24% per annum for which they executed and delivered to Town Savings and Loan Bank (or TSLB) a promissory note with a maturity period of three (3) years and an acceleration clause upon default in the payment of any amortization, plus a penalty of 36% and 10% attorney's fees, if the note were referred to an attorney for collection. For failure to keep current their monthly payments on the account, the obligors were deemed to have defaulted on May 24, 1984. Notices of past due account and demands for payment were sent but ignored. At the time of the institution of the action on March 12, 1986, the unpaid obligation amounted to P1,114,983.40.

The Hipolitos denied being personally liable on the P700,000.00 promissory note which they executed. The loan was allegedly for the account of Pilarita H. Reyes, the sister of Miguel Hipolito. She was the real party-in-interest. The Hipolitos, not having received any part of the loan, were mere guarantors for Pilarita. They allegedly signed the promissory note because they were persuaded to do so by Joey Santos, President of TSLB. When they received the demand letters, they confronted him but they were told that the Bank had to observe the formality of sending notices and demand letters. The real purpose was only to pressure Pilarita to comply with her undertaking.

Insisting that they were mere guarantors, the Hipolitos vehemently protested against being dragged into the litigation as principal parties. As a result of the unfounded suit, they allegedly incurred actual damages estimated at P200,000.00 and attorney's fees of P30,000.00.

In a decision dated September 14, 1990, Judge Zotico A. Toletto of the RTC of Malolos, Branch 18, held the respondents (then defendants) spouses Miguel and Alicia Hipolito, liable as accommodation parties on the promissory note.

The spouses appealed to the Court of Appeals. In a decision dated March 12, 1992, the Court of Appeals found that the Hipolitos did not accommodate Pilarita but the TSLB, whose lending authority was restricted by the size of its loan portfolio. The Hipolitos were relieved from any liability to TSLB.

Hence, this petition for review by TSLB.

The lone issue in this case is whether the Hipolitos are liable on the promissory note which they executed in favor of the petitioner.

We hold for the petitioner.

"An accommodation party is one who has signed the instrument as maker, drawer, indorser, without receiving value therefor and for the purpose of lending his name to some other person. Such person is liable on the instrument to a holder for value, notwithstanding such holder, at the time of the taking of the instrument knew him to be only an accommodation party. In lending his name to the accommodated party, the accommodation party is in effect a surety for the latter. He lends his name to enable the accommodated party to obtain credit or to raise money. He receives no part of the consideration for the instrument but assumes liability to the other parties thereto because he wants to accommodate another." (The Phil. Bank of Commerce vs. Aruego, 102 SCRA 530, 539, 540.)

In this case, there is no question that the private respondents signed the promissory note in order to enable Pilarita H. Reyes, who is Miguel Hipolito's sister, to borrow the total sum of P1.4 million from TSLB. As observed by both the trial court and the appellate court, the actual beneficiary of the loan was Pilarita H. Reyes and no other. The Hipolitos accommodated her by signing a promissory note for half of the loan that she applied for because TSLB may not lend any single borrower more than the authorized limit of its loan portfolio. Under Section 29 of the Negotiable Instruments Law, the Hipolitos are liable to the bank on the promissory note that they signed to accommodate Pilarita.

Respondent appellate court erred in giving credence to Hipolito's allegation that it was the bank's president who induced him to sign the promissory note so that the bank would not violate the Central Bank's regulation limiting the amount that TSLB could lend out. Besides being self-serving, Hipolito's testimony was uncorroborated by any other evidence on record, therefore, it should have been received with extreme caution. The Court is convinced that the intention of respondents Hipolitos in signing the promissory note was not so much to enable the Bank to grant a loan to Pilarita but for the latter to be able to obtain the full amount of the loan that she needed at the time.

It is not credible that a Bank would want so much to lend money to a borrower that it would go out of its way to convince another person (respondent Miguel Hipolito) to accommodate the borrower (Pilarita H. Reyes). In the ordinary course of things, the borrower, Pilarita, not the Bank, would have requested her brother Miguel to accommodate her so she could have the P1.4 million that she wanted to borrow from the Bank.

The case of *Maulini vs. Serrano* (28 Phil. 640), relied upon by the appellate court in reversing the decision of the trial court, is not applicable to this case. In that case, the evidence showed that the indorser (the loan broker Serrano) in making the indorsement to the lender, Maulini, was acting as agent for the latter or, as a mere vehicle for the transfer-ence of the naked title from the borrower or maker of the note (Moreno). Furthermore, his indorsement was wholly without consideration. We ruled that Serrano was not an accommodation indorser; he was not liable on the note.

"x x x Where, however, an indorsement is made as a favor to the indorsee, who requests it, not the better to secure payment, but to relieve himself from a distasteful situation, and where the only consideration for such indorsement passes from the indorser to the indorsee, the situation does not present one creating an accommodation indorsement, nor one where there is a consideration sufficient to sustain an action on the indorsement." (p. 644.)

Unlike the *Maulini* case, there was no agreement here, written or verbal, that in signing the promissory note, Miguel and Alicia Hipolito were acting as agents for the money lender, the Bank. The consideration of the note

signed by the Hipolitos was received by them through Pilarita. They acted as agents of Pilarita, not of the bank. They signed the promissory note as a favor to Pilarita, to help her raise the funds that she needed. It was Pilarita whom they accommodated, not the bank, contrary to the erroneous finding of the appellate court.

WHEREFORE, the petition for review is GRANTED. The appealed decision of the Court of Appeals is hereby REVERSED and that of the trial court is REINSTATED. Costs against the private respondents.

SO ORDERED.

Cruz, (Chairman), Bellosillo, and Quiason, JJ., concur.

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