

**CHARLES LEE, CHUA SIOK SUY, MARIANO SIO, ALFONSO YAP,
RICHARD VELASCO AND ALFONSO CO, PETITIONERS, VS. COURT OF
APPEALS AND PHILIPPINE BANK OF COMMUNICATIONS,
RESPONDENTS.**

G.R. No. 117913. February 01, 2002

Ponente: DE LEON, JR., J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-117913/>

DE LEON, JR., J.:

Before us is the joint and consolidated petition for review of the Decision[1] dated June 15, 1994 of the Court of Appeals in CA-G.R. CV No. 27480 entitled, “Philippine Bank of Communications vs. Mico Metals Corporation, Charles Lee, Chua Siok Suy, Mariano Sio, Alfonso Yap, Richard Velasco and Alfonso Co,” which reversed the decision of the Regional Trial Court (RTC) of Manila, Branch 55 dismissing the complaint for a sum of money filed by private respondent Philippine Bank of Communications against herein petitioners, Mico Metals Corporation (MICO, for brevity), Charles Lee, Chua Siok Suy,[2] Mariano Sio, Alfonso Yap, Richard Velasco and Alfonso Co.[3] The dispositive portion of the said Decision of the Court of Appeals, reads:

WHEREFORE, the decision of the Regional Trial Court is hereby reversed and in lieu thereof, a new one is entered:

a)

Ordering the defendants-appellees jointly and severally to pay plaintiff PBCom the sum of Five million four hundred fifty-one thousand six hundred sixty-three pesos and ninety centavos (P5,451,663.90) representing defendants-appellees unpaid obligations arising from ordinary loans granted by the plaintiff plus legal interest until fully paid.

b)

Ordering defendants-appellees jointly and severally to pay PBCom the sum of Four hundred sixty-one thousand six hundred pesos and sixty-six centavos (P46 1,600.66) representing defendants-appellees unpaid obligations arising from their letters of credit and trust receipt transactions with plaintiff PBCom plus legal interest until fully paid.

c)

Ordering defendants-appellees jointly and severally to pay PBCom the sum of P50,000.00 as attorney’s fees.

No pronouncement as to costs.

The facts of the case are as follows:

On March 2, 1979, Charles Lee, as President of MICO wrote private respondent Philippine Bank of Communications (PBCom) requesting for a grant of a discounting loan/credit line in the sum of Three Million Pesos (P3,000,000.00) for the purpose of carrying out MICO’s line of business as well as to maintain its volume

of business.

On the same day, Charles Lee requested for another discounting loan/credit line of Three Million Pesos (P3,000,000.00) from PBCom for the purpose of opening letters of credit and trust receipts.

In connection with the requests for discounting loan/credit lines, PBCom was furnished by MICO the following resolution which was adopted unanimously by MICO's Board of Directors:

RESOLVED, that the President, Mr. Charles Lee, and the Vice-President and General Manager, Mr. Mariano A. Sio, singly or jointly, be and they are duly authorized and empowered for and in behalf of this Corporation to apply for, negotiate and secure the approval of commercial loans and other banking facilities and accommodations, such as, but not limited to discount loans, letters of credit, trust receipts, lines for marginal deposits on foreign and domestic letters of credit, negotiate out-of-town checks, etc. from the Philippine Bank of Communications, 216 Juan Luna, Manila in such sums as they shall deem advantageous, the principal of all of which shall not exceed the total amount of TEN MILLION PESOS (P10,000,000.00), Philippine Currency, plus any interests that may be agreed upon with said Bank in such loans and other credit lines of the same kind and such further terms and conditions as may, upon granting of said loans and other banking facilities, be imposed by the Bank; and to make, execute, sign and deliver any contracts of mortgage, pledge or sale of one, some or all of the properties of the Company, or any other agreements or documents of whatever nature or kind, including the signing, indorsing, cashing, negotiation and execution of promissory notes, checks, money orders or other negotiable instruments, which may be necessary and proper in connection with said loans and other banking facilities, or with their amendments, renewals and extensions of payment of the whole or any part thereof.[4]

On March 26, 1979, MICO availed of the first loan of One Million Pesos (P1,000,000.00) from PBCom. Upon maturity of the loan, MICO caused the same to be renewed, the last renewal of which was made on May 21, 1982 under Promissory Note BNA No. 26218.[5]

Another loan of One Million Pesos (P1,000,000.00) was availed of by MICO from PBCom which was likewise later on renewed, the last renewal of which was made on May 21, 1982 under Promissory Note BNA No. 26219.[6] To complete MICO's availment of Three Million Pesos (P3,000,000.00) discounting loan/credit line with PBCom, MICO availed of another loan from PBCom in the sum of One Million Pesos (P1,000,000.00) on May 24, 1979. As in previous loans, this was rolled over or renewed, the last renewal of which was made on May 25, 1982 under Promissory Note BNA No. 26253.[7]

As security for the loans, MICO through its Vice-President and General Manager, Mariano Sio, executed on May 16, 1979 a Deed of Real Estate Mortgage over its properties situated in Pasig, Metro Manila covered by Transfer Certificates of Title (TCT) Nos. 11248 and 11250.

On March 26, 1979 Charles Lee, Chua Siok Suy, Mariano Sio, Alfonso Yap and Richard Velasco, in their personal capacities executed a Surety Agreement[8] in favor of PBCom whereby the petitioners jointly and severally, guaranteed the prompt payment on due dates or at maturity of overdrafts, promissory notes, discounts, drafts, letters of credit, bills of exchange, trust receipts, and other obligations of every kind and nature, for which MICO may be held accountable by PBCom. It was provided, however, that the liability of the sureties shall not at any one time exceed the principal amount of Three Million Pesos (P3,000,000.00) plus interest, costs, losses, charges and expenses including attorney's fees incurred by PBCom in connection therewith.

On July 14, 1980, petitioner Charles Lee, in his capacity as president of MICO, wrote PBCom and applied for an additional loan in the sum of Four Million Pesos (P4,000,000.00). The loan was intended for the expansion and modernization of the company's machineries. Upon approval of the said application for loan, MICO availed of the additional loan of Four Million Pesos (P4,000,000.00) as evidenced by Promissory Note TA No. 094.[9]

As per agreement, the proceeds of all the loan availments were credited to MICO's current checking account with PBCom. To induce the PBCom to increase the credit line of MICO, Charles Lee, Chua Siok Suy, Mariano Sio, Alfonso Yap, Richard Velasco and Alfonso Co (hereinafter referred to as petitioners-sureties), executed another surety agreement[10] in favor of PBCom on July 28, 1980, whereby they jointly and severally guaranteed the prompt payment on due dates or at maturity of overdrafts, promissory notes, discounts, drafts, letters of credit, bills of exchange, trust receipts and all other obligations of any kind and nature for which MICO may be held accountable by PBCom. It was provided, however, that their liability shall not at any one time exceed the sum of Seven Million Five Hundred Thousand Pesos (P7,500,000.00) including interest, costs, charges, expenses and attorney's fees incurred by MICO in connection therewith.

On July 29, 1980, MICO furnished PBCom with a notarized certification issued by its corporate secretary, Atty. P.B. Barrera, that Chua Siok Suy was duly authorized by the Board of Directors to negotiate on behalf of MICO for loans and other credit availments from PBCom. Indicated in the certification was the following resolution unanimously approved by the Board of Directors:

RESOLVED, AS IT IS HEREBY RESOLVED, That Mr. Chua Siok Suy be, as he is hereby authorized and empowered, on behalf of MICO METALS CORPORATION from time to time, to borrow money and obtain other credit facilities, with or without security, from the PHILIPPINE BANK OF COMMUNICATIONS in such amount(s) and under such terms and conditions as he may determine, with full power and authority to execute, sign and deliver such contracts, instruments and papers in connection therewith, including real estate and chattel mortgages, pledges and assignments over the properties of the Corporation; and to renew and/or extend and/or roll-over and/or reavail of the credit facilities granted thereunder, either for lesser or for greater amount(s), the intention being that such credit facilities and all securities of whatever kind given as collaterals therefor shall be a continuing security.

RESOLVED FURTHER, That said bank is hereby authorized, empowered and directed to rely on the authority given hereunder, the same to continue in full force and effect until written notice of its revocation shall be received by said Bank.[11]

On July 2, 1981, MICO filed with PBCom an application for a domestic letter of credit in the sum of Three Hundred Forty-Eight Thousand Pesos (P348,000.00).[12] The corresponding irrevocable letter of credit was approved and opened under LC No. L-16060.[13] Thereafter, the domestic letter of credit was negotiated and accepted by MICO as evidenced by the corresponding bank draft issued for the purpose.[14] After the supplier of the merchandise was paid, a trust receipt upon MICO's own initiative, was executed in favor of PBCom.[15]

On September 14, 1981, MICO applied for another domestic letter of credit with PBCom in the sum of Two Hundred Ninety Thousand Pesos (P290,000.00).[16] The corresponding irrevocable letter of credit was issued on September 22, 1981 under LC No. L-16334.[17] After the beneficiary of the said letter of credit was paid by PBCom for the price of the merchandise, the goods were delivered to MICO which executed a corresponding trust receipt[18] in favor of PBCom.

On November 10, 1981, MICO applied for authority to open a foreign letter of credit in favor of Ta Jih Enterprises Co., Ltd.,[19] and thus, the corresponding letter of credit[20] was then issued by PBCom with a cable sent to the beneficiary, Ta Jih Enterprises Co., Ltd. advising that said beneficiary may draw funds from the account of PBCom in its correspondent bank's New York Office.[21] PBCom also informed its corresponding bank in Taiwan, the Irving Trust Company, of the approved letter of credit. The correspondent bank acknowledged PBCom's advice through a confirmation letter[22] and by debiting from PBCom's account with the said correspondent bank the sum of Eleven Thousand Nine Hundred Sixty US Dollars (\$11,960.00).[23] As in past transactions, MICO executed in favor of PBCom a corresponding trust receipt.[24]

On January 4, 1982, MICO applied, for authority to open a foreign letter of credit in the sum of One Thousand Nine Hundred US Dollars (\$1,900.00), with PBCom.[25] Upon approval, the corresponding letter of credit denominated as LC No. 62293[26] was issued whereupon PBCom advised its correspondent bank and MICO[27] of the same. Negotiation and proper acceptance of the letter of credit were then made by MICO. Again, a corresponding trust receipt[28] was executed by MICO in favor of PBCom.

In all the transactions involving foreign letters of credit, PBCom turned over to MICO the necessary documents such as the bills of lading and commercial invoices to enable the latter to withdraw the goods from the port of Manila.

On May 21, 1982 MICO obtained from PBCom another loan in the sum of Three Hundred Seventy-Seven Thousand Pesos (P377,000.00) covered by Promissory Note BA No. 7458.[29]

Upon maturity of all credit availments obtained by MICO from PBCom, the latter made a demand for payment.[30] For failure of petitioner MICO to pay the obligations incurred despite repeated demands, private respondent PBCom extrajudicially foreclosed MICO's real estate mortgage and sold the said mortgaged properties in a public auction sale held on November 23, 1982. Private respondent PBCom which emerged as the highest bidder in the auction sale, applied the proceeds of the purchase price at public auction of Three Million Pesos (P3,000,000.00) to the expenses of the foreclosure, interest and charges and part of the principal of the loans, leaving an unpaid balance of Five Million Four Hundred Forty-One Thousand Six Hundred Sixty-Three Pesos and Ninety Centavos (P5,441,663.90) exclusive of penalty and interest charges. Aside from the unpaid balance of Five Million Four Hundred Forty-One Thousand Six Hundred Sixty- Three Pesos and Ninety Centavos (P5,441,663.90), MICO likewise had another standing obligation in the sum of Four Hundred Sixty-One Thousand Six Hundred Pesos and Six Centavos (P461,600.06) representing its trust receipts liabilities to private respondent. PBCom then demanded the settlement of the aforesaid obligations from herein petitioners-sureties who, however, refused to acknowledge their obligations to PBCom under the surety agreements. Hence, PBCom filed a complaint with prayer for writ of preliminary attachment before the Regional Trial Court of Manila, which was raffled to Branch 55, alleging that MICO was no longer in operation and had no properties to answer for its obligations. PBCom further alleged that petitioner Charles Lee has disposed or concealed his properties with intent to defraud his creditors. Except for MICO and Charles Lee, the sheriff of the RTC failed to serve the summons on herein petitioners-sureties since they were all reportedly abroad at the time. An alias summons was later issued but the sheriff was not able to serve the same to petitioners Alfonso Co and Chua Siok Suy who was already sickly at the time and reportedly in Taiwan where he later died.

Petitioners (MICO and herein petitioners-sureties) denied all the allegations of the complaint filed by respondent PBCom, and alleged that: a) MICO was not granted the alleged loans and neither did it receive the proceeds of the aforesaid loans; b) Chua Siok Suy was never granted any valid Board Resolution to sign for and in behalf of MICO; c) PBCom acted in bad faith in granting the alleged loans and in releasing the proceeds thereof; d) petitioners were never advised of the alleged grant of loans and the subsequent releases therefor, if any; e) since no loan was ever released to or received by MICO, the corresponding real estate mortgage and the surety agreements signed concededly by the petitioners-sureties are null and void.

The trial court gave credence to the testimonies of herein petitioners and dismissed the complaint filed by PBCom. The trial court likewise declared the real estate mortgage and its foreclosure null and void. In ruling for herein petitioners, the trial court said that PBCom failed to adequately prove that the proceeds of the loans were ever delivered to MICO. The trial court pointed out, among others, that while PBCom claimed that the proceeds of the Four Million Pesos (P4,000,000.00) loan covered by promissory note TA 094 were deposited to the current account of petitioner MICO, PBCom failed to produce the ledger account showing such deposit. The trial court

added that while PBCom may have loaned to MICO the other sums of Three Hundred Forty-Eight Thousand Pesos (P348,000.00) and Two Hundred Ninety Thousand Pesos (P290,000.00), no proof has been adduced as to the existence of the goods covered and paid by the said amounts. Hence, inasmuch as no consideration ever passed from PBCom to MICO, all the documents involved therein, such as the promissory notes, real estate mortgage including the surety agreements were all void or nonexistent for lack of cause or consideration. The trial court said that the lack of proof as regards the existence of the merchandise covered by the letters of credit bolstered the claim of herein petitioners that no purchases of the goods were really made and that the letters of credit transactions were simply resorted to by the PBCom and Chua Siok Suy to accommodate the latter in his financial requirements.

The Court of Appeals reversed the ruling of the trial court, saying that the latter committed an erroneous application and appreciation of the rules governing the burden of proof. Citing Section 24 of the Negotiable Instruments Law which provides that "Every negotiable instrument is deemed prima facie to have been issued for valuable consideration and every person whose signature appears thereon to have become a party thereto for value", the Court of Appeals said that while the subject promissory notes and letters of credit issued by the PBCom made no mention of delivery of cash, it is presumed that said negotiable instruments were issued for valuable consideration. The Court of Appeals also cited the case of *Gatmaitan vs. Court of Appeals*[31] which holds that "there is a presumption that an instrument sets out the true agreement of the parties thereto and that it was executed for valuable consideration". The appellate court noted and found that a notarized Certification was issued by MICO's corporate secretary, P.B. Barrera, that Chua Siok Suy, was duly authorized by the Board of Directors of MICO to borrow money and obtain credit facilities from PBCom.

Petitioners filed a motion for reconsideration of the challenged decision of the Court of Appeals but this was denied in a Resolution dated November 7, 1994 issued by its Former Second Division. Petitioners-sureties then filed a petition for review on certiorari with this Court, docketed as G.R. No. 117913, assailing the decision of the Court of Appeals. MICO likewise filed a separate petition for review on certiorari, docketed as G.R. No. 117914, with this Court assailing the same decision rendered by the Court of Appeals. Upon motion filed by petitioners, the two (2) petitions were consolidated on January 11, 1995.[32]

Petitioners contend that there was no proof that the proceeds of the loans or the goods under the trust receipts were ever delivered to and received by MICO. But the record shows otherwise. Petitioners-sureties further contend that assuming that there was delivery by PBCom of the proceeds of the loans and the goods, the contracts were executed by an unauthorized person, more specifically Chua Siok Suy who acted fraudulently and in collusion with PBCom to defraud MICO.

The pertinent issues raised in the consolidated cases at bar are: a) whether or not the proceeds of the loans and letters of credit transactions were ever delivered to MICO, and b) whether or not the individual petitioners, as sureties, may be held liable under the two (2) Surety Agreements executed on March 26, 1979 and July 28, 1980.

In civil cases, the party having the burden of proof must establish his case by preponderance of evidence.[33] Preponderance of evidence means evidence which is more convincing to the court as worthy of belief than that which is offered in opposition thereto. Petitioners contend that the alleged promissory notes, trust receipts and surety agreements attached to the complaint filed by PBCom did not ripen into valid and binding contracts inasmuch as there is no evidence of the delivery of money or loan proceeds to MICO or to any of the petitioners-sureties. Petitioners claim that under normal banking practice, borrowers are required to accomplish promissory notes in blank even before the grant of the loans applied for and such documents become valid written contracts only when the loans are actually released to the borrower.

We are not convinced.

During the trial of an action, the party who has the burden of proof upon an issue may be aided in establishing his claim or defense by the operation of a presumption, or, expressed differently, by the probative value which the law attaches to a specific state of facts. A presumption may operate against his adversary who has not introduced proof to rebut the presumption. The effect of a legal presumption upon a burden of proof is to create the necessity of presenting evidence to meet the legal presumption or the prima facie case created thereby, and which if no proof to the contrary is presented and offered, will prevail. The burden of proof remains where it is, but by the presumption the one who has that burden is relieved for the time being from introducing evidence in support of his averment, because the presumption stands in the place of evidence unless rebutted.

Under Section 3, Rule 131 of the Rules of Court the following presumptions, among others, are satisfactory if uncontradicted: a) That there was a sufficient consideration for a contract and b) That a negotiable instrument was given or indorsed for sufficient consideration. As observed by the Court of Appeals, a similar presumption is found in Section 24 of the Negotiable Instruments Law which provides that every negotiable instrument is deemed prima facie to have been issued for valuable consideration and every person whose signature appears thereon to have become a party for value. Negotiable instruments which are meant to be substitutes for money, must conform to the following requisites to be considered as such a) it must be in writing; b) it must be signed by the maker or drawer; c) it must contain an unconditional promise or order to pay a sum certain in money; d) it must be payable on demand or at a fixed or determinable future time; e) it must be payable to order or bearer; and f) where it is a bill of exchange, the drawee must be named or otherwise indicated with reasonable certainty. Negotiable instruments include promissory notes, bills of exchange and checks. Letters of credit and trust receipts are, however, not negotiable instruments. But drafts issued in connection with letters of credit are negotiable instruments.

Private respondent PBCom presented the following documentary evidence to prove petitioners' credit availments and liabilities:

1)

Promissory Note No. BNA —26218 dated May 21, 1982 in the sum of P1,000,000.00 executed by MICO in favor of PBCom.

2)

Promissory Note No. BNA —26219 dated May 21, 1982 in the sum of P1,000,000.00 executed by MICO in favor of PBCom.

3)

Promissory Note No. BNA —26253 dated May 25, 1982 in the sum of P1,000,000.00 executed by MICO in favor of PBCom.

4)

Promissory Note No. BNA —7458 dated May 21, 1982 in the sum of P377,000.00 executed by MICO in favor of PBCom.

5)

Promissory Note No. TA — 094 dated July 29, 1980 in the sum of P4,000,000.00 executed by MICO in favor of PBCom.

6)

Irrevocable letter of credit No. L-16060 dated July 2, 1981 issued in favor of Perez Battery Center for account of Mico Metals Corp.

7)

Draft dated July 2, 1981 in the sum of P348,000.00 issued by Perez Battery Center, beneficiary of irrevocable Letter of Credit No. No. L-16060 and accepted by MICO Metals corporation.

8)

Letter dated July 2, 1981 from Perez Battery Center addressed to private respondent PBCom showing that proceeds of the irrevocable letter of credit No. L- 16060 was received by Mr. Moises Rosete, representative of Perez Battery Center.

9)

Trust receipt dated July 2, 1981 executed by MICO in favor of PBCom covering the merchandise purchased under Letter of Credit No. 16060.

10)

Irrevocable letter of credit No. L-16334 dated September 22, 1981 issued in favor of Perez Battery Center for account of MICO Metals Corp.

11)

Draft dated September 22, 1981 in the sum of P290,000.00 issued by Perez Battery Center and accepted by MICO.

12)

Letter dated September 17, 1981 from Perez Battery addressed to PBCom showing that the proceeds of credit no. L-16344 was received by Mr. Moises Rosete, a representative of Perez Battery Center.

13)

Trust Receipt dated September 22, 1981 executed by MICO in favor of PBCom covering the merchandise

under Letter of Credit No. L-16334.

14)

Irrevocable Letter of Credit no. 61873 dated November 10, 1981 for US\$11,960.00 issued by PBCom in favor of TA JIH Enterprises Co. Ltd., through its correspondent bank, Irving Trust Company of Taipei, Taiwan.

15)

Trust Receipt dated December 15, 1981 executed by MICO in favor of PBCom showing that possession of the merchandise covered by Irrevocable Letter of Credit no. 61873 was released by PBCom to MICO.

16)

Letters dated March 2, 1979 from MICO signed by its president, Charles Lee, showing that MICO sought credit line from PBCom in the form of loans, letters of credit and trust receipt in the sum of P7,500,000.00.

17)

Letter dated July 14, 1980 from MICO signed by its president, Charles Lee, showing that MICO requested for additional financial assistance in the sum of P4,000,000.00.

18)

Board resolution dated March 6, 1979 of MICO authorizing Charles Lee and Mariano Sio singly or jointly to act and sign for and in behalf of MICO relative to the obtention of credit facilities from PBCom.

19)

Duly notarized Deed of Mortgage dated May 16, 1979 executed by MICO in favor of PBCom over MICO 's real properties covered by TCT Nos. 11248 and 11250 located in Pasig.

20)

Duly notarized Surety Agreement dated March 26, 1979 executed by herein petitioners Charles Lee, Mariano Sio, Alfonso Yap, Richard Velasco and Chua Siok Suy in favor of PBCom.

21)

Duly notarized Surety Agreement dated July 28, 1980 executed by herein petitioners Charles Lee, Mariano Sio, Alfonso Yap, Richard Velasco and Chua Siok Suy in favor of PBCom.

22)

Duly notarized certification dated July 28, 1980 issued by MICO 's corporate secretary, Mr. P.B. Barrera, attesting to the adoption of a board resolution authorizing Chua Siok Suy to sign, for and in behalf of MICO, all the necessary documents including contracts, loan instruments and mortgages relative to the obtention of various credit facilities from PBCom.

The above-cited documents presented have not merely created a prima facie case but have actually proved the solidary obligation of MICO and the petitioners, as sureties of MICO, in favor of respondent PBCom. While the presumption found under the Negotiable Instruments Law may not necessarily be applicable to trust receipts and letters of credit, the presumption that the drafts drawn in connection with the letters of credit have sufficient consideration. Under Section 3(r), Rule 131 of the Rules of Court there is also a presumption that sufficient consideration was given in a contract. Hence, petitioners should have presented credible evidence to rebut that presumption as well as the evidence presented by private respondent PBCom. The letters of credit show that the pertinent materials/merchandise have been received by MICO. The drafts signed by the beneficiary/suppliers in connection with the corresponding letters of credit proved that said suppliers were paid by PBCom for the account of MICO. On the other hand, aside from their bare denials petitioners did not present sufficient and competent evidence to rebut the evidence of private respondent PBCom. Petitioner MICO did not proffer a single piece of evidence, apart from its bare denials, to support its allegation that the loan transactions, real estate mortgage, letters of credit and trust receipts were issued allegedly without any consideration.

Petitioners-sureties, for their part, presented the By-Laws[34] of Mico Metals Corporation (MICO) to prove that only the president of MICO is authorized to borrow money, arrange letters of credit, execute trust receipts, and promissory notes and consequently, that the loan transactions, letters of credit, promissory notes and trust receipts, most of which were executed by Chua Siok Suy in representation of MICO were not allegedly authorized and hence, are not binding upon MICO. A perusal of the By-Laws of MICO, however, shows that the power to borrow money for the company and issue mortgages, bonds, deeds of trust and negotiable instruments or securities, secured by mortgages or pledges of property belonging to the company is not confined solely to the president of the corporation. The Board of Directors of MICO can also borrow money, arrange letters of credit, execute trust receipts and promissory notes on behalf of the corporation.[35] Significantly, this power of the Board of Directors according to the by-laws of MICO, may be delegated to any of its standing committee, officer or agent.[36] Hence, PBCom had every right to rely on the Certification issued by MICO's corporate secretary, P.B. Barrera, that Chua Siok Suy was duly authorized by its Board of Directors to borrow money and obtain credit facilities in behalf MICO from PBCom.

Petitioners-sureties also presented a letter of their counsel dated October 9, 1982, addressed to private respondent PBCom purportedly to show that PBCom knew that Chua Siok Suy allegedly used the credit and good names of the petitioner-sureties for his benefit, and that petitioner-sureties were made to sign blank documents and were furnished copies of the same. The letter, however, is in fact merely a reply of petitioners-sureties' counsel to PBCom's demand for payment of MICO's obligations, and appears to be an inconsequential piece of self-serving evidence.

In addition to the foregoing, MICO and petitioners-sureties cited the decision of the trial court which stated that there was no proof that the proceeds of the loans were ever delivered to MICO. Although the private respondent's witness, Mr. Gardiola, testified that the proceeds of the loans were deposited in MICO's current account with PBCom, his testimony was allegedly not supported by any bank record, note or memorandum. A careful scrutiny of the record including the transcript of stenographic notes reveals, however, that although private respondent PBCom was willing to produce the corresponding account ledger showing that the proceeds of the loans were

credited to MICO's current account with PBCom, MICO in fact vigorously objected to the presentation of said document. That point is shown in the testimony of PBCom's witness, Gardiola, thus:

Q:

Now, all of these promissory note Exhibits "I" and "J" which as you have said previously (sic) availed originally by defendant Mico Metals Corp. sometime in 1979, my question now is, do you know what happened to the proceeds of the original availment?

A:

Well, it was credited to the current account of Mico Metals Corp.

Q:

Why did it was credited to the proceeds to the account of Mico Metals Corp? (sic)

A:

Well, that is our understanding.

ATTY. DURAN:

Your honor, may we be given a chance to object, the best evidence is the so-called current account...

COURT:

Can you produce the ledger account?

A:

Yes, Your Honor, I will bring.

COURT:

The ledger or record of the current account of Mico Metals Corp.

A:

Yes, Your Honor.

ATTY. ACEJAS:

Your Honor, these are a confidential record, and they might not be disclosed without the consent of the person concerned. (sic)

ATTY. SANTOS:

Well, you are the one who is asking that.

ATTY. DURAN:

Your Honor, I'm precisely want to show for the ... (sic)

COURT:

But the amount covered by the current account of defendant Mico Metals Corp. is the subject matter of this case.

xxx xxx xxx

Q:

Are those availments were release? (sic)

A:

Yes, Your Honor, to the defendant corporation.

Q:

By what means?

A:

By the credit to their current account.

ATTY. ACEJAS:

We object to that, your Honor, because the disclose is the secrecy of the bank deposit. (sic)

xxx xxx xxx

Q:

Before the recess Mr. Gardiola, you stated that the proceeds of the three (3) promissory notes were credited to the accounts of Mico Metals Corporation, now do you know what kind of current account was that which you are referring to?

ATTY. ACEJAS:

Objection your Honor, that is the disclose of the deposit of defendant Mico Metals Corporation and it cannot disclosed without the authority of the depositor. (sic)[37]

That proceeds of the loans which were originally availed of in 1979 were delivered to MICO is bolstered by the fact that more than a year later, specifically on July 14, 1980, MICO through its president, petitioner-surety Charles Lee, requested for an additional loan of Four Million Pesos (P4,000,000.00) from PBCom. The fact that MICO was requesting for an additional loan implied that it has already availed of earlier loans from PBCom.

Petitioners allege that PBCom presented no evidence that it remitted payments to cover the domestic and foreign letters of credit. Petitioners placed much reliance on the erroneous decision of the trial court which stated that private respondent PBCom allegedly failed to prove that it actually made payments under the letters of credit since the bank drafts presented as evidence show that they were made in favor of the Bank of Taiwan and First

Commercial Bank.

Petitioners' allegations are untenable.

Modern letters of credit are usually not made between natural persons. They involve bank to bank transactions. Historically, the letter of credit was developed to facilitate the sale of goods between, distant and unfamiliar buyers and sellers. It was an arrangement under which a bank, whose credit was acceptable to the seller, would at the instance of the buyer agree to pay drafts drawn on it by the seller, provided that certain documents are presented such as bills of lading accompanied the corresponding drafts. Expansion in the use of letters of credit was a natural development in commercial banking.[38] Parties to a commercial letter of credit include (a) the buyer or the importer, (b) the seller, also referred to as beneficiary, (c) the opening bank which is usually the buyer's bank which actually issues the letter of credit, (d) the notifying bank which is the correspondent bank of the opening bank through which it advises the beneficiary of the letter of credit, (e) negotiating bank which is usually any bank in the city of the beneficiary. The services of the notifying bank must always be utilized if the letter of credit is to be advised to the beneficiary through cable, (f) the paying bank which buys or discounts the drafts contemplated by the letter of credit, if such draft is to be drawn on the opening bank or on another designated bank not in the city of the beneficiary. As a rule, whenever the facilities of the opening bank are used, the beneficiary is supposed to present his drafts to the notifying bank for negotiation and (g) the confirming bank which, upon the request of the beneficiary, confirms the letter of credit issued by the opening bank.

From the foregoing, it is clear that letters of credit, being usually bank to bank transactions, involve more than just one bank. Consequently, there is nothing unusual in the fact that the drafts presented in evidence by respondent bank were not made payable to PBCom. As explained by respondent bank, a draft was drawn on the Bank of Taiwan by Ta Jih Enterprises Co., Ltd. of Taiwan, supplier of the goods covered by the foreign letter of credit. Having paid the supplier, the Bank of Taiwan then presented the bank draft for reimbursement by PBCom's correspondent bank in Taiwan, the Irving Trust Company — which explains the reason why on its face, the draft was made payable to the Bank of Taiwan. Irving Trust Company accepted and endorsed the draft to PBCom. The draft was later transmitted to PBCom to support the latter's claim for payment from MICO. MICO accepted the draft upon presentment and negotiated it to PBCom.

Petitioners further aver that MICO never requested that legal possession of the merchandise be transferred to PBCom by way of trust receipts. Petitioners insist that assuming that MICO transferred possession of the merchandise to PBCom by way of trust receipts, the same would be illegal since PBCom, being a banking institution, is not authorized by law to engage in the business of importing and selling goods.

A trust receipt is considered as a security transaction intended to aid in financing importers and retail dealers who do not have sufficient funds or resources to finance the importation or purchase of merchandise, and who may not be able to acquire credit except through utilization, as collateral of the merchandise imported or purchased.[39] A trust receipt, therefor, is a document of security pursuant to which a bank acquires a "security interest" in the goods under trust receipt. Under a letter of credit-trust receipt arrangement, a bank extends a loan covered by a letter of credit, with the trust receipt as a security for the loan. The transaction involves a loan feature represented by a letter of credit, and a security feature which is in the covering trust receipt which secures an indebtedness.

Petitioners' averments with regard to the second issue are no less incredulous. Petitioners' contend that the letters of credit, surety agreements and loan transactions did not ripen into valid and binding contracts since no part of the proceeds of the loan transactions were delivered to MICO or to any of the petitioners- sureties. Petitioners-sureties allege that Chua Siok Suy was the beneficiary of the proceeds of the loans and that the latter made them sign the surety agreements in blank. Thus, they maintain that they should not be held accountable for

any liability that might arise therefrom.

It has not escaped our notice that it was petitioner-surety Charles Lee, as president of MICO Metals Corporation, who first requested for a discounting loan of Three Million Pesos (P3,000,000.00) from PBCom as evidenced by his letter dated March 2, 1979.[40] On the same day, Charles Lee, as President of MICO, requested for a Letter of Credit and Trust Receipt line in the sum of Three Million Pesos (P3,000,000.00).[41] Still, on the same day, Charles Lee again as President of MICO, wrote another letter to PBCOM requesting for a financing line in the sum of One Million Five Hundred Thousand Pesos (P1,500,000.00) to be used exclusively as marginal deposit for the opening of MICO's foreign and local letters of credit with PBCom.[42] More than a year later, it was also Charles Lee, again in his capacity as president of MICO, who asked for an additional loan in the sum of Four Million Pesos (P4,000,000.00). The claim therefore of petitioners that it was Chua Siok Suy, in connivance with the respondent PBCom, who applied for and obtained the loan transactions and letters of credit strains credulity considering that even the Deed of the Real Estate Mortgage in favor of PBCom was executed by petitioner-surety Mariano Sio in his capacity as general manager of MICO[43] to secure the loan accommodations obtained by MICO from PBCom.

Petitioners-sureties allege that they were made to sign the surety agreements in blank by Chua Siok Suy. Petitioner Alfonso Yap, the corporate treasurer, for his part testified that he signed booklets of checks, surety agreements and promissory notes in blank; that he signed the documents in blank despite his misgivings since Chua Siok Suy assured him that the transaction can easily be taken care of since Chua Siok Suy personally knew the Chairman of the Board of PBCom; that he was not receiving salary as treasurer of Mico Metals and since Chua Siok Suy had a direct hand in the management of Malayan Sales Corporation, of which Yap is an employee, he (Yap) signed the documents in blank as consideration for his continued employment in Malayan Sales Corporation. Petitioner Antonio Co testified that he worked as office manager for MICO from 1978-1982. As office manager, he was the one in charge of transacting business like purchasing, selling and paying the salary of the employees. He was also in charge of the handling of documents pertaining to surety agreements, trust receipts and promissory notes;[44] that when he first joined MICO Metals Corporation, he was able to read the by-laws of the corporation and he came to know that only the chairman and the president can borrow money in behalf of the corporation; that Chua Siok Suy once called him up and told him to secure an invoice so that a credit line can be opened in the bank with a local letter of credit; that when the invoice was secured, he (Co) brought it together with the application for a credit line to Chua Siok Suy, and that he questioned the authority of Chua Siok Suy pointing out that he (Co) is not empowered to sign the document inasmuch as only the latter, as president, was authorized to do so. However, Chua Siok Suy allegedly just said that he had already talked with the Chairman of the Board of PBCom; and that Chua Siok Suy reportedly said that he needed the money to finance a project that he had with the Taipei government. Co also testified that he knew of the application for domestic letter of credit in the sum of Three Hundred Forty-Eight Thousand Pesos (P348,000.00); and that a certain Moises Rosete was authorized to claim the check covering the Three Hundred Forty-Eight Thousand Pesos (P348,000.00) from PBCom; and that after claiming the check Rosete brought it to Perez Battery Center for indorsement after which the same was deposited to the personal account of Chua Siok Suy.[45]

We consider as incredible and unacceptable the claim of petitioners-sureties that the Board of Directors of MICO was so careless about the business affairs of MICO as well as about their own personal reputation and money that they simply relied on the say so of Chua Siok Suy on matters involving millions of pesos. Under Section 3 (d), Rule 131 of the Rules of Court, it is presumed that a person takes ordinary care of his concerns. Hence, the natural presumption is that one does not sign a document without first informing himself of its contents and consequences. Said presumption acquires greater force in the case at bar where not only one but several documents were executed at different times and at different places by the petitioner sureties and Chua Siok Suy as

president of MICO.

MICO and herein petitioners-sureties insist that Chua Siok Suy was not duly authorized to negotiate for loans in behalf of MICO from PBCom. Petitioners' allegation, however, is belied by the July 28, 1980 Certification issued by the corporate secretary of PBCom, Atty. P.B. Barrera, that MICO's Board of Directors gave Chua Siok Suy full authority to negotiate for loans in behalf of MICO with PBCom. In fact, the Certification even provided that Chua Siok Suy's authority continues until and unless PBCom is notified in writing of the withdrawal thereof by the said Board. Notably, petitioners failed to contest the genuineness of the said Certification which is notarized and to show any written proof of any alleged withdrawal of the said authority given by the Board of Directors to Chua Siok Suy to negotiate for loans in behalf of MICO.

There was no need for PBCom to personally inform the petitioners-sureties individually about the terms of the loans, letters of credit and other loan documents. The petitioners-sureties themselves happen to comprise the Board of Directors of MICO, which gave full authority to Chua Siok Suy to negotiate for loans in behalf of MICO. Notice to MICO's authorized representative, Chua Siok Suy, was notice to MICO. The Certification issued by PBCom's corporate secretary, Atty. P.B. Barrera, indicated that Chua Siok Suy had full authority to negotiate and sign the necessary documents, in behalf of MICO for loans from PBCom. Respondent PBCom therefore had the right to rely on the said notarized Certification of MICO's Corporate Secretary.

Anent petitioners-sureties contention that they obtained no consideration whatsoever on the surety agreements, we need only point out that the consideration for the sureties is the very consideration for the principal obligor, MICO, in the contracts of loan. In the case of *Willex Plastic Industries Corporation vs. Court of Appeals*,^[46] we ruled that the consideration necessary to support a surety obligation need not pass directly to the surety, a consideration moving to the principal alone being sufficient. For a guarantor or surety is bound by the same consideration that makes the contract effective between the parties thereto. It is not necessary that a guarantor or surety should receive any part or benefit, if such there be, accruing to his principal.

Petitioners placed too much reliance on the rule in evidence that the burden of proof does not shift whereas the burden of going forward with the evidence does pass from party to party. It is true that said rule is not changed by the fact that the party having the burden of proof has introduced evidence which established *prima facie* his assertion because such evidence does not shift the burden of proof; it merely puts the adversary to the necessity of producing evidence to meet the *prima facie* case. Where the defendant merely denies, either generally or otherwise, the allegations of the plaintiff's pleadings, the burden of proof continues to rest on the plaintiff throughout the trial and does not shift to the defendant until the plaintiff's evidence has been presented and duly offered. The defendant has then no burden except to produce evidence sufficient to create a state of equipoise between his proof and that of the plaintiff to defeat the latter, whereas the plaintiff has the burden, as in the beginning, of establishing his case by a preponderance of evidence.^[47] But where the defendant has failed to present and marshal evidence sufficient to create a state of equipoise between his proof and that of plaintiff, the *prima facie* case presented by the plaintiff will prevail.

In the case at bar, respondent PBCom, as plaintiff in the trial court, has in fact presented sufficient documentary and testimonial evidence that proved by preponderance of evidence its subject collection case against the defendants who are the petitioners herein. In view of all the foregoing, the Court of Appeals committed no reversible error in its appealed Decision.

WHEREFORE, the assailed Decision of the Court of Appeals in CA-G.R. CV No. 27480 entitled, "*Philippine Bank of Communications vs. Mico Metals Corporation, Charles Lee, Chua Siok Suy, Mariano Sio, Alfonso Yap, Richard Velasco and Alfonso Co.*," is **AFFIRMED** in toto.

Costs against the petitioners.

SO ORDERED.

Bellosillo, (Chairman), Mendoza, Quisumbing, and Buena, JJ., concur.

[1] Penned by Associate Justice Corona Ibay-Somera and concurred in by Associate Justices Fidel P. Purisima and Asaali S. Isnani, Second Division; Rollo, G.R. No. 117913, pp. 57-84.

[2] Should not have been included as petitioner since the RTC granted the motion of private respondent to drop his name as one of the defendants inasmuch as he was in Taiwan where he later died when the RTC issued the summons and alias summons for service, to petitioner Suy.

[3] Should not have been included as petitioner since the RTC granted the motion of private respondent to drop his name as one of the defendants, without prejudice, since the summons and the alias service of summons could not be served on him inasmuch as his whereabouts are unknown.

[4] Exhibit "E", Records, p. 372.

[5] Exhibit "I", Records, p. 383.

[6] Exhibit "J", Records, p. 384.

[7] Exhibit "K", Records, p. 385.

[8] Exhibit "G", Records, pp. 377-378.

[9] Exhibit "N", Records, pp. 389-390.

[10] Exhibit "H", Records, p. 380-381.

[11] Exhibit "L", Records, p. 386.

[12] Exhibit "O", Records, p.391.

[13] Exhibit "O-1", Records, p. 392.

[14] Exhibit "O-2", Records, p. 393.

[15] Exhibit "O-4", Records, p. 395.

[16] Exhibit "P", Records, p. 396.

[17] Exhibit "P-1", Records, p. 397.

[18] Exhibit "P-4", Records, p. 400

[19] Exhibit "Q", Records, p. 401

[20] Exhibit "Q-1", Records, p. 405.

[21] Exhibit "Q-2", Records, p. 406.

[22] Exhibit "Q-3", Records, p. 407.

[23] Exhibit "Q-4", Records, p. 408.

[24] Exhibit “Q-7”, Records, p.411.

[25] Exhibit “R”, Records, p. 412.

[26] Exhibit “R-1”, Records, p. 416.

[27] Exhibit “R-3”, Records, p. 418.

[28] Exhibit “R-5”, Records, p. 420.

[29] Records, p. 440.

[30] Exhibit “T”, Records, p. 422.

[31] 200 SCRA 37,44 [1991].

[32] G.R. No. 117913, Rollo, p.9.

[33] Section 1, Rule 133 Rules of Court.

[34] Exhibit "1", Records, p. 641.

[35] By-Laws, Article II (d), Records, p. 642.

[36] By-Laws, Article 11(e), Records, p. 642.

[37] TSN, November 15, 1983, pp. 24-25, 27, 28.

[38] 50 AM JUR 2d, Letters of Credit §1.

[39] Vintola v. Insular Bank of Asia and Amercia, 150 SCRA 578, 583-584 [1987] citing Samo v. People, 5 SCRA 354, 356-357 [1962].

[40] Exhibit “A”, Records, p. 368.

[41] Exhibit “B”, Records, p. 369.

[42] Exhibit “C”, Records, p. 370.

[43] Exhibit “F”, Records, pp. 373-376.

[44] TSN, June 25, 1985, pp. 25-26.

[45] TSN, June 25, 1985, pp. 30-34.

[46] 256 SCRA 478,486 [1996].

[47] I.B. JONES, THE LAW OF EVIDENCE IN CIVIL CASES 313-314 §178 (4[TH] ed., 1938).

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.