ADALIA FRANCISCO, PETITIONER, VS. COURT OF APPEALS, HERBY COMMERCIAL & CONSTRUCTION CORPORATION AND JAIME C. ONG, RESPONDENTS.

G.R. No. 116320. November 29, 1999

Ponente: GONZAGA-REYES, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-116320/

GONZAGA-REYES, J.:

Assailed in this petition for review on certiorari is the decision[1] of the Court of Appeals affirming the decision[2] rendered by Branch 168 of the Regional Trial Court of Pasig in Civil Case No. 35231 in favor of private respondents.

The controversy before this Court finds its origins in a Land Development and Construction Contract which was entered into on June 23, 1977 by A. Francisco Realty & Development Corporation (AFRDC), of which petitioner Adalia Francisco (Francisco) is the president, and private respondent Herby Commercial & Construction Corporation (HCCC), represented by its President and General Manager private respondent Jaime C. Ong (Ong), pursuant to a housing project of AFRDC at San Jose del Monte, Bulacan, financed by the Government Service Insurance System (GSIS). Under the contract, HCCC agreed to undertake the construction of 35 housing units and the development of 35 hectares of land. The payment of HCCC for its services was on a turn-key basis, that is, HCCC was to be paid on the basis of the completed houses and developed lands delivered to and accepted by AFRDC and the GSIS. To facilitate payment, AFRDC executed a Deed of Assignment in favor of HCCC to enable the latter to collect payments directly from the GSIS. Furthermore, the GSIS and AFRDC put up an Executive Committee Account with the Insular Bank of Asia & America (IBAA) in the amount of P4,000,000.00 from which checks would be issued and co-signed by petitioner Francisco and the GSIS Vice-President Armando Diaz (Diaz).

On February 10, 1978, HCCC filed a complaint[3] with the Regional Trial Court of Quezon City against Francisco, AFRDC and the GSIS for the collection of the unpaid balance under the Land Development and Construction Contract in the amount of P515,493.89 for completed and delivered housing units and land development. However, the parties eventually arrived at an amicable settlement of their differences, which was embodied in a Memorandum Agreement executed by HCCC and AFRDC on July 21, 1978. Under the agreement, the parties stipulated that HCCC had turned over 83 housing units which have been accepted and paid for by the GSIS. The GSIS acknowledged that it still owed HCCC P520,177.50 representing incomplete construction of housing units, incomplete land development and 5% retention, which amount will be discharged when the defects and deficiencies are finally completed by HCCC. It was also provided that HCCC was indebted to AFRDC in the amount of P180,234.91 which the former agreed would be paid out of the proceeds from the 40 housing units still to be turned over by HCCC or from any amount due to HCCC from the GSIS. Consequently, the trial court dismissed the case upon the filing by the parties of a joint motion to dismiss.

Sometime in 1979, after an examination of the records of the GSIS, Ong discovered that Diaz and Francisco had

executed and signed seven checks[4], of various dates and amounts, drawn against the IBAA and payable to HCCC for completed and delivered work under the contract. Ong, however, claims that these checks were never delivered to HCCC. Upon inquiry with Diaz, Ong learned that the GSIS gave Francisco custody of the checks since she promised that she would deliver the same to HCCC. Instead, Francisco forged the signature of Ong, without his knowledge or consent, at the dorsal portion of the said checks to make it appear that HCCC had indorsed the checks; Francisco then indorsed the checks for a second time by signing her name at the back of the checks and deposited the checks in her IBAA savings account. IBAA credited Francisco's account with the amount of the checks and the latter withdrew the amount so credited.

On June 7, 1979, Ong filed complaints with the office of the city fiscal of Quezon City, charging Francisco with estafa thru falsification of commercial documents. Francisco denied having forged Ong's signature on the checks, claiming that Ong himself indorsed the seven checks in behalf of HCCC and delivered the same to Francisco in payment of the loans extended by Francisco to HCCC. According to Francisco, she agreed to grant HCCC the loans in the total amount of P585,000.00 and covered by eighteen promissory notes in order to obviate the risk of the non-completion of the project. As a means of repayment, Ong allegedly issued a Certification authorizing Francisco to collect HCCC's receivables from the GSIS. Assistant City Fiscal Ramon M. Gerona gave credence to Francisco's claims and accordingly, dismissed the complaints, which dismissal was affirmed by the Minister of Justice in a resolution issued on June 5, 1981.

The present case was brought by private respondents on November 19, 1979 against Francisco and IBAA for the recovery of P370,475.00, representing the total value of the seven checks, and for damages, attorney's fees, expenses of litigation and costs. After trial on the merits, the trial court rendered its decision in favor of private respondents, the dispositive portion of which provides -

> WHEREFORE, premises considered, judgment is hereby rendered in favor of the plaintiffs and against the defendants INSULAR BANK OF ASIA & AMERICA and ATTY. ADALIA FRANCISCO, to jointly and severally pay the plaintiffs the amount of P370.475.00 plus interest thereon at the rate of 12% per annum from the date of the filing of the complaint until the full amount is paid; moral damages to plaintiff Jaime Ong in the sum of P50,000.00; exemplary damages of P50,000.00; litigation expenses of P5,000.00; and attorney's fees of P50,000.00.
>
> With respect to the cross-claim of the defendant IBAA against its co-defendant Atty. Adalia Francisco, the latter is ordered to reimburse the former for the sums that the Bank shall pay to the plaintiff on the forged checks including the interests paid thereon.

Further, the defendants are ordered to pay the costs.

Based upon the findings of handwriting experts from the National Bureau of Investigation (NBI), the trial court held that Francisco had indeed forged the signature of Ong to make it appear that he had indorsed the checks. Also, the court ruled that there were no loans extended, reasoning that it was unbelievable that HCCC was experiencing financial difficulties so as to compel it to obtain the loans from AFRDC in view of the fact that the GSIS had issued checks in favor of HCCC at about the same time that the alleged advances were made. The trial court stated that it was plausible that Francisco concealed the fact of issuance of the checks from private respondents in order to make it appear as if she were accommodating private respondents, when in truth she was lending HCCC its own money.

With regards to the Memorandum Agreement entered into between AFRDC and HCCC in Civil Case No. Q-24628, the trial court held that the same did not make any mention of the forged checks since private respondents were as of yet unaware of their existence, that fact having been effectively concealed by Francisco, until private respondents acquired knowledge of Francisco's misdeeds in 1979.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

IBAA was held liable to private respondents for having honored the checks despite such obvious irregularities as the lack of initials to validate the alterations made on the check, the absence of the signature of a co-signatory in the corporate checks of HCCC and the deposit of the checks on a second indorsement in the savings account of Francisco. However, the trial court allowed IBAA recourse against Francisco, who was ordered to reimburse the IBAA for any sums it shall have to pay to private respondents.[5]

Both Francisco and IBAA appealed the trial court's decision, but the Court of Appeals dismissed IBAA's appeal for its failure to file its brief within the 45-day extension granted by the appellate court. IBAA's motion for reconsideration and petition for review on certiorari filed with this Court were also similarly denied. On November 21, 1989, IBAA and HCCC entered into a Compromise Agreement which was approved by the trial court, wherein HCCC acknowledged receipt of the amount of P370,475.00 in full satisfaction of its claims against IBAA, without prejudice to the right of the latter to pursue its claims against Francisco.

On June 29, 1992, the Court of Appeals affirmed the trial court's ruling, hence this petition for review on certiorari filed by petitioner, assigning the following errors to the appealed decision -

> - The respondent Court of Appeals erred in concluding that private respondents did not owe Petitioner the sum covered by the Promissory Notes Exh.2-2-A-2-P (FRANCISCO). Such conclusion was based mainly on conjectures, surmises and speculation contrary to the unrebutted pleadings and evidence presented by petitioner.
>
> - The respondent Court of Appeals erred in holding that Petitioner falsified the signature of private respondent ONG on the checks in question without any authority therefor which is patently contradictory to the unrebutted pleading and evidence that petitioner was expressly authorized by respondent HERBY thru ONG to collect all receivables of HERBY from GSIS to pay the loans extended to them. (Exhibit 3).
>
> - That respondent Court of Appeals erred in holding that the seven checks in question were not taken up in the liquidation and reconciliation of all outstanding account between AFRDC and HERBY as acknowledged by the parties in Memorandum Agreement (Exh. 5) is a pure conjecture, surmise and speculation contrary to the unrebutted evidence presented by petitioners. It is an inference made which is manifestly mistaken.
>
> - The respondent Court of Appeals erred in affirming the decision of the lower court and dismissing the appeal.[6]

The pivotal issue in this case is whether or not Francisco forged the signature of Ong on the seven checks. In this connection, we uphold the lower courts' finding that the subject matter of the present case, specifically the seven checks, drawn by GSIS and AFRDC, dated between October to November 1977, in the total amount of P370,475.00 and payable to HCCC, was not included in the Memorandum Agreement executed by HCCC and AFRDC in Civil Case No. Q-24628. As observed by the trial court, aside from there being absolutely no mention of the checks in the said agreement, the amounts represented by said checks could not have been included in the Memorandum Agreement executed in 1978 because private respondents only discovered Francisco's acts of forgery in 1979. The lower courts found that Francisco was able to easily conceal from private respondents even the fact of the issuance of the checks since she was a co-signatory thereof.[7] We also note that Francisco had custody of the checks, as proven by the check vouchers bearing her uncontested signature,[8] by which she, in effect, acknowledged having received the checks intended for HCCC. This contradicts Francisco's claims that the checks were issued to Ong who delivered them to Francisco already indorsed.[9]

As regards the forgery, we concur with the lower courts' finding that Francisco forged the signature of Ong on the checks to make it appear as if Ong had indorsed said checks and that, after indorsing the checks for a second time by signing her name at the back of the checks, Francisco deposited said checks in her savings account with IBAA.

The forgery was satisfactorily established in the trial court upon the strength of the findings of the NBI handwriting expert.[10] Other than petitioner's self-serving denials, there is nothing in the records to rebut the NBI's findings. Well-entrenched is the rule that findings of trial courts which are factual in nature, especially when affirmed by the Court of Appeals, deserve to be respected and affirmed by the Supreme Court, provided it is supported by substantial evidence on record,[11] as it is in the case at bench.

Petitioner claims that she was, in any event, authorized to sign Ong's name on the checks by virtue of the Certification executed by Ong in her favor giving her the authority to collect all the receivables of HCCC from the GSIS, including the questioned checks.[12] Petitioner's alternative defense must similarly fail. The Negotiable Instruments Law provides that where any person is under obligation to indorse in a representative capacity, he may indorse in such terms as to negative personal liability.[13] An agent, when so signing, should indicate that he is merely signing in behalf of the principal and must disclose the name of his principal; otherwise he shall be held personally liable.[14] Even assuming that Francisco was authorized by HCCC to sign Ong's name, still, Francisco did not indorse the instrument in accordance with law. Instead of signing Ong's name, Francisco should have signed her own name and expressly indicated that she was signing as an agent of HCCC. Thus, the Certification cannot be used by Francisco to validate her act of forgery.

Every person who, contrary to law, wilfully or negligently causes damage to another, shall indemnify the latter for the same.[15] Due to her forgery of Ong's signature which enabled her to deposit the checks in her own account, Francisco deprived HCCC of the money due it from the GSIS pursuant to the Land Development and Construction Contract. Thus, we affirm respondent court's award of compensatory damages in the amount of P370,475.00, but with a modification as to the interest rate which shall be six percent (6%) per annum, to be computed from the date of the filing of the complaint since the amount of damages was alleged in the complaint;[16] however, the rate of interest shall be twelve percent (12%) per annum from the time the judgment in this case becomes final and executory until its satisfaction and the basis for the computation of this twelve percent (12%) rate of interest shall be the amount of P370,475.00. This is in accordance with the doctrine enunciated in Eastern Shipping Lines, Inc. vs. Court of Appeals, et al.,[17] which was reiterated in Philippine National Bank vs. Court of Appeals,[18] Philippine Airlines, Inc. vs. Court of Appeals[19]and in Keng Hua Paper Products Co., Inc. vs. Court of Appeals,[20] which provides that -

> - When an obligation is breached, and it consists in the payment of a sum of money, i.e., a loan or forbearance of money, the interest due should be that which may have been stipulated in writing. Furthermore, the interest due shall itself earn legal interest from the time it is judicially demanded. In the absence of stipulation, the rate of interest shall be 12% per annum to be computed from default, i.e., from judicial or extrajudicial demand under and subject to the provisions of Article 1169 of the Civil Code.
>
> - When an obligation, not constituting a loan or forbearance of money, is breached, an interest on the amount of damages awarded may be imposed at the discretion of the court at the rate of six percent (6%) per annum. No interest, however, shall be adjudged on unliquidated claims or damages except when or until the demand can be established with reasonable certainty. Accordingly, where the demand is established with reasonable certainty, the interest shall begin to run from the time the claim is made judicially or extrajudicially (Art. 1169, Civil Code) but when such certainty cannot be so reasonably established at the time the demand is made, the interest shall begin to run only from the date the judgment of the court is made (at which time the quantification of damages may be deemed to have been reasonably ascertained). The actual base for the computation of legal interest shall, in any case, be on the amount finally adjudged.
>
> - When the judgment of the court awarding a sum of money becomes final and executory, the rate of legal interest, whether the case falls under paragraph 1 or paragraph 2, above, shall be twelve percent (12%) per annum from such finality until its satisfaction, this interim period being deemed to be by then an equivalent to

a forbearance of credit.

We also sustain the award of exemplary damages in the amount of P50,000.00. Under Article 2229 of the Civil Code, exemplary damages are imposed by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages. Considering petitioner's fraudulent act, we hold that an award of P50,000.00 would be adequate, fair and reasonable. The grant of exemplary damages justifies the award of attorney's fees in the amount of P50,000.00, and the award of P5,000.00 for litigation expenses.[21]

The appellate court's award of P50,000.00 in moral damages is warranted. Under Article 2217 of the Civil Code, moral damages may be granted upon proof of physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation and similar injury.[22] Ong testitified that he suffered sleepless nights, embarrassment, humiliation and anxiety upon discovering that the checks due his company were forged by petitioner and that petitioner had filed baseless criminal complaints against him before the fiscal's office of Quezon City which disrupted HCCC's business operations.[23]

WHEREFORE, we AFFIRM the respondent court's decision promulgated on June 29, 1992, upholding the February 16, 1988 decision of the trial court in favor of private respondents, with the modification that the interest upon the actual damages awarded shall be at six percent (6%) per annum, which interest rate shall be computed from the time of the filing of the complaint on November 19, 1979. However, the interest rate shall be twelve percent (12%) per annum from the time the judgment in this case becomes final and executory and until such amount is fully paid. The basis for computation of the six percent and twelve percent rates of interest shall be the amount of P370,475.00. No pronouncement as to costs.

SO ORDERED.

Melo, (Chairman), Vitug, Panganiban, and Purisima, JJ., concur.

---

[1] The case was docketed as CA-G.R. CV No. 18555 and the decision was promulgated on June 29, 1992 by the Special Seventeenth Division composed of Cancio C. Garcia (ponente), Serafin E. Camilon, and Cezar D. Francisco.

[2] The decision was penned by Benjamin V. Pelayo and promulgated on February 16, 1988.

[3] Docketed as Civil Case No. Q-24628.

[4] 1. Check No. 0756055, dated October 20, 1977, for P61,800.00 (Exhibit C).

2. Check No. 0756067, dated October 27, 1977, for P67,100.00 (Exhibit C-1).

3. Check No. 0756061, dated October 25, 1977, for P51,475.00 (Exhibit C-2).

4. Check No. 0756081, dated November 5, 1977, for P32,050.00 (Exhibit C-3).

5. Check No. 0756066, dated October 27, 1977, for P36,250.00 (Exhibit C-4).

6. Check No. 0756062, dated October 25, 1977, for P56,700.00 (Exhibit C-5).

7. Check No. 0756082, dated November 5, 1977, for P65,100.00 (Exhibit C-6).

[5] RTC Records, 455-464.

[6] Rollo, 19-20.

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

[7] RTC Decision, 7-8; CA Decision, 10.

[8] Exhibits E-1 to E-7.

[9] Rollo, 29.

[10] Exhibits P-1, P-2.

[11] Almeda vs. Court of Appeals, 269 SCRA 643 (1997); Fuentes vs. Court of Appeals, 268 SCRA 703 (1997); People vs. Magallano, 266 SCRA 305 (1997).

[12] Rollo, 30-33.

[13] Act No. 2031, sec. 44.

[14] Id., sec. 20. Liability of person signing as agent, and so forth. - Where the instrument contains or a person adds to his signature words indicating that he signs for or on behalf of a principal or in a representative capacity, he is not liable on the instrument if he was duly authorized; but the mere addition of words describing him as an agent, or as filling a representative character, without disclosing his principal, does not exempt him from personal liability; Philippine Bank of Commerce vs. Aruego, 102 SCRA 530 (1981).

[15] Civil Code, art.20.

[16] RTC Records, 5.

[17] 234 SCRA 78 (1994).

[18] 263 SCRA 766 (1996).

[19] 275 SCRA 621 (1997).

[20] 286 SCRA 257 (1998).

[21] Civil Code, art. 2208 (1); Tan Kapos vs. Masa, 134 SCRA 231 (1985).

[22] People vs. Teodoro, 280 SCRA 384 (1997).

[23] TSN, November 14, 1980, 51-53; Complaint, 4.

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

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.