

CARLOS M. BENEDICTO AND ELIZA BENEDICTO AND ANTONIO V. BENEDICTO AND PACIENCIA BENEDICTO, PETITIONERS, VS. PHILIPPINE NATIONAL BANK, RESPONDENT.

G.R. NO. 126108. February 28, 2007

Ponente: CORONA, J.

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CORONA, J.:

In this petition for review on certiorari under Rule 45 of the Rules of Court, petitioners raise this question of law: whether or not RA 7202[3] and its Implementing Rules and Regulations (IRR) are applicable to the case at bar.

The findings of fact of the trial court[4] and the Court of Appeals[5] follow.

On various dates,[6] petitioners Carlos Benedicto, Eliza Benedicto, Antonio Benedicto and Paciencia Benedicto, jointly and severally, obtained from respondent Philippine National Bank several loans amounting to P251,908.65 [7] secured by real estate mortgage over properties covered by TCT Nos. T-6971, T-2055 and T-273.

For petitioners' failure to settle their obligation, the total indebtedness soared to P450,334.05.[8] To satisfy this liability, respondent foreclosed on the mortgaged properties. At the public auction held on September 29, 1981, respondent was adjudged the highest bidder and a certificate of sale was issued to it. After deducting the proceeds of the auction sale from petitioners' outstanding obligation, there remained a deficiency in the amount of P283,409.05, including accrued interest and annual service charges. Despite respondent's repeated demands, petitioners refused to pay. Consequently, an action for recovery of the deficiency was filed by respondent against petitioners.

On July 30, 1986, the trial court ordered petitioners to pay, jointly and severally, the amount of P283,409.05 plus attorney's fees and costs of suit.[9]

On appeal, the Court of Appeals affirmed the findings of the trial court in toto.[10] According to the Court of Appeals, "a simple reading of all the promissory notes will readily reveal identical stipulations that the obligation is joint and several. No amount of rhetoric can alter this fact." [11]

The motion for reconsideration was denied.[12] Hence, this petition.

RA 7202 aimed to reconstitute the losses suffered by sugar producers due to actions taken by government agencies in order to revive the economy in the sugar-producing areas of the country.

Sections 3 and 4 of RA 7202 read:

Sec. 3. The Philippine National Bank, the Republic Planters Bank, the Development Bank of the Philippines and other government-owned and controlled financial institutions which have granted loans to the sugar producers shall extend to accounts of said sugar producers incurred from Crop Year 1974-1975 up to and including Crop Year 1984-1985 the following:

(a)

Condonation of interest charged by the banks in excess of twelve percent (12%) per annum and all penalties and surcharges;

(b)

The recomputed loans shall be amortized for a period of thirteen (13) years inclusive of a three-year grace period on principal ...

Sec. 4. Account of sugar producers pertaining to Crop Year 1974-1975 up to and including Crop Year 1984-1985 which have been fully or partially paid or may have been the subject of restructuring and other similar arrangement with government banks shall be covered by the provision abovestated. ... (emphasis supplied)

From the foregoing, it was crucial before this law could apply that all persons seeking entitlement should have first complied with the condition set by the statute.

Furthermore, under Section 6 of RA 7202's IRR, a positive act on the borrower-sugar producer had to be taken:

In accordance with the abovementioned provisions, all sugar producers shall file with the lending banks their applications for condonation and restructuring. (emphasis ours)

Petitioners unfortunately failed to comply with this requirement.

To benefit from the law, petitioners had the burden of proving by preponderance of evidence their compliance with the prerequisite. But they failed to show proof of this application for condonation, re-computation and restructuring of their loans. It follows, therefore, that they were disqualified from availing of the benefits of RA 7202.

RA 7202 was not self-executory and could not serve outright as legal authority for sugar producers to claim the benefits thereunder. Condonation and restructuring of loans procured by sugar producers from government banks and other financial institutions did not take effect by operation of law.

WHEREFORE, the petition is hereby DENIED and the impugned April 18, 1996 decision of the Court of Appeals is AFFIRMED.

Costs against petitioners.

SO ORDERED.

Puno, C. J., (Chairperson), Sandoval-Gutierrez, and Garcia, JJ., concur.
Azcuna, J., on official leave.

[1] Spouses Antonio and Paciencia Benedicto were already deceased when this petition was filed.

[2] In the petition for review, the Court of Appeals was named as respondent. This is not necessary since this is a petition for review under Rule 45 of the Rules of Court.

[3] Known as "An Act Authorizing the Restitution of Losses Suffered by Sugar Producers from Crop Year 1974-1975 to Crop Year 1984-1985 due to the Actions of Government Owned and Controlled Agencies."

[4] Regional Trial Court of Ormoc City, Branch XII.

[5] Fifth Division.

[6] December 7, 1975 and October 10, 1977, as stated in the CA decision, rollo, p. 28.

[7] CA decision, rollo, p. 28.

[8] Id.

[9] Penned by Judge Francisco C. Pedrosa, RTC of Ormoc City, Branch XII, rollo, pp. 81-85.

[10] Penned by Associate Justice Pacita Cañizares-Nye and concurred in by Associate Justices Pedro A. Ramirez and Romeo J. Callejo, Sr. (now Associate Justice of the Supreme Court) of the Fifth Division of the Court of Appeals, dated 18 April 1996, rollo, pp. 28-35.

[11] CA decision, rollo, p. 34.

[12] Dated July 19, 1996, rollo, p. 37.

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