

**GUILLERMO DELA CRUZ, PETITIONER, VS. HON. DEODORO J. SISON
AND METROPOLITAN BANK & TRUST CO.
(METROBANK),RESPONDENTS.**

G.R. NO. 142464. September 26, 2005

Ponente: AUSTRIA-MARTINEZ, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-142464/>

AUSTRIA-MARTINEZ, J.

Assailed in this petition for certiorari is the Decision dated October 28, 1999[1] rendered by the Court of Appeals (CA) in CA-G.R. SP No. 50772, granting respondent bank's petition for annulment of judgment, and its Resolution dated March 17, 2000,[2] denying petitioner's motion for reconsideration.

The facts are as follows:

On March 19, 1998, petitioner filed with the Regional Trial Court of Dagupan City (Branch 40) a Complaint for Accounting, Sum of Money and Damages against respondent bank, docketed as Civil Case No. 98-02227-D,[3] wherein petitioner sought the return of the sum of P730,000.00, representing the amount deposited by him, together with Adelina Dela Cruz, with respondent bank, as covered by Certificates of Time Deposit Nos. 4900683 and 490891. He also prayed for the following sums: (1) P1,000,000.00 as moral damages; (2) P50,000.00 as attorney's fees and P30,000.00 as litigation expenses; (3) P200,000.00 as exemplary damages; and (4) costs of suit.[4] In support of his prayer, petitioner alleged in his Complaint that after several efforts to find out about the status of his deposits with respondent bank, he learned that Certificates of Time Deposit Nos. 4900683 and 490891 had already been declared lost by Adelina Dela Cruz and Certificates of Time Deposit Nos. 7532 and 7531 were issued on July 7, 1986, in lieu thereof. The amount was then withdrawn on August 11, 1986, through Cashier's Check No. 7448 without his knowledge or consent.[5]

Summons was served on respondent bank on April 2, 1998, and two days after, respondent bank filed a motion for extension of time to file answer.

On April 28, 1998, respondent bank filed its Answer denying any liability. According to respondent bank, the sum had already been withdrawn by Adelina Dela Cruz, who is the principal holder of the accounts. It averred that new certificates of time deposit were allowed to be issued after it had made diligent inquiries regarding Adelina Dela Cruz's claim that these were lost. It also claimed that on August 11, 1986, petitioner and Adelina Dela Cruz procured a loan from respondent bank in the amount of P730,000.00, payable on November 10, 1986. As security, they assigned all their rights, title to, and interests to their deposit covered by Certificates of Time Deposit Nos. 7532 and 7531 under a Deed of Assignment dated August 11, 1986. The proceeds of the loan were released through Cashier's Check No. 7448. The loan was covered by several promissory notes and payment thereof was extended several times.[6]

Petitioner thereafter filed a motion to declare respondent bank in default on the ground that the Answer was filed beyond the reglementary period. The trial court granted the motion in its Order dated June 10, 1998, and

petitioner was allowed to present its evidence ex parte.[7]

Respondent bank filed a motion for reconsideration but the trial court denied it per Order dated October 28, 1998.[8]

On November 5, 1998, the trial court rendered a decision in favor of petitioner, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant bank, ordering the latter:

1. To pay to plaintiff –

- (a) the sum of Seven Hundred Thirty Thousand (P730,000.00) Pesos, plus interest from 1986 until fully paid;
- (b) P1,000,000.00 as moral damages;
- (c) P200,000.00 as exemplary damages;
- (d) P50,000.00 as attorney's fees; and
- (e) P30,000.00 as litigation expenses.

SO ORDERED.[9]

Without appealing from the trial court's decision, respondent bank filed a motion for inhibition on November 26, 1998, and a petition for relief from judgment on December 7, 1998.

Thus, petitioner filed a motion for execution, which was granted by the trial court in its Order dated December 11, 1998.[10] Respondent bank then filed a motion to quash the writ of execution with prayer for the issuance of a writ of preliminary injunction arguing that it has a meritorious defense, and that the motion for inhibition and petition for relief from judgment are yet to be resolved by the trial court.[11]

On December 23, 1998, the trial court denied respondent bank's motion for inhibition. It also denied on December 28, 1998, the motion to quash the writ of execution.[12]

Respondent bank subsequently filed a motion to cancel notice of levy but was denied by the trial court in its Order dated January 11, 1998.[13] It also filed separate motions for reconsideration of the trial court's Orders dated December 23 and December 28, 1998.

Petitioner then filed a motion to proceed with the auction sale of the levied property,[14] to which respondent bank filed an opposition through its new counsel.[15]

Pending these incidents, respondent bank filed before the CA a petition for annulment of judgment with prayer for the issuance of a temporary restraining order and/or writ of preliminary injunction, on the grounds of extrinsic fraud and denial of due process.[16] In support of the foregoing, respondent bank alleged that its previous counsel's negligence in handling the case constituted extrinsic fraud, and that the trial court's denial of its motion for reconsideration of the trial court's default order dated October 28, 1998, deciding the case without due process, not considering the petition for relief as an adequate remedy, and granting the motion for execution and denying the petition for relief from judgment without the three-day prior notice rule, substantially deprived respondent bank of due process and resulted in a miscarriage of justice.[17]

Finding prima facie merit in the petition, summons was served on petitioner. In the meantime, the CA granted respondent bank's prayer for the issuance of a writ of preliminary injunction enjoining the trial court from enforcing the decision and writ of execution in Civil Case No. 98-02227-D.[18]

After the parties have filed their respective pleadings, the CA issued the assailed Decision in favor of respondent

bank. The decretal portion of the Decision reads:

WHEREFORE, the decision of the Regional Trial Court of Pangasinan, Branch 40, in Civil Case No. 98-02227-D is hereby ANNULLED AND SET ASIDE, and the said court is hereby ordered to admit the petitioner's Answer in the said case, and to try the said case as if a timely motion for new trial had been granted therein.

SO ORDERED.[19]

Petitioner filed a motion for reconsideration, which was denied by the CA in the assailed Resolution dated March 17, 2000.[20]

In this petition, it is argued that respondent bank cannot avail of its former counsel's negligence as a ground for annulling the trial court's judgment because it does not amount to extrinsic fraud. Petitioner contends that:

In the case at bar, petitioner-appellee [referring to respondent bank] never cited any instance that herein respondent-appellant ever committed acts, fraudulent or otherwise which prevented petitioner to present its side. Petitioner bank could not also feign innocence and ignorance about the pleading being filed by its handling more so that petitioner has a battery of in-house counsels not to mention the numerous retained counsels which it may tap to assist its handling lawyer in the case at bar. Petitioner-appellee was never prevented from filing the appropriate pleadings and petitioner-appellee could have availed of the procedural remedies when it received a copy of the decision but unfortunately petitioner-appellee decided to just allow the decision to become final and wait in ambushed (sic) until the decision was being implemented when it took its move to nullify the decision. Clearly, petitioner-appellee intended to derail justice to the grave prejudice of the prevailing party. ...[21]

For its part, respondent bank contends that the one-day delay in the filing of its Answer did not cause any substantial damage or prejudice upon petitioner or to the speedy administration of justice. It pointed out that it took petitioner more than a month to file the motion to declare it in default, and at that time, its Answer was already on record. Respondent bank also blamed its former counsel for its failure to take proper recourse or remedy during the proceedings before the trial court. It summarized its former counsel's errors as follows:

1)

Failure to file a second motion for extension of time to file Answer;

2)

Failure to appear at the hearing on the motion to declare defendant in default despite receipt of notice, and filing an opposition to the motion a day after the hearing on the motion;

3)

Failure to file a motion for leave to admit late Answer;

4)

Failure to file a motion to lift order of default despite receipt of the order;

5)

Filing of a motion for inhibition and petition for relief from judgment instead of a notice of appeal after receipt of the decision;

6)

Failure to file a notice of appeal after receipt of the order denying the petition for relief from judgment and granting the motion for execution;

7)

Failure to file a petition for certiorari and prohibition; and

8)

Setting for hearing the motions he filed twenty days or more despite urgency of the pending matters.[22]

All these, respondent bank points out, constitute a denial of effective, adequate and competent legal representation amounting to extrinsic fraud, citing the cases of *Salonga vs. Court of Appeals*, 269 SCRA 534, *Legarda vs. Court of Appeals*, 195 SCRA 418, and *Amil vs. Court of Appeals*, 316 SCRA 317.[23]

Respondent bank also contends that the trial court should have admitted its Answer as the delay in filing was only one day, and considering that it has a meritorious defense in that petitioner very well knew what happened to the amount sought to be recovered and he just now wants to claim it a second time.[24]

The Court does not agree with respondent bank that its former counsel's mishandling of the case amounts to extrinsic fraud. After all, a client is bound by the negligence or mistake of his counsel.[25] While indeed there are cases when the Court declared that gross or reckless negligence of counsel amounts to extrinsic fraud, but this is the exception rather than the general rule. Not all negligence of counsel qualifies as extrinsic fraud, and each case must be considered under its own set of particular circumstances in ascertaining whether a counsel's negligence may provide sufficient basis to annul an otherwise final and executory judgment. Thus, in *Elcee Farms, Inc. vs. Semillano*,[26] the Court stated:

As a general rule, the negligence or mistake of counsel binds the client, for otherwise there would never be an end to a suit so long as a new counsel could be employed who could allege and show that the former counsel had not been sufficiently diligent, experienced, or learned.

If under the circumstances of the case, the rule deserts its proper office as an aid to justice and becomes a great hindrance and chief enemy, its rigors must be relaxed to admit exceptions thereto and to prevent a miscarriage of justice. In other words, the Court has the power to except a particular case from the operation of the rule whenever the purposes of justice require it. What should guide judicial action is that a party is given the fullest opportunity to establish the merits of his action or defense rather than for him to lose life, honor or property on mere technicalities.[27]

The complained actions or omissions of the former counsel of respondent bank do not amount to gross or reckless negligence constituting extrinsic fraud.

Despite the foregoing however, the Court agrees with the CA that the case should be remanded to the trial court for further proceedings and reception of respondent bank's evidence. As was noted by the CA, the trial court should have liberally applied the rules of procedure and admitted the Answer even if filed one day late. The CA aptly stated:

A reading of the petitioner's Answer (Annex "J", Petition) shows that it has alleged substantial defenses which, if proven, can bar private respondent's claims. However, because of a technicality of its having been filed one (1) day late without a motion to admit the same, a decision has been rendered against the petitioner, ordering it to pay the private respondent the sum of P730,000.00 with interest from 1986 until fully paid, P1,000,000.00 as moral damages, P200,000.00 as exemplary damages; P50,000.00 as attorney's fees and P30,000.00 as litigation expenses. We find it inequitable that petitioner was held liable to pay so much without an opportunity to present its evidence, just because its answer was filed one (1) day late.

Because of the big amounts prayed for in the complaint, the respondent Judge should not have been too strict in applying the rule on the period for filing an answer. After all, he was also deficient in observing the Rules by not acting on the petitioner's motion for extension of time to file its answer. The respondent Judge's over-strict adherence to a technical rule has resulted in the petitioner's being deprived of due process of law. ...[28]

Admittance of respondent bank's Answer would have been the more prudent recourse.[29]

In the following instances, the Court reckoned it wise to liberally apply the rules of procedure in order to achieve the substantial ends of justice, viz.:

... (1) matters of life, liberty, honor or property; (2) counsel's negligence without any participatory negligence on the part of the client; (3) the existence of special or compelling circumstances; (4) the merits of the case; (5) a cause not entirely attributable to the fault or negligence of the party favored by the suspension of the rules; (6) a lack of any showing that the review sought is merely frivolous and dilatory; and (7) the other party will not be unjustly prejudiced thereby. [30]

Since the case below squarely falls within the abovementioned instances, in that it involves deprivation of respondent bank's property, not to mention that its Answer introduces a valid defense against petitioner's cause of action, and that the filing of the Answer will not unjustly prejudice or delay the case, the CA therefore did not commit any error in annulling the trial court's decision, ordering the latter to admit the Answer, and to try the case.

Rules of procedure are mere tools intended to facilitate the attainment of justice, rather than frustrate it. A strict and rigid application of the rules must always be eschewed when it would subvert the primary objective of the rules, that is, to enhance fair trials and expedite justice. Technicalities should never be used to defeat the substantive rights of the other party. Every party-litigant must be afforded the amplest opportunity for the proper and just determination of his cause, free from the constraints of technicalities.[31]

WHEREFORE, the petition is DISMISSED, and the Court of Appeals Decision dated October 28, 1999, together with the Resolution dated March 17, 2000 in CA-G.R. SP No. 50772, is AFFIRMED.

SO ORDERED.

Puno (Chairman), Callejo, Sr., Tinga, and Chico-Nazario, JJ. Concur.

[1] Penned by Associate Justice Hector L. Hofileña (now retired), with Associate Justices Omar U. Amin (now retired) and Renato C. Dacudao, concurring.

[2] Rendered by the Special Former Seventeenth Division, and penned by Associate Justice Dacudao, in view of the retirement of Associate Justices Hofileña and Amin.

[3] Records, p. 1.

[4]Id., p. 5.

[5]Id., pp. 1-4.

[6] Id., pp. 32-36.

[7]Id., p. 53.

[8] Id., p. 65.

- [9] Id., p. 75.
- [10] Id., p. 99.
- [11] Id., pp. 106-108.
- [12] Id., p. 119.
- [13] Id., p. 125.
- [14] Id., p. 135.
- [15] Id., p. 143.
- [16] CA Rollo, pp. 4-24.
- [17] Id., pp. 11-18.
- [18] Id., p. 184.
- [19] Id., p. 252.
- [20] Id., pp. 270-271.
- [21] Rollo, p. 15.
- [22] Id., pp. 46-47.
- [23] Id., p. 47-50.
- [24] Id., pp. 52-53.
- [25] Fraile vs. Domingo, G.R. No. 138518, December 15, 2000, 348 SCRA 414, 422.
- [26] G.R. No. 150286, October 17, 2003, 413 SCRA 669.
- [27] Citing GSIS vs. Bengson Commercial Buildings, Inc., G.R. Nos. 137448 and 141454, January 31, 2002, 375 SCRA 431.
- [28] CA Rollo, pp. 281-282.
- [29] Quirao vs. Quirao, G.R. No. 148120, October 24, 2003, 414 SCRA 430, 435.
- [30] Reyes vs. Court of Appeals, G.R. No. 149580, March 16, 2005.
- [31] Al-Amanah Islamic Investment Bank of the Phils. vs. Celebrity Travel and Tours, Inc., G.R. No. 155524, August 12, 2004, 436 SCRA 356, citing Development Bank of the Phils. vs. Court of Appeals, G.R. No. 139034, June 6, 2001, 358 SCRA 501.

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.