EDGAR LEDONIO, PETITIONER, VS. CAPITOL DEVELOPMENT CORPORATION, RESPONDENT.

G.R. NO. 149040. July 04, 2007

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Before this Court is a Petition for Review on Certiorari[1] under Rule 45 of the Revised Rules of Court praying that (1) the Decision,[2] dated 20 March 2001, of the Court of Appeals in CA-G.R. CV No. 43604, affirming in toto the Decision,[3] dated 6 August 1993, of the Quezon City Regional Trial Court (RTC), Branch 91, in Civil Case No. Q-90-5247, be set aside; and (2) the Complaint[4] in Civil Case No. Q-90-5247 be dismissed.

Herein respondent Capitol Development Corporation instituted Civil Case No. Q-90-5247 by filing a Complaint for the collection of a sum of money against herein petitioner Edgar Ledonio.

In its Complaint, respondent alleged that petitioner obtained from a Ms. Patrocinio S. Picache two loans, with the aggregate principal amount of P60,000.00, and covered by promissory notes duly signed by petitioner. In the first promissory note,[5] dated 9 November 1988, petitioner promised to pay to the order of Ms. Picache the principal amount of P30,000.00, in monthly installments of P3,000.00, with the first monthly installment due on 9 January 1989. In the second promissory note,[6] dated 10 November 1988, petitioner again promised to pay to the order of Ms. Picache the principal amount of P30,000.00, with 36% interest per annum, on 1 December 1988. In case of default in payment, both promissory notes provide that (a) petitioner shall be liable for a penalty equivalent to 20% of the total outstanding balance; (b) unpaid interest shall be compounded or added to the balance of the principal amount and shall bear the same rate of interest as the latter; and (c) in case the creditor, Ms. Picache, shall engage the services of counsel to enforce her rights and powers under the promissory notes, petitioner shall pay as attorney's fees and liquidated damages the sum equivalent to 20% of the total amount sought to be recovered, but in no case shall the said sum be less that P10,000.00, exclusive of costs of suit.

On 1 April 1989, Ms. Picache executed an Assignment of Credit[7] in favor of respondent, which reads -

> KNOW ALL MEN BY THESE PRESENTS:
>
> That I, PAT S. PICACHE of legal age and with postal address at 373 Quezon Avenue, Quezon City for and in consideration of SIXTY THOUSAND PESOS (P60,000.00) Philippine Currency, to me paid by [herein respondent] CAPITOL DEVELOPMENT CORPORATION, a corporation organized and existing under the laws of the Republic of the Philippines with principal office at 373 Quezon Avenue, Quezon City receipt whereof is hereby acknowledged have sold, transferred, assigned and conveyed and (sic) by me these presents do hereby sell, assign, transfer and convey unto the said [respondent] CAPITOL DEVELOPMENT CORPORATION, a certain debt due me from [herein petitioner] EDGAR A. LEDONIO in the principal sum of SIXTY THOUSAND PESOS (P60,000.00) Philippine Currency, under two (2) Promissory Notes dated November 9, 1988 and November 10, 1988, respectively, photocopies of which are attached to as annexes A & B to form integral parts hereof with full power to sue for, collect and discharge, or sell and assign the same.

> That I hereby declare that the principal sum of SIXTY THOUSAND PESOS (P60,000.00) with interest thereon at THIRTY SIX (36%) PER CENT per annum is justly due and owing to me as aforesaid.
>
> IN WITNESS WHEREOF, I have hereunto set my hand this 1[st] day of April, 1989 at Quezon City.
>
> (SGD) PAT S. PICACHE

The foregoing document was signed by two witnesses and duly acknowledged by Ms. Picache before a Notary Public also on 1 April 1989.

Since petitioner did not pay any of the loans covered by the promissory notes when they became due, respondent -- through its Vice President Nina P. King and its counsel King, Capuchino, Banico & Associates -- sent petitioner several demand letters.[8] Despite receiving the said demand letters, petitioner still failed and refused to settle his indebtedness, thus, prompting respondent to file the Complaint with the RTC, docketed as Civil Case No. Q-90-5247.

In his Answer filed with the RTC, petitioner sought the dismissal of the Complaint averring that respondent had no cause of action against him. He denied obtaining any loan from Ms. Picache and questioned the genuineness and due execution of the promissory notes, for they were the result of intimidation and fraud; hence, void. He asserted that there had been no transaction or privity of contract between him, on one hand, and Ms. Picache and respondent, on the other. The assignment by Ms. Picache of the promissory notes to respondent was a mere ploy and simulation to effect the unjust enforcement of the invalid promissory notes and to insulate Ms. Picache from any direct counterclaims, and he never consented or agreed to the said assignment.

Petitioner then presented his own narration of events leading to the filing of Civil Case No. Q-90-5247. According to him, on 24 February 1988, he entered into a Contract of Lease[9] of real property located in Quezon City with Mission Realty & Management Corporation (MRMC), of which Ms. Picache is an incorporator and member of the Board of Directors.[10] Petitioner relocated the plant and machines used in his garments business to the leased property. After a month or two, a foreign investor was interested in doing business with him and sent a representative to conduct an ocular inspection of petitioner's plant at the leased property. During the inspection, a group of Meralco employees entered the leased property to cut off the electric power connections of the plant. The event gave an unfavorable impression to the foreign investor who desisted from further transacting with petitioner. Upon verification with Meralco, petitioner discovered that there were unpaid electric bills on the leased property amounting to hundreds of thousands of pesos. These electric bills were supposedly due to the surreptitious electrical connections to the leased property. Petitioner claimed that he was never informed or advised by MRMC of the existence of said unpaid electric bills. It took Meralco considerable time to restore electric power to the leased property and only after petitioner pleaded that he was not responsible for the illegal electrical connections and/or the unpaid electric bills, for he was only a recent lessee of the leased property. Because of the work stoppage and loss of business opportunities resulting from the foregoing incident, petitioner purportedly suffered damages amounting to United States $60,000.00, for which petitioner verbally attempted to recover compensation from MRMC.

Having failed to obtain compensation from MRMC, petitioner decided to vacate and pull out his machines from the leased property but he can only do so, unhampered and uninterrupted by MRMC security personnel, if he signed, as he did, blank promissory note forms. Petitioner alleged that when he signed the promissory note forms, the allotted spaces for the principal amount of the loans, interest rates, and names of the promisee/s were in blank; and that Ms. Picache took advantage of petitioner's signatures on the blank promissory note forms by filling up the blanks.

To raise even more suspicions of fraud and spuriousness of the promissory notes and their subsequent assignment

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to respondent, petitioner called attention to the fact that Ms. Picache is an incorporator and member of the Board of Directors of both MRMC and respondent.[11]

After the pre-trial conference and the trial proper, the RTC rendered a Decision[12] on 6 August 1993, ruling in favor of respondent. The RTC gave more credence to respondent's version of the facts, finding that -

> [Herein petitioner]'s disclaimer of the promissory note[s] does not inspire belief. He is a holder of a degree in Bachelor of Science in Chemical Engineering and has been a manufacturer of garments since 1979. As a matter of fact, [petitioner]'s testimony that he was made to sign blank sheets of paper is contrary to his admission in paragraphs 12 and 13 of his Answer that as a condition to his removal of his machines [from] the leased premises, he was made to sign blank promissory note forms with respect to the amount, interest and promisee. It thus appears incredulous that a businessman like [petitioner] would simply sign blank sheets of paper or blank promissory notes just [to] be able to vacate the leased premises.
>
> Moreover, the credibility of [petitioner]'s testimony leaves much to be desired. He contradicted his earlier testimony that he only met Patrocinio Picache once, which took place in the office of Mission Realty and Management Corporation, by stating that he saw Patrocinio Picache a second time when she went to his house. Likewise, his claim that the electric power in the leased premises was cut off only two months after he occupied the same is belied by his own evidence. The contract of lease submitted by [petitioner] is dated February 24, 1988 and took effect on March 1, 1988. His letter to Mission Realty and Management Corporation dated September 21, 1988, complained of the electric power disconnection that took place on September 6, 1988, that is, six (6) months after he had occupied the leased premises, and did not even give a hint of his intention to vacate the premises because of said incident. It appears that [petitioner] was already advised to pay his rental arrearages in a letter dated August 9, 1988 (Exh. "2") and was notified of the termination of the lease contract in a letter dated September 19, 1988 (Exh. "4"). However, in a letter dated September 26, 1988, [petitioner] requested for time to look for a place to transfer.

The RTC also sustained the validity and enforceability of the Assignment of Credit executed by Ms. Picache in favor of respondent, even in the absence of petitioner's consent to the said assignment, based on the following reasoning -

> The promissory notes (Exhs. "A" and "B") were assigned by Ms. Patrocinio Picache to [herein respondent] by virtue of a notarized Assignment of Credit dated April 1, 1989 for a consideration of P60,000.00 (Exh. "C"). The fact that the assignment of credit does not bear the conformity of [herein petitioner] is of no moment. In C & C Commercial Corporation vs. Philippine National Bank, 175 SCRA 1, 11, the Supreme Court held thus:
> "x x x Article 1624 of the Civil Code provides that 'an assignment of credits and other incorporeal rights shall be perfected in accordance with the provisions of Article 1475' which in turn states that "the contract of sale is perfected at the moment there is a meeting of the minds upon the thing which is the object of the contract and upon the price." The meeting of the minds contemplated here is that between the assignor of the credit and his assignee, there being no necessity for the consent of the debtor, contrary to petitioner's claim. It is sufficient that the assignment be brought to his knowledge in order to be binding upon him. This may be inferred from Article 1626 of the Civil Code which declares that "the debtor who, before having knowledge of the assignment, pays his creditor shall be released from the obligation.""

[Petitioner] does not deny having been notified of the assignment of credit by Patrocinio Picache to the [respondent]. Thus, [respondent] sent several demand letters to the [petitioner] in connection with the loan[s] (Exhs. "D", "E", "F" and "G"). [Petitioner] acknowledged receipt of [respondent]'s letter of demand dated June 13, 1989 (Exh. "F") and assured [respondent] that he would settle his account, as per their telephone conversation (Exhs. "H" and "9"). Such communications between [respondent] and [petitioner] show that the latter had been duly notified of the said assignment of credit. x x x.

Given its aforequoted findings, the RTC proceeded to a determination of petitioner's liabilities to respondent, taking into account the provisions of the promissory notes, thus -

> x x x Consequently, [herein respondent] is entitled to recover from [herein petitioner] the principal amount of P30,000.00 for the promissory note dated November 9, 1988. As said note did not provide for any interest, [respondent] may only recover interest at the legal rate of 12% per annum from April 18, 1990, the date of the filing of the complaint. With respect to the promissory note dated November 10, 1988, the same provided for interest at 36% per annum and that interest not paid when due shall be added to and shall become part of the principal and shall bear the same rate of interest as the principal. Likewise, both promissory notes provided for a penalty of 20% of the total outstanding balance thereon and attorney's fees equivalent to 20% of the sum sought to be recovered in case of litigation.
>
> In Garcia vs. Court of Appeals, 167 SCRA 815, it was held that penalty interests are in the nature of liquidated damages and may be equitably reduced by the courts if they are iniquitous or unconscionable, pursuant to Articles 1229 and 2227 of the Civil Code. Considering that the promissory note dated November 10, 1988 already provided for interest at 36% per annum on the principal obligation, as well as for the capitalization of the unpaid interest, the penalty charge of 20% of the total outstanding balance of the obligation thus appears to be excessive and unconscionable. The interest charges are enough punishment for [petitioner]'s failure to comply with his obligation under the promissory note dated November 10, 1988.
>
> With respect to the attorney's fees, the court is likewise empowered to reduce the same if they are unreasonable or unconscionable, notwithstanding the express contract therefor. (Insular Bank of Asia and America vs. Spouses Salazar, 159 SCRA 133, 139). Thus, an award of P10,000.00 as and for attorney's fees appears to be enough.

Consequently, the fallo of the RTC Decision reads -

> WHEREFORE, in view of the foregoing, judgment is hereby rendered in favor of the [herein respondent] and against [herein petitioner] ordering the latter as follows:
>
> - To pay [respondent], on the promissory note dated November 9, 1988, the amount of P30,000.00 with interest thereon at the legal rate of 12% per annum from April 18, 1990 until fully paid and a penalty of 20% on the total amount;
>
> - To pay [respondent], on the promissory note dated November 10, 1988, the amount of P30,000.00 with interest thereon at 36% per annum compounded at the same rate until fully paid;
>
> - To pay [respondent] the amount of P10,000.00, as and for attorney's fees; and
>
> - To pay the costs of the suit.[13]

Aggrieved by the RTC Decision, dated 6 August 1993, petitioner filed an appeal with the Court of Appeals, which was docketed as CA-G.R. CV No. 43604. The appellate court, in a Decision,[14] dated 20 March 2001, found no cogent reason to depart from the conclusions arrived at by the RTC in its appealed Decision, dated 6 August 1993, and affirmed the latter Decision in toto. The Court of Appeals likewise denied petitioner's Motion for Reconsideration in a Resolution,[15] dated 16 July 2001, stating that the grounds relied upon by petitioner in his Motion were mere reiterations of the issues and matters already considered, weighed and passed upon; and that no new matter or substantial argument was adduced by petitioner to warrant a modification, much less a reversal, of the Court of Appeals Decision, dated 20 March 2001.

Comes now petitioner to this Court, via a Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court, raising the sole issue[16] of whether or not the Court of Appeals committed grave abuse of discretion in affirming in toto the RTC Decision, dated 6 August 1993. Petitioner's main argument is that the Court of Appeals

erred when it ruled that there was an assignment of credit and that there was no novation/subrogation in the case at bar. Petitioner asserts the position that consent of the debtor to the assignment of credit is a basic/essential element in order for the assignee to have a cause of action against the debtor. Without the debtor's consent, the recourse of the assignee in case of non-payment of the assigned credit, is to recover from the assignor. Petitioner further argues that even if there was indeed an assignment of credit, as alleged by the respondent, then there had been a novation of the original loan contracts when the respondent was subrogated in the rights of Ms. Picache, the original creditor. In support of said argument, petitioner invokes the following provisions of the Civil Code -

> ART. 1300. Subrogation of a third person in the rights of the creditor is either legal or conventional. The former is not presumed, except in cases expressly mentioned in this Code; the latter must be clearly established in order that it may take effect.
>
> ART. 1301. Conventional subrogation of a third person requires the consent of the original parties and the third person.

According to petitioner, the assignment of credit constitutes conventional subrogation which requires the consent of the original parties to the loan contract, namely, Ms. Picache (the creditor) and petitioner (the debtor); and the third person, the respondent (the assignee). Since petitioner never gave his consent to the assignment of credit, then the subrogation of respondent in the rights of Ms. Picache as creditor by virtue of said assignment is without force and effect.

This Court finds no merit in the present Petition.

Before proceeding to a discussion of the points raised by petitioner, this Court deems it appropriate to emphasize that the findings of fact of the Court of Appeals and the RTC in this case shall no longer be disturbed. It is axiomatic that this Court will not review, much less reverse, the factual findings of the Court of Appeals, especially where, as in this case, such findings coincide with those of the trial court, since this Court is not a trier of facts.[17]

The jurisdiction of this Court in a Petition for Review on Certiorari under Rule 45 of the Revised Rules of Court is limited to reviewing only errors of law, not of fact, unless it is shown, inter alia, that: (a) the conclusion is grounded entirely on speculations, surmises and conjectures; (b) the inference is manifestly mistaken, absurd and impossible; (c) there is grave abuse of discretion; (d) the judgment is based on a misapplication of facts; (e) the findings of fact of the trial court and the appellate court are contradicted by the evidence on record and (f) the Court of Appeals went beyond the issues of the case and its findings are contrary to the admissions of both parties.[18] None of these circumstances are present in the case at bar. After a perusal of the records, this Court can only conclude that the factual findings of the Court of Appeals, affirming those of the RTC, are amply supported by evidence and are, resultantly, conclusive on this Court.[19]

Therefore, the following facts are already beyond cavil: (1) petitioner obtained two loans totaling P60,000.00 from Ms. Picache, for which he executed promissory notes, dated 9 November 1988 and 10 November 1988; (2) he failed to pay any of the said loans; (3) Ms. Picache executed on 1 April 1989 an Assignment of Credit covering petitioner's loans in favor of respondent for the consideration of P60,000.00; (4) petitioner had knowledge of the assignment of credit; and (5) petitioner still failed to pay his indebtedness despite repeated demands by respondent and its counsel. Petitioner's persistent assertions that he never acquired any loan from Ms. Picache, or that he signed the promissory notes in blank and under duress, deserve scant consideration. They were already found by both the Court of Appeals and the RTC to be implausible and inconsistent with petitioner's own evidence.

Now this Court turns to the questions of law raised by petitioner, all of which hinges on the contention that a conventional subrogation occurred when Ms. Picache assigned the debt, due her from the petitioner, to the

respondent; and without petitioner's consent as debtor, the said conventional subrogation should be deemed to be without force and effect.

This Court cannot sustain petitioner's contention and hereby declares that the transaction between Ms. Picache and respondent was an assignment of credit, not conventional subrogation, and does not require petitioner's consent as debtor for its validity and enforceability.

An assignment of credit has been defined as an agreement by virtue of which the owner of a credit (known as the assignor), by a legal cause - such as sale, dation in payment or exchange or donation -and without need of the debtor's consent, transfers that credit and its accessory rights to another (known as the assignee), who acquires the power to enforce it, to the same extent as the assignor could have enforced it against the debtor.[20]

On the other hand, subrogation, by definition, is the transfer of all the rights of the creditor to a third person, who substitutes him in all his rights. It may either be legal or conventional. Legal subrogation is that which takes place without agreement but by operation of law because of certain acts. Conventional subrogation is that which takes place by agreement of parties.[21]

Although it may be said that the effect of the assignment of credit is to subrogate the assignee in the rights of the original creditor, this Court still cannot definitively rule that assignment of credit and conventional subrogation are one and the same.

A noted authority on civil law provided a discourse[22] on the difference between these two transactions, to wit -

> Conventional Subrogation and Assignment of Credits. - In the Argentine Civil Code, there is essentially no difference between conventional subrogation and assignment of credit. The subrogation is merely the effect of the assignment. In fact it is expressly provided (article 769) that conventional redemption shall be governed by the provisions on assignment of credit.
>
> Under our Code, however, conventional subrogation is not identical to assignment of credit. In the former, the debtor's consent is necessary; in the latter, it is not required. Subrogation extinguishes an obligation and gives rise to a new one; assignment refers to the same right which passes from one person to another. The nullity of an old obligation may be cured by subrogation, such that the new obligation will be perfectly valid; but the nullity of an obligation is not remedied by the assignment of the creditor's right to another. (Emphasis supplied.)

This Court has consistently adhered to the foregoing distinction between an assignment of credit and a conventional subrogation.[23] Such distinction is crucial because it would determine the necessity of the debtor's consent. In an assignment of credit, the consent of the debtor is not necessary in order that the assignment may fully produce the legal effects. What the law requires in an assignment of credit is not the consent of the debtor, but merely notice to him as the assignment takes effect only from the time he has knowledge thereof. A creditor may, therefore, validly assign his credit and its accessories without the debtor's consent. On the other hand, conventional subrogation requires an agreement among the parties concerned - the original creditor, the debtor, and the new creditor. It is a new contractual relation based on the mutual agreement among all the necessary parties.[24]

Article 1300 of the Civil Code provides that conventional subrogation must be clearly established in order that it may take effect. Since it is petitioner who claims that there is conventional subrogation in this case, the burden of proof rests upon him to establish the same[25] by a preponderance of evidence.[26]

In Licaros v. Gatmaitan,[27] this Court ruled that there was conventional subrogation, not just an assignment of credit; thus, consent of the debtor is required for the effectivity of the subrogation. This Court arrived at such a

conclusion in said case based on its following findings -

> We agree with the finding of the Court of Appeals that the Memorandum of Agreement dated July 29, 1988 was in the nature of a conventional subrogation which requires the consent of the debtor, Anglo-Asean Bank, for its validity. We note with approval the following pronouncement of the Court of Appeals:
> "Immediately discernible from above is the common feature of contracts involving conventional subrogation, namely, the approval of the debtor to the subrogation of a third person in place of the creditor. That Gatmaitan and Licaros had intended to treat their agreement as one of conventional subrogation is plainly borne by a stipulation in their Memorandum of Agreement, to wit:
> "WHEREAS, the parties herein have come to an agreement on the nature, form and extent of their mutual prestations which they now record herein with the express conformity of the third parties concerned" (emphasis supplied),

which third party is admittedly Anglo-Asean Bank.

Had the intention been merely to confer on appellant the status of a mere "assignee" of appellee's credit, there is simply no sense for them to have stipulated in their agreement that the same is conditioned on the "express conformity" thereto of Anglo-Asean Bank. That they did so only accentuates their intention to treat the agreement as one of conventional subrogation. And it is basic in the interpretation of contracts that the intention of the parties must be the one pursued (Rule 130, Section 12, Rules of Court).

x x x x

Aside for the 'whereas clause" cited by the appellate court in its decision, we likewise note that on the signature page, right under the place reserved for the signatures of petitioner and respondent, there is, typewritten, the words "WITH OUR CONFORME." Under this notation, the words "ANGLO-ASEAN BANK AND TRUST" were written by hand. To our mind, this provision which contemplates the signed conformity of Anglo-Asean Bank, taken together with the aforementioned preambulatory clause leads to the conclusion that both parties intended that Anglo-Asean Bank should signify its agreement and conformity to the contractual arrangement between petitioner and respondent. The fact that Anglo-Asean Bank did not give such consent rendered the agreement inoperative considering that, as previously discussed, the consent of the debtor is needed in the subrogation of a third person to the rights of a creditor.

None of the foregoing circumstances are attendant in the present case. The Assignment of Credit, dated 1 April 1989, executed by Ms. Picache in favor of respondent, was a simple deed of assignment. There is nothing in the said Assignment of Credit which imparts to this Court, whether literally or deductively, that a conventional subrogation was intended by the parties thereto. The terms of the Assignment of Credit only convey the straightforward intention of Ms. Picache to "sell, assign, transfer, and convey" to respondent the debt due her from petitioner, as evidenced by the two promissory notes of the latter, dated 9 November 1988 and 10 November 1988, for the consideration of P60,000.00. By virtue of the same document, Ms. Picache gave respondent full power "to sue for, collect and discharge, or sell and assign" the very same debt. The Assignment of Credit was signed solely by Ms. Picache, witnessed by two other persons. No reference was made to securing the conforme of petitioner to the transaction, nor any space provided for his signature on the said document.

Perhaps more in point to the case at bar is Rodriguez v. Court of Appeals, [28] in which this Court found that -

> The basis of the complaint is not a deed of subrogation but an assignment of credit whereby the private respondent became the owner, not the subrogee of the credit since the assignment was supported by HK $1.00 and other valuable considerations.
>
> x x x x

> The petitioner further contends that the consent of the debtor is essential to the subrogation. Since there was no consent on his part, then he allegedly is not bound.
>
> Again, we find for the respondent. The questioned deed of assignment is neither one of subrogation nor a power of attorney as the petitioner alleges. The deed of assignment clearly states that the private respondent became an assignee and, therefore, he became the only party entitled to collect the indebtedness. As a result of the Deed of Assignment, the plaintiff acquired all rights of the assignor including the right to sue in his own name as the legal assignee. Moreover, in assignment, the debtor's consent is not essential for the validity of the assignment (Art. 1624 in relation to Art. 1475, Civil Code), his knowledge thereof affecting only the validity of the payment he might make (Article 1626, Civil Code).

Since the Assignment of Credit, dated 1 April 1989, is just as its title suggests, then petitioner's consent as debtor is not necessary in order that the assignment may fully produce legal effects. The duty to pay does not depend on the consent of the debtor; otherwise, all creditors would be prevented from assigning their credits because of the possibility of the debtors' refusal to give consent.[29] Moreover, this Court had already noted previously that there does not appear to be anything in Philippine statutes or jurisprudence which prohibits a creditor, without the consent of the debtor, from making an assignment of his credit and the rights accessory thereto; and, certainly, an assignment of credit and its accessory rights does not at all obliterate the obligation of the debtor to pay, but merely puts the assignee in the place of the assignor.[30] Hence, the obligation of petitioner to pay his debt subsists despite the assignment thereof; only, his obligation after he came to know of the said assignment would be to pay the debt to the respondent (the assignee), instead of Ms. Picache (the original creditor).

It bears to emphasize that even if the consent of petitioner as debtor is unnecessary for the validity and enforceability of the assignment of credit, nonetheless, the petitioner must have knowledge, acquired either by formal notice or some other means, of the assignment so that he may pay the debt to the proper party, which shall now be the assignee. This much can be gathered from a reading of Article 1626 of the Civil Code providing that, "The debtor who, before having knowledge of the assignment, pays his creditor shall be released from the obligation."

This Court, in Sison v. Yap Tico,[31] presented and adopted Manresa's analysis of Article 1626 of the Civil Code (then Article 1527 of the old Civil Code) -

> Manresa, in commenting upon the provisions of article 1527 of the Civil Code, after discussing the articles of the Mortgage Law, says:
>
> "We have said that article 1527 deals with the individual phase or aspect which presupposes the existence of a relationship with third parties, that is, with the person of the debtor. Let us see in what way.
>
> "The above-mentioned article states that a debtor who, before having knowledge of the assignment, should pay the creditor shall be released from the obligation.
>
> "In the first place, the necessity for the notice to the debtor in order that the assignment may fully produce its legal effects may be inferred from the above. It refers to a notice and not to a petition for the consent which is not necessary. We say that the notice is not necessary in order that the legal effects may be fully produced, because if it should be omitted, such omission will not imply that the assignment will not exist legally, but that its effects will be limited to the parties thereto; at least, they will not reach the debtor.
>
> "* * * * * * * *
>
> "Let us go to the legal effects produced by the failure to give the notice. In the beginning, we have said that the contract does not lose its efficacy with respect to the parties who made it; but article 1527 determines specifically one of the consequences arising from the failure to give notice, for it evidently takes for granted

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> that the debtor who, before having knowledge of the assignment, should pay the creditor shall be released from the obligation. So that if the creditor assigned his credit, acting in bad faith and taking advantage of the fact that the debtor does not know anything about the assignment because the latter has not been notified, and collects its amount, the debtor shall be free from the obligation, inasmuch as it has been legally extinguished by a payment which fully redounds to his benefit. The assignee can take advantage of all civil and criminal actions against the assignor, but he can ask nothing from the debtor, because the latter did not know of the assignment, nor was he bound to know it; the assignor should blame himself for his failure to have the notice made.
>
> "* * * * * * * *
>
> "Hence, there not having been any notice to the debtor, the existence of his knowledge of the assignment should be proved by him who is interested therein; and the debtor is not bound to prove his ignorance."

In a more recent case, Aquintey v. Spouses Tibong,[32] this Court stated: "The law does not require any formal notice to bind the debtor to the assignee, all that the law requires is knowledge of the assignment. Even if the debtor had not been notified, but came to know of the assignment by whatever means, the debtor is bound by it."

Since his consent is immaterial, the only other matter which this Court must determine is whether petitioner had knowledge of the Assignment of Credit, dated 1 April 1989, between Ms. Picache and respondent. Both the Court of Appeals and the RTC ruled in the affirmative, and so must this Court. Petitioner does not deny having knowledge of the assignment of credit by Ms. Picache to the respondent. In 1989, when petitioner's loans became overdue, it was respondent and its counsel who sent several demand letters to him. It can be reasonably presumed that petitioner received said letters for they were sent by registered mail, and the return cards were signed by petitioner's agent. Petitioner expressly acknowledged receipt of respondent's demand letter, dated 13 June 1989, to which he replied with another letter, dated 21 June 1989, stating that he would settle his account with respondent but also requesting consideration of the losses he suffered from the electric power disconnection at the property he leased from MRMC. It further appears that petitioner had never questioned why it was respondent seeking payment of the loans and not the original creditor, Ms. Picache. All these circumstances tend to establish that respondent already knew of the assignment of credit made by Ms. Picache in favor of respondent and explains his acceptance of all the demands for payment of the loans made upon him by the respondent.

Finally, assuming arguendo that this Court considers petitioner a third person to the Assignment of Credit, dated 1 April 1989, the fact that the said document was duly notarized makes it legally enforceable even as to him. According to Article 1625 of the Civil Code -

> ART. 1625. An assignment of credit, right or action shall produce no effect as against third persons, unless it appears in a public instrument, or the instrument is recorded in the Registry of Property in case the assignment involves real property.

Notarization converted the Assignment of Credit, dated 1 April 1989, a private document, into a public document,[33] thus, complying with the mandate of the afore-quoted provision and making it enforceable even as against third persons.

WHEREFORE, premises considered, the instant Petition for Review is hereby DENIED, and the Decision, dated 20 March 2001, of the Court of Appeals in CA-G.R. CV No. 43604, affirming in toto the Decision, dated 6 August 1993, of the Quezon City Regional Trial Court, Branch 91, in Civil Case No. Q-90-5247, is hereby AFFIRMED. Costs against the petitioner.

SO ORDERED.

Ynares-Santiago, (Chairperson), Austria-Martinez, and Nachura, JJ., concur.

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[1]Rollo, pp. 11-23.

[2] Penned by Associate Justice Bienvenido L. Reyes with Associate Justices Eubulo G. Verzola and Candido V. Rivera, concurring; id. at 41-53.

[3]Penned by then Judge Marina L. Buzon (now Associate Justice of the Court of Appeals), id. at 37-40.

[4] Id. at 26-30.

[5]Records, pp. 161-163.

[6] Id. at 164-166.

[7]Id. at 167.

[8] The letters were dated 18 May 1989, 5 June 1989, 13 June 1989, and 31 July 1989, all sent by registered mail, id. at 168-171.

[9] Id. at 189-194.

[10] Ms. Picache is likewise an incorporator and member of the Board of Directors of respondent Capitol Development Corporation.

[11]Id. at 202-215.

[12] Rollo, p. 38.

[13] Id. at 38-40.

[14] Id. at 41-53.

[15] Penned by Associate Justice Bienvenido L. Reyes with Associate Justices Eubulo G. Verzola and Candido V. Rivera, concurring; id. at 64-65.

[16] Id. at 17.

[17] Jammang v. Takahashi Trading Co., Ltd., G.R. No. 149429, 9 October 2006, 504 SCRA 31, 42.

[18] China Banking Corporation v. Dyne-Sem Electronics Corporation, G.R. No. 149237, 11 July 2006, 494 SCRA 493, 499 .

[19]Security Bank and Trust Company v. Gan, G.R. No. 150464, 27 June 2006, 493 SCRA 239, 242-243.

[20] Far East Bank & Trust Company v. Diaz Realty, Inc., 416 Phil. 147, 161 (2001).

[21]Chemphil Export & Import Corporation v. Court of Appeals, 321 Phil. 619, 642 (1995).

[22] Arturo M. Tolentino, COMMENTARIES AND JURISPRUDENCE ON THE CIVIL CODE OF THE PHILIPPINES, Vol. IV, 1996 ed., p. 402.

[23] See South City Homes, Inc. v. BA Finance Corporation, 423 Phil. 84, 95 (2001); Far East Bank & Trust Company v. Diaz Realty, Inc., supra note 20; Licaros v. Gatmaitan, 414 Phil. 857, 866-867 (2001); Sesbreño v. Court of Appeals, G.R. No. 89252, 24 May 1993, 222 SCRA 466, 478-479; Rodriguez v. Court of Appeals, G.R.

No. 84220, 25 March 1992, 207 SCRA 553, 558.

[24]Licaros v. Gatmaitan, id.

[25]Section 1, Rule 131 of the Revised Rules of Court reads, "Burden of proof is the duty of a party to present evidence on the facts in issue necessary to establish his claim or defense by the amount of evidence required by law."

[26] According to Section 1, Rule 133 of the Revised Rules of Court, "In civil cases, the party having the burden of proof must establish his case by a preponderance of evidence. x x x." By "preponderance of evidence is meant simply evidence which is of greater weight, or more convincing than that which is offered in opposition to it." (Rivera v. Court of Appeals, G.R. No. 115625, 23 January 1998, 284 SCRA 673, 681.)

[27] Supra note 23 at 868-870.

[28] Supra note 22 at 558-559.

[29] Id.

[30] National Investment and Development Corporation v. De los Angeles, 148-B Phil. 452, 461 (1971).

[31] 37 Phil. 584, 587-588 (1918).

[32]G.R. No. 166704, 20 December 2006.

[33] Bernardo v. Atty. Ramos, 433 Phil. 8, 15 (2002).

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