

**INTERLINING CORPORATION, PABLO GONZALES, SR., ARSENIO GONZALES, ELENA TAN CHIN SUI AND THOMAS GONZALES, PETITIONERS, VS. PHILIPPINE TRUST COMPANY, RESPONDENT.**

*G.R. No. 144190. March 06, 2002*

Ponente: PUNO, J.

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**PUNO, J.:**

This is a petition for review on certiorari under Rule 45 of the Rules of Court seeking to set aside the Decision, dated May 12, 2000, of the Court of Appeals in C.A.-G.R. CV No. 41129, and its Resolution, dated July 25, 2000, denying petitioners' Motion for Reconsideration.

The records disclose that in April 1980, respondent Philippine Trust Company (Philtrust) granted a P.5 million packing credit line and a P1.5 million domestic letter of credit and trust receipt to petitioner Interlining Corporation for the importation of raw materials for its business. A month later, individual petitioners Pablo Gonzales, Sr., Elena Tan Chin Sui, Pablo Gonzales, Jr., Thomas Gonzales and Arsenio Gonzales executed an Undertaking of Suretyship agreement binding themselves to guarantee, jointly and severally with petitioner corporation, all such amount as may be due to respondent Philtrust by virtue of the availment of its credit facilities.

On numerous occasions, petitioner corporation availed of respondent's credit facilities. Partial payments were made by petitioner corporation but it failed to pay in full its obligations, which amounted to over P2 million by June 1984, despite repeated demands.

In July 1984, respondent filed a complaint for collection of a sum of money<sup>[1]</sup> against petitioner corporation and the individual petitioners before the Regional Trial Court of Manila. Pre-trial hearings were duly conducted by the trial court.

On April 7, 1989, the trial court issued its Pre-Trial Conference Order,<sup>[2]</sup> stating in paragraph 5, under the heading "Stipulations," the following:

"5. Under the first, second, third and fourth causes of action, defendants Pablo Gonzales, Sr., Elena Tan Chin Siu, Pablo Gonzales, Jr., Thomas Gonzales, and Arsenio Gonzales were relieved from their obligations because there was arrangement made between the plaintiff and the defendant corporation."

The content of said Order was based on the transcript of the pre-trial conference held on March 6, 1989.

On December 14, 1990, respondent's counsel Atty. Eulogio V. Reyes and petitioners' counsel Atty. Servando S. Timbol, Jr. submitted to the trial court a Joint Stipulation of Facts and Motion for Summary Judgment<sup>[3]</sup> stating therein two (2) issues for consideration by the trial court, viz:

"a) whether or not defendants (petitioners herein) can be made jointly or severally liable to the plaintiff (respondent herein) in the amount claimed in the complaint;

b) whether or not there is novation which had released the individual defendants from their obligations as sureties under the Deed of Undertaking of Suretyship.”

On April 8, 1991, the trial court issued its 1[st] Supplemental Pre-Trial Order.[4] It stated in paragraph III that, as per stipulation of the parties, the same two (2) issues were submitted for resolution.

On July 9, 1982, the trial court issued its Decision finding for the respondent. However, it ordered petitioner corporation to answer solely for its obligation. The trial court absolved the individual petitioners from their joint and solidary liability for the debt of petitioner corporation although there was no novation of the loan contract between the parties. It held that the total liability for the obligation was assumed by the petitioner corporation as per the parties’ stipulation during the April 8, 1991 Pre-Trial Conference, particularly paragraph 5 thereof.

Respondent moved for reconsideration insofar as the trial court absolved the individual petitioners from solidary liability. When its motion was denied, respondent sought recourse before the Court of Appeals.

In its Decision,[5] dated May 12, 2000, the Court of Appeals found for the respondent. It held that the Deed of Undertaking of Suretyship was not abrogated and remained in full force and effect. It also found that as the respondent did not stipulate on the exclusion of the solidary liability issue, the individual petitioners should be held solidarily liable with petitioner corporation for the amount adjudged by the trial court.

When petitioners’ motion for reconsideration was denied, they filed the present appeal, raising the following issues:

“I

THE COURT OF APPEALS COMMITTED AN ERROR OF LAW IN DISREGARDING THE STIPULATIONS AGREED UPON IN THE PRE-TRIAL ORDER OF THE REGIONAL TRIAL COURT OF MANILA DATED MARCH 6, 1989.

II

THE COURT OF APPEALS COMMITTED AN ERROR OF LAW IN DISREGARDING THE AFFIRMATION OF THE PRE-TRIAL ORDER DATED MARCH 6, 1989 MADE BY RESPONDENT’S COUNSEL.

III

THE COURT OF APPEALS COMMITTED AN ERROR OF LAW IN DISREGARDING THE FAILURE OF RESPONDENT’S COUNSEL TO CONTROVERT THE PRE-TRIAL ORDER DATED MARCH 6, 1989 UP TO THE TIME THAT THE CASE WAS FINALLY DECIDED BY THE REGIONAL TRIAL COURT OF MANILA.”

We shall discuss the issues jointly.

Petitioners insist that as per the records, respondent’s counsel agreed in the stipulation of facts contained in the Pre-Trial Conference Order, dated March 6, 1989, particularly paragraph 5 thereof, that the individual petitioners would be relieved from their solidary obligations. Petitioners also charge that the contents of this Pre-Trial Conference Order were confirmed by respondent’s counsel during the April 8, 1991 pre-trial hearing of the case.[6] Hence, petitioners contend that respondent should be held as bound by said agreement and the Court of Appeals erred in disregarding this stipulation. Petitioners likewise point out that from the date of the issuance of the pre-trial order on March 6, 1989 until the promulgation of the trial court’s decision on July 9, 1992, respondent’s counsel did not controvert the stipulation they agreed upon and should be considered estopped from attacking the assailed stipulation.

Respondent, on the other hand, contends that petitioners anchor their appeal on the alleged Pre-Trial Conference Order, dated March 6, 1989, where it was allegedly agreed upon by the parties' counsels that the individual petitioners shall be relieved of their solidary obligation. However, respondent argues that petitioners conveniently ignored subsequent proceedings and pleadings where both parties submitted the issue of solidary liability for resolution by the trial court.

We find no merit in the petition.

The conduct of a pre-trial in civil actions has been mandatory as early as January 1, 1964, upon the effectivity of the Revised Rules of Court.[7] Pre-trial is a procedural device intended to clarify and limit the basic issues between the parties. It thus paves the way for a less cluttered trial and resolution of the case. Its main objective is to simplify, abbreviate and expedite the trial, or totally dispense with it,[8] as in the case at bar.

Prescinding therefrom, it is a basic legal precept that the parties are bound to honor the stipulations they made during the pre-trial. The issue in the case at bar involves a determination of whether or not the counsel of respondent agreed to stipulate as to the release of the individual petitioners from their solidary liability.

A careful and thorough review of the records, particularly the pre-trial hearings conducted on March 6, 1989 and April 8, 1991 and the subsequent pleadings in the case, reveals that respondent's counsel did not agree to relieve the individual petitioners of their obligation. A close scrutiny of the transcript of the March 6, 1989 pre-trial conference shows that the parties' counsels merely stated their proposed stipulations. Specifically, the trial judge opened the proceedings on said day by inquiring from the counsels of the parties their respective positions on the facts and issues of the case. Both counsels presented their proposed facts and issues but at no time did they commit themselves to stipulate on any of the matters brought out during said conference. Nor did the trial judge ask any of the counsels whether they agreed to stipulate on any of the matters presented therein. In fact, what appears on the March 6, 1989 transcript was a mere enumeration of the proposed stipulations by both counsels, most of which were only copied by the stenographer from the counsels' pre-trial briefs. There was no agreement whatsoever on the proposed facts. This conclusion is further bolstered by the fact that at the continuation of the pre-trial conference, the respondent's counsel declared that he would not agree to stipulate on the release of the individual petitioners on their solidary liability.[9] Hence, in its 1[st] Supplemental Pre-Trial Order, dated April 8, 1991, the trial court itself included the solidary liability of the individual petitioners as one of the issues to be resolved in the case.[10] Most importantly, the same issue was repeatedly raised by both parties in subsequent proceedings and pleadings filed in the trial court. In the Joint Stipulation of Facts, dated December 14, 1990, signed by both counsels for respondent and petitioners and submitted to the trial court, the solidary liability of the individual petitioners was clearly put in issue. Clearly, the entire pre-trial proceedings undisputably show that the issue as to the solidary liability of the individual petitioners should have been properly considered in the resolution of the collection case.

Neither could respondent be faulted for failing to question paragraph 5 of the first pre-trial Order, dated March 6, 1989, stating therein the release of the individual petitioners from liability, as the proceedings and pleadings subsequent thereto, filed by both parties, clearly included the issue of solidary liability for resolution of the trial court. Thus, it came as a surprise for the respondent that the decision rendered by the trial court excluded the individual petitioners from liability, citing as ground therefor the alleged stipulation made by by the respondent in March 1989.

IN VIEW WHEREOF, the petition is DISMISSED and the assailed Decision of the Court of Appeals, dated May 12, 2000, is affirmed in toto. Costs against petitioners.

**SO ORDERED.**

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

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[1] Civil Case No. 84-25406, Regional Trial Court of Manila, Branch 42, presided by Judge Ramon Mabutas, Jr.; Rollo, pp. 38-44.

[2] Rollo, pp. 96-99.

[3] Id., pp. 102-103.

[4] Id., pp. 105-108.

[5] Id., pp. 151-156.

[6] Rollo, pp. 55-57.

[7] DBP vs. Court of Appeals, 169 SCRA 409 (1989).

[8] Abubakar vs. Abubakar, 317 SCRA 264 (1999); Tinio vs. Manzano, 307 SCRA 460 (1999); Son vs. Son, 251 SCRA 556 (1995).

[9] April 8, 1991 TSN, at pp. 14-16.

[10] Rollo, pp. 86-87.

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