ANDRES VILLALON, PETITIONER, VS. COURT OF APPEALS, INSULAR BANK OF ASIA AND AMERICA, NOW PHILIPPINE COMMERCIAL INTERNATIONAL BANK, RESPONDENTS.

G.R. No. 116996. December 02, 1999

Ponente: KAPUNAN, J.

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KAPUNAN, J.:

In this petition under Rule 45, petitioner would like this Court to deviate from the general rule that factual findings of the Court of Appeals (CA), affirming those of trial court, are final and conclusive and may not be reviewed on appeal.

The antecedents are as follows:

In June of 1985, Benjamin Gogo, Jr. (hereinafter, Gogo) enticed petitioner to enter into the business of manufacturing door jambs and related wood products for export. Under the proposed partnership scheme, Gogo will act as the industrial partner while petitioner will be the capitalist partner. Based on the project study presented by Gogo to petitioner, the business venture will stand to earn a substantial amount of profit. Because of the profitable business scenario painted by Gogo, along with the fact that Gogo already had a permit to export under the name of his single proprietorship venture, Greenleaf Export, petitioner agreed to the partnership. The partners reduced their agreement into writing and stipulated therein that their joint venture will utilize the existing business name and export permit of Greenleaf Export.

In order to kick-start business, petitioner invested two hundred seven thousand five hundred pesos (P207,500.00) which was deposited by the partners, on 28 June 1985, in a joint current account with the Insular Bank of Asia and America (IBAA), the same bank where Gogo already had his own current account for the revolving funds of Greenleaf Export. In order to insure the smooth flow of funds for their business, petitioner issued to Gogo several signed blank checks. For his part, Gogo, in accordance with the stipulations in their partnership agreement, executed, on 24 August 1985, a “Deed of Assignment of Proceeds” of Letter of Credit No. 25-35298/84. The said letter of credit amounted to forty six thousand five hundred dollars ($46,500.00) with Green leaf Export as the designated beneficiary.

On 6 September 1985, unbeknownst to petitioner, Gogo applied for and was granted a Packing Credit Line in the amount of fifty thousand pesos (P50,000.00) by IBAA. In order to secure the same, Gogo executed a loan agreement and a promissory note in the amount of fifty thousand pesos (P50,000.00) in favor of IBAA. As further security to the credit line, Gogo executed a Deed of Assignment in favor of IBAA whereby the same letter of credit previously assigned by Gogo to petitioner, Letter of Credit No. 25-35298/84, was also assigned to IBAA. On 17 September 1985, the letter of credit was partially negotiated in the amount of seven thousand five hundred forty-six dollars ($7,546.00) which was accordingly released to Gogo after IBAA debited the amount of fifty thousand pesos (P50,000.00) in accordance with the Deed of Assignment in favor of IBAA and as payment for the loan obtained through the Packing Credit Line granted to Gogo. In the afternoon of the same day, Gogo again

applied for and was granted a second Packing Credit Line in the amount of fifty thousand pesos (P50,000.00) against the same letter of credit and Deed of Assignment in favor of IBAA. The letter of credit was again re-negotiated in the amount of eight thousand one hundred forty-nine and sixty-eight cents ($8,149.68) which amount was again released to Gogo after IBAA debited fifty thousand pesos (P50,000.00) pursuant to the Deed of Assignment and as payment for the loan obtained through the second Packing Credit Line. The same letter of credit was again re-negotiated, for the third time and last time, in the amount of five hundred dollars ($500.00). On 30 September 1985, the letter of credit expired without further negotiations on the remaining amount.

During the course of their business, Gogo made two (2) export shipments of door jambs but no accounting was made thereon by him. Gogo, likewise, failed to account for the business funds left to him by petitioner by way of signed lank checks. Petitioner confronted Gogo about these matters but the latter turned a deaf ear and even threatened the life of petitioner. Moreover, petitioner discovered the negotiations made by Gogo with IBAA on the letter of credit which was previously assigned to him.

On 27 June 1986, petitioner filed a complaint before the Regional Trial Court of Makati, Branch 147, for accounting and damages against Gogo. IBAA was, likewise, impleaded because of petitioner's claim that the said bank and Gogo were conspiring with one another to defraud him. Furthermore, petitioner's action against IBAA was grounded on the claim that he furnished the said bank with a copy of the "Deed of Assignment of Proceeds" of Letter of Credit No. 25-35298/84, as evidenced by an alleged acknowledgment signature made by an unknown IBAA employee. In this regard, petitioner asserted that since the bank was apprised of the assignment made by Gogo in his favor, its should have credited the proceeds of the letter of credit to his favor and not to Gogo.

Two other defendants, Nonito Barangco and Capitol Woods International, were initially impleaded but, upon motion of petitioner, were subsequently dropped from the case. On 14 July 1986, the trial court issued a temporary restraining order whereby the last negotiation on the subject letter of credit, in the amount of five hundred dollars ($500.00), was held in escrow until the determination of the case.

It should be noted that during the course of this case, IBAA merged with the Philippine Commercial and Industrial Bank with the latter as the surviving bank.

During the initial part of the trial, Gogo and IBAA were declared in default for having failed to appear on the scheduled hearing. Accordingly, petitioner was allowed to present his evidence ex-parte. However, after filing the necessary motion for reconsideration, IBAA was able to have the order of default lifted. No action was taken by Gogo to remedy his having been declared in default. On 20 December 1988, the trial court rendered a "Partial Decision"[1] on petitioner's complaint against Gogo. In the said decision, the trial court found in favor of petitioner and against Gogo. The proceedings continued against the remaining defendant, IBAA.

On 18 March 1992, the trial court rendered a decision[2] on the remaining complaint against IBAA, stating:

> It is indeed correct that defendant bank is not a party to the Deed of Assignment of Proceeds (Exhibit D) executed by defendant Gogo in favor of the plaintiff. There is also no clear showing that a copy of the said document (Exhbit D) was furnished to the Insular Bank of Asia and America before it granted loans to defendant Gogo on security of the "Deed of Assignment" (Exhibit 4) executed by defendant Gogo in favor of Insular Bank of Asia and America. Anent this point, plaintiff introduced as (sic) alleged initial of an employee of Insular Bank of Asia and America appearing on Exhibit D. However, the same was not properly identified and authenticated by a competent witness. As aptly observed by defendant bank in its memorandum, anybody could have affixed his initial on said document. In view, thereof, the Court finds that defendant bank was not duty bound to deliver the proceeds of the negotiations on the ltter (sic) of credit to the plaintiff. It was, therefore, justified in delivering the proceeds thereof to defendant Gogo who after all is the proprietor of Greenleaf Export, the beneficiary of the letter of credit.

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> As regards the allegation of conspiracy between defendant Gogo and Insular Bank of Asia and America, the Court believes there is no sufficient basis to sustain such conclusion. The fact that the bank employees have rendered prompt and immediate attention and service to defendant Gogo does not mean that the bank is in conspiracy with defendant Gogo. It merely means that the bank employees render prompt and efficient service to their clients which they are expected to do is (sic) they are to survive in the crowded banking world.

> WHEREFORE, in view of the foregoing, the Court hereby renders judgment in favor of defendant bank and against plaintiff, dismissing the complaint as regards defendant bank. Without pronouncement as to costs.

> SO ORDERED.[3]

Dissatisfied with the said decision, petitioner seasonably appealed to the CA. On 20 June 1994, the CA affirmed the decision of the trial court, to wit:

> WHEREFORE, the decision appealed from being in accordance with law and the evidence, the same is hereby AFFIRMED in full.

> SO ORDERED.[4]

Petitioner's motion for reconsideration was, likewise, denied by the CA in its Resolution dated 9 September 1994.[5]

Petitioner is now before us, faulting the CA for "arriving at factual conclusions based on fallacious premises not borne by the records of the case."[6] In relation thereto, petitioner postulates the following as the issue in the instant petition:

> WHETHER OR NOT DEFENDANT BANK RECEIVED [A] COPY OF THE DEED OF ASSIGNMENT OF PROCEEDS OF THE FOREIGN LETTER OF CREDIT IN FAVOR OF PETITIONER AND IF SO, HAS THE BANK CREDITED THE PROCEEDS THEREOF IN THE NAME OF ANDRES VILLALON.[7]

It is quite obvious from the above issue and assignment of error that the instant petition is founded on an imploration to re-examine the factual findings of the CA. A review of such factual findings are, however, beyond the province of a petition for review. It has long been the doctrine that factual findings and conclusions of the CA, especially when in complete accord with the findings of the trial court, are given great weight[8] and, as such, in the absence of palpable mistake, binding and conclusive upon this Court.[9] It is not the function of this Court, in a petition under Rule 45, to scrutinize, weigh and analyze evidence all over again.[10] The jurisdiction of this Court is confined to reviewing questions of law which has been defined as those that do not require the examination of the probative value of the evidence presented by the parties.[11]

The question as to whether IBAA received a copy of the "Deed of Assignment of Proceeds" of Letter of Credit No. 25-35298/84, thereby allegedly obligating respondent bank to credit the proceeds of the latter of credit to petitioner's account, is already a settled matter. As found by both the trial court and the CA, IBAA was never apprised of the agreement between petitioner and his business partner, Benjamin Gogo, Jr. The CA said:

> As can be clearly seen from the Deed of Assignment of Proceeds (Exh. "D") allegedly executed by defendant Gogo in favor of plaintiff, defendant IBAA is not a party thereto. Futhermore, as correctly found by the trial court, there is also no clear showing that a copy of the said document (Exh. "D") was furnished to the IBAA before it granted loans to defendant Gogo on security of the "Deed of Assignment" (Exh. "4") executed by defendant Gogo in favor of IBAA.

> While plaintiff introduced as (sic) alleged initial appearing in Exh. "D" to be that of an employee of IBAA, the

same was not properly identified and authenticated by competent witness. As aptly observed by defendant bank in its memorandum any body could have affixed his initial on said document. It must be pointed out that the beneficiary of the letter of credit (Exh. "5") is Greenleaf Export of defendant Gogo and thus, defendant IBAA was justified in releasing the proceeds in favor of defendant Gogo and/or Greenleaf Export alone, in accordance with the instructions previously given by defendant Gogo. As far as defendant IBAA is concerned or was aware of at that time, defendant Gogo's Green leaf Export is the sole beneficiary of the proceeds of the letter of credit and could, therefore, dispose of the same in the manner he may determine, including using the same as security for his loans with defendant IBAA. Thus, it was testified:

"ATTY. SANTOS

"Q - You earlier mentioned that the manner by which you handle or treat the proceeds of the letter of credit was in accordance with the Deed of Assignment executed by Mr. Benjamin Gogo in favor of the bank, was well as in accordance with the previous agreement by Mr. Gogo to the bank. Could you kindly tell us if there are other instructions or advise from Mr. Gogo regarding the deposit of the letter of credit other than the previous agreement.

"WITNESS

"A - To whom?

"ATTY. SANTOS

Q - If there are other instructions (to the bank).

"WITNESS

"A - Based on bank records, there was (sic) no further instructions or advise from Mr. Gogo on how to handle the proceeds of the letter of credit aside from the previous Deed of Assignment and previous agreement with the bank & Mr. Benjamin Gogo."

In view thereof, the court a quo correctly found that the defendant bank was not duty-bound to deliver the proceeds of the negotiations on the letter of credit to the plaintiff. It was, therefore, justified in delivering the proceeds thereof to defendant Gogo who, after all, is the proprietor of Green leaf Export, the beneficiary of the letter of credit.[12]

Our verification of the above findings show that the same are in accord with the evidence on record and, as such, are conclusive upon this Court.

Moreover, the CA is correct in pointing out that, since IBAA is not a party to the "Deed of Assignment of Proceeds" between petitioner and Gogo, the said bank cannot be made accountable to petitioner for the proceeds on the negotiations of the letter of credit.[13] It is a fundamental tenet that contracts only take effect between the

parties to the same.[14] In this regard, Article 1311 of the Civil Code provides:

> Art. 1311. Contracts take effect only between the parties, their assigns and heirs, except in case where the rights and obligations arising from the contract are not transmissible by their nature, or by stipulation or by provision of law. The heir is not liable beyond the value of the property he received from the decedent.
>
> If a contract should contain some stipulation in favor of a third person, he may demand its fulfillment provided he communicated his acceptance to the obligor before its revocation. A mere incidental benefit or interest of a person is not sufficient. The contracting parties must have clearly and deliberately conferred a favor upon a third person.

It is, thus, clear that a party to a contract cannot impose any obligation or liability to one who, under its terms, is a stranger to the said contract.[15] Since a perusal of the "Deed of Assignment of Proceeds" shows that there is no privity of contract between petitioner and IBAA, the former cannot expect respondent bank to credit the proceeds of the letter of credit to his account and, thus, no cause of action against IBAA attaches.

WHEREFORE, finding no reversible error in the appealed decision, the same is hereby AFFIRMED and the instant petition is hereby DISMISSED.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Puno, Pardo, and Ynares-Santiago, JJ., concur.

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[1] Records, pp. 217-219.

[2] Id., at 357-361.

[3] Id., at 360-361.

[4] Decision, Rollo, p. 21.

[5] Resolution, Rollo, p. 22.

[6] Petition, Rollo, p. 10.

[7] Ibid.

[8] Fortune Motors (Phils.) Corp. vs. Court of Appeals, 267 SCRA 653, 669-670 (1997); Atillo III vs. Court of Appeals , 266 SCRA 596, 605-606 (1997); Meneses vs. Court of Appeals, 246 SCRA 162, 171 (1995); Manuel vs. Court of Appeals, 227 SCRA 29, 33 (1993).

[9] Fuentes vs. Court of Appeals, 268 SCRA 703, 708 (1997); Guinsatao vs. Court of Appeals, 218 SCRA 708, 712 (1993); CMS Logging, Inc. vs. Court of Appeals, 211 SCRA 374, 379 (1992); Fernan vs. Court of Appeals, 181 SCRA 546, 549 (1990).

[10] Estonina vs. Court of Appeals, 266 SCRA 627, 635 (1997); Atlantic Gulf and Pacific Company of Manila, Inc. vs. Court of Appeals, 247 SCRA 606, 612 (1995); De los Santos vs. Reyes, 205 SCRA 437, 445 (1992); Philippine National Bank vs. Intermediate Appellate Court, 183 SCRA 133, 139 (1990).

[11] Cormero vs. Court of Appeals, 247 SCRA 291, 296 (1995).

[12] Decision, Rollo, pp. 17-18.

[13] Ibid.

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[14] Smith, Bell & Co., Inc. vs. Court of Appeals, 267 SCRA 530, 538-539 (1997); Banzagales vs. Galman, 222 SCRA 350, 356 (1993).

[15] Garcia vs. Court of Appeals, 258 SCRA 446 (1996); Capitol Insurance & Surety Co., Inc. vs. Central Azucarera del Danao, 221 SCRA 98 (1993).

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