

ROSARIO TEXTILE MILLS CORPORATION AND EDILBERTO YUJUICO, PETITIONERS, VS. HOME BANKERS SAVINGS AND TRUST COMPANY, RESPONDENT.

G.R. NO. 137232. June 29, 2005

Ponente: SANDOVAL-GUTIERREZ, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-137232/>

SANDOVAL-GUTIERREZ, J.:

For our resolution is the petition for review on certiorari assailing the Decision[1] of the Court of Appeals dated March 31, 1998 in CA-G.R. CV No. 48708 and its Resolution dated January 12, 1999.

The facts of the case as found by the Court of Appeals are:

“Sometime in 1989, Rosario Textile Mills Corporation (RTMC) applied from Home Bankers Savings & Trust Co. for an Omnibus Credit Line for P10 million. The bank approved RTMC’s credit line but for only P8 million. The bank notified RTMC of the grant of the said loan thru a letter dated March 2, 1989 which contains terms and conditions conformed by RTMC thru Edilberto V. Yujuico. On March 3, 1989, Yujuico signed a Surety Agreement in favor of the bank, in which he bound himself jointly and severally with RTMC for the payment of all RTMC’s indebtedness to the bank from 1989 to 1990. RTMC availed of the credit line by making numerous drawdowns, each drawdown being covered by a separate promissory note and trust receipt. RTMC, represented by Yujuico, executed in favor of the bank a total of eleven (11) promissory notes.

Despite the lapse of the respective due dates under the promissory notes and notwithstanding the bank’s demand letters, RTMC failed to pay its loans. Hence, on January 22, 1993, the bank filed a complaint for sum of money against RTMC and Yujuico before the Regional Trial Court, Br. 16, Manila.

In their answer (OR, pp. 44-47), RTMC and Yujuico contend that they should be absolved from liability. They claimed that although the grant of the credit line and the execution of the suretyship agreement are admitted, the bank gave assurance that the suretyship agreement was merely a formality under which Yujuico will not be personally liable. They argue that the importation of raw materials under the credit line was with a grant of option to them to turn-over to the bank the imported raw materials should these fail to meet their manufacturing requirements. RTMC offered to make such turn-over since the imported materials did not conform to the required specifications. However, the bank refused to accept the same, until the materials were destroyed by a fire which gutted down RTMC’s premises.

For failure of the parties to amicably settle the case, trial on the merits proceeded. After the trial, the Court a quo rendered a decision in favor of the bank, the decretal part of which reads:

‘WHEREFORE, PREMISES CONSIDERED, judgment is hereby rendered in favor of plaintiff and against defendants who are ordered to pay jointly and severally in favor of plaintiff, inclusive of stipulated 30% per annum interest and penalty of 3% per month until fully paid, under the following promissory notes:

90-1116 6-20-90 P737,088.25 9-18-90

(maturity)

90-1320 7-13-90 P650,000.00 10-11-90

90-1334 7-17-90 P422,500.00 10-15-90

90-1335 7-17-90 P422,500.00 10-15-90

90-1347 7-18-90 P795,000.00 10-16-90

90-1373 7-20-90 P715,900.00 10-18-90

90-1397 7-27-90 P773,500.00 10-20-90

90-1429 7-26-90 P425,750.00 10-24-90

90-1540 8-7-90 P720,984.00 11-5-90

90-1569 8-9-90 P209,433.75 11-8-90

90-0922 5-28-90 P747,780.00 8-26-90

The counterclaims of defendants are hereby DISMISSED.

SO ORDERED.” (OR, p. 323; Rollo, p. 73).”[2]

Dissatisfied, RTMC and Yujuico, herein petitioners, appealed to the Court of Appeals, contending that under the trust receipt contracts between the parties, they merely held the goods described therein in trust for respondent Home Bankers Savings and Trust Company (the bank) which owns the same. Since the ownership of the goods remains with the bank, then it should bear the loss. With the destruction of the goods by fire, petitioners should have been relieved of any obligation to pay.

The Court of Appeals, however, affirmed the trial court’s judgment, holding that the bank is merely the holder of the security for its advance payments to petitioners; and that the goods they purchased, through the credit line extended by the bank, belong to them and hold said goods at their own risk.

Petitioners then filed a motion for reconsideration but this was denied by the Appellate Court in its Resolution dated January 12, 1999.

Hence, this petition for review on certiorari ascribing to the Court of Appeals the following errors:

“I

THE HONORABLE COURT OF APPEALS ERRED IN NOT HOLDING THAT THE ACTS OF THE PETITIONERS-DEFENDANTS WERE TANTAMOUNT TO A VALID AND EFFECTIVE TENDER OF THE GOODS TO THE RESPONDENT-PLAINTIFF.

II

THE HONORABLE COURT OF APPEALS ERRED IN NOT APPLYING THE DOCTRINE OF ‘RES PERIT DOMINO’ IN THE CASE AT BAR CONSIDERING THE VALID AND EFFECTIVE TENDER OF THE DEFECTIVE RAW MATERIALS BY THE PETITIONERS-DEFENDANTS TO THE RESPONDENT-PLAINTIFF AND THE EXPRESS STIPULATION IN THEIR CONTRACT THAT OWNERSHIP OF THE GOODS REMAINS WITH THE RESPONDENT-PLAINTIFF.

III

THE HONORABLE COURT OF APPEALS VIOLATED ARTICLE 1370 OF THE CIVIL CODE AND THE LONG-STANDING JURISPRUDENCE THAT ‘INTENTION OF THE PARTIES IS PRIMORDIAL’ IN ITS FAILURE TO UPHOLD THE INTENTION OF THE PARTIES THAT THE SURETY AGREEMENT

WAS A MERE FORMALITY AND DID NOT INTEND TO HOLD PETITIONER YUJUICO LIABLE UNDER THE SAME SURETY AGREEMENT.

IV

ASSUMING ARGUENDO THAT THE SURETYSHIP AGREEMENT WAS VALID AND EFFECTIVE, THE HONORABLE COURT OF APPEALS VIOLATED THE BASIC LEGAL PRECEPT THAT A SURETY IS NOT LIABLE UNLESS THE DEBTOR IS HIMSELF LIABLE.

V

THE HONORABLE COURT OF APPEALS VIOLATED THE PURPOSE OF TRUST RECEIPT LAW IN HOLDING THE PETITIONERS LIABLE TO THE RESPONDENT.”

The above assigned errors boil down to the following issues: (1) whether the Court of Appeals erred in holding that petitioners are not relieved of their obligation to pay their loan after they tried to tender the goods to the bank which refused to accept the same, and which goods were subsequently lost in a fire; (2) whether the Court of Appeals erred when it ruled that petitioners are solidarily liable for the payment of their obligations to the bank; and (3) whether the Court of Appeals violated the Trust Receipts Law.

On the first issue, petitioners theorize that when petitioner RTMC imported the raw materials needed for its manufacture, using the credit line, it was merely acting on behalf of the bank, the true owner of the goods by virtue of the trust receipts. Hence, under the doctrine of *res perit domino*, the bank took the risk of the loss of said raw materials. RTMC’s role in the transaction was that of end user of the raw materials and when it did not accept those materials as they did not meet the manufacturing requirements, RTMC made a valid and effective tender of the goods to the bank. Since the bank refused to accept the raw materials, RTMC stored them in its warehouse. When the warehouse and its contents were gutted by fire, petitioners’ obligation to the bank was accordingly extinguished.

Petitioners’ stance, however, conveniently ignores the true nature of its transaction with the bank. We recall that RTMC filed with the bank an application for a credit line in the amount of P10 million, but only P8 million was approved. RTMC then made withdrawals from this credit line and issued several promissory notes in favor of the bank. In banking and commerce, a credit line is “that amount of money or merchandise which a banker, merchant, or supplier agrees to supply to a person on credit and generally agreed to in advance.”[3] It is the fixed limit of credit granted by a bank, retailer, or credit card issuer to a customer, to the full extent of which the latter may avail himself of his dealings with the former but which he must not exceed and is usually intended to cover a series of transactions in which case, when the customer’s line of credit is nearly exhausted, he is expected to reduce his indebtedness by payments before making any further drawings.[4]

It is thus clear that the principal transaction between petitioner RTMC and the bank is a contract of loan. RTMC used the proceeds of this loan to purchase raw materials from a supplier abroad. In order to secure the payment of the loan, RTMC delivered the raw materials to the bank as collateral. Trust receipts were executed by the parties to evidence this security arrangement. Simply stated, the trust receipts were mere securities.

In *Samo vs. People*,[5] we described a trust receipt 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.”[6]

In *Vintola vs. Insular Bank of Asia and America*,[7] we elucidated further that “a trust receipt, therefore, is a security agreement, pursuant to which a bank acquires a ‘security interest’ in the goods. It secures an indebtedness and there can be no such thing as security interest that secures no obligation.”[8] Section 3 (h) of the Trust Receipts Law (P.D. No. 115) defines a “security interest” as follows:

“(h) Security Interest means a property interest in goods, documents, or instruments to secure performance of some obligation of the entrustee or of some third persons to the entruster and includes title, whether or not expressed to be absolute, whenever such title is in substance taken or retained for security only.”

Petitioners’ insistence that the ownership of the raw materials remained with the bank is untenable. In *Sia vs. People*,^[9] *Abad vs. Court of Appeals*,^[10] and *PNB vs. Pineda*,^[11] we held that:

“If under the trust receipt, the bank is made to appear as the owner, it was but an artificial expedient, more of legal fiction than fact, for if it were really so, it could dispose of the goods in any manner it wants, which it cannot do, just to give consistency with purpose of the trust receipt of giving a stronger security for the loan obtained by the importer. To consider the bank as the true owner from the inception of the transaction would be to disregard the loan feature thereof...”^[12]

Thus, petitioners cannot be relieved of their obligation to pay their loan in favor of the bank.

Anent the second issue, petitioner Yujuico contends that the suretyship agreement he signed does not bind him, the same being a mere formality.

We reject petitioner Yujuico’s contentions for two reasons.

First, there is no record to support his allegation that the surety agreement is a “mere formality;” and

Second, as correctly held by the Court of Appeals, the Suretyship Agreement signed by petitioner Yujuico binds him. The terms clearly show that he agreed to pay the bank jointly and severally with RTMC. The parole evidence rule under Section 9, Rule 130 of the Revised Rules of Court is in point, thus:

“SEC. 9. Evidence of written agreements. – When the terms of an agreement have been reduced in writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement.

However, a party may present evidence to modify, explain, or add to the terms of the written agreement if he puts in issue in his pleading:

- (a) An intrinsic ambiguity, mistake, or imperfection in the written agreement;
- (b) The failure of the written agreement to express the true intent and agreement of the parties thereto;
- (c) The validity of the written agreement; or
- (d) The existence of other terms agreed to by the parties or their successors in interest after the execution of the written agreement.

x x x.”

Under this Rule, the terms of a contract are rendered conclusive upon the parties and evidence aliunde is not admissible to vary or contradict a complete and enforceable agreement embodied in a document.^[13] We have carefully examined the Suretyship Agreement signed by Yujuico and found no ambiguity therein. Documents must be taken as explaining all the terms of the agreement between the parties when there appears to be no ambiguity in the language of said documents nor any failure to express the true intent and agreement of the parties.^[14]

As to the third and final issue – At the risk of being repetitious, we stress that the contract between the parties is a loan. What respondent bank sought to collect as creditor was the loan it granted to petitioners. Petitioners’ recourse is to sue their supplier, if indeed the materials were defective.

WHEREFORE, the petition is DENIED. The assailed Decision and Resolution of the Court of Appeals in CA-G.R. CV No. 48708 are AFFIRMED IN TOTO. Costs against petitioners.
SO ORDERED.

Panganiban, (Chairman), Corona, Carpio-Morales, and Garcia, JJ., concur.

[1] Rollo, pp. 83-91. Penned by Associate Justice Ruben T. Reyes, with Associate Justices Quirino D. Abad Santos, Jr., and Hilarion L. Aquino (both retired), concurring.

[2] Rollo, pp. 84-86.

[3] Black's Law Dictionary (6th Ed. 1990) 368.

[4] Modoc Meat & Cattle Co. vs. First State Bank of Oregon, 271 Or. 276, 532 P. 2d 21, 25.

[5] 115 Phil. 346 (1962).

[6] Id. at 349.

[7] G.R. No. 73271, May 29, 1987, 150 SCRA 578.

[8] Id. at 583.

[9] G.R. No. 30896, April 28, 1983, 121 SCRA 655.

[10] G.R. No. 42735, January 22, 1990, 181 SCRA 191.

[11] G.R. No. 46658, May 13, 1991, 197 SCRA 1.

[12] Sia vs. People, supra at 665.

[13] Magellan Mfg. Marketing Corp. vs. Court of Appeals, G.R. No. 95529, August 22, 1991, 201 SCRA 102, 112.

[14] Ortáñez vs. Court of Appeals, G.R. No. 107232, January 23, 1997, 266 SCRA 551, 567.

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.