

WOOD TECHNOLOGY CORPORATION, CHI TIM CORDOVA AND ROBERT TIONG KING YOUNG, PETITIONERS, VS. EQUITABLE BANKING CORPORATION, RESPONDENT.

G.R. NO. 153867. February 17, 2005

Ponente: QUISUMBING, J.

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QUISUMBING, J.:

This petition for review seeks to reverse and set aside the Decision[1] dated April 11, 2001 of the Court of Appeals in CA-G.R. CV No. 57371 and its Resolution[2] dated June 3, 2002 which denied the motion for reconsideration.

The case originated from a Complaint for Sum of Money filed on October 21, 1996, before the Regional Trial Court of Manila, Branch 29, by respondent Equitable Banking Corporation[3] against the petitioners, Wood Technology Corporation (WTC), Chi Tim Cordova, and Robert Tiong King Young.

The Complaint alleged that on December 9, 1994, WTC obtained from respondent a loan in the amount of US\$75,000, with 8.75% interest per annum, as evidenced by a Promissory Note, No. FXBD94-00881, signed by Cordova and Young as representatives of WTC. Cordova and Young executed a Surety Agreement binding themselves as sureties of WTC for the loan. Respondent bank made a final demand on April 19, 1996, for WTC to pay its obligation, but petitioners failed to pay. Respondent prayed that petitioners be ordered to pay it \$75,603.65 or P2,018,617.46 (computed as of October 10, 1995) plus interest, penalty, attorney's fees and other expenses of litigation; and the cost of suit.

In their Answer, petitioners stated that WTC obtained the \$75,000 loan; that Cordova and Young bound themselves as its sureties. They claimed that only one demand letter, dated April 19, 1996, was made by respondent. They added that the promissory note did not provide the due date for payment. Petitioners also claimed that the loan had not yet matured as the maturity date was purposely left blank, to be agreed upon by the parties at a later date. Since no maturity date had been fixed, the filing of the Complaint was premature, and it failed to state a cause of action. They further claimed that the promissory note and surety agreement were contracts of adhesion with terms on interest, penalty, charges and attorney's fees that were excessive, unconscionable and not reflective of the parties' real intent. Petitioners prayed for the reformation of the promissory note and surety agreement to make their terms and conditions fair, just and reasonable. They also asked payment of damages by respondent.

On May 5, 1997, respondent moved for a judgment on the pleadings. The RTC, Branch 29 rendered judgment[4] and disposed as follows:

WHEREFORE, in view of the foregoing, and to abbreviate this case, judgment is hereby rendered based on the pleading[s] filed by the opposing parties and the documents annexed thereto. The defendant[s] Wood Technology Corporation, Robert Tiong King Young and Chi Tim Cordova are hereby ordered to pay solidarily to herein plaintiff the sum of \$75,000.00 or its equivalent in Philippine Currency and to pay the stipulated

interest of 8.75% per annum to be reckoned from the date that the obligation was contracted until the filing of this suit. Thereafter, the legal rate shall apply.

SO ORDERED.

Petitioners appealed, but the Court of Appeals affirmed the RTC's judgment. The appellate court noted that petitioners admitted the material allegations of the Complaint, with their admission of the due execution of the promissory note and surety agreement as well as of the final demand made by the respondent. The appellate court ruled that there was no need to present evidence to prove the maturity date of the promissory note, since it was payable on demand. In addition, the Court of Appeals held that petitioners failed to show any ambiguity in the promissory note and surety agreement in support of their contention that these were contracts of adhesion. Finally, it ruled that the interest rate on the loan was not exorbitant.

The appellate court also denied petitioners' motion for reconsideration.

Before us, petitioners now raise the following issues:

- WHETHER OR NOT THE ANSWER OF PETITIONERS WITH SPECIAL AND AFFIRMATIVE DEFENSES FAILS TO TENDER AN ISSUE OR ADMITS THE MATERIAL ALLEGATIONS IN THE COMPLAINT SO AS TO JUSTIFY THE RENDITION OF JUDGMENT ON THE PLEADINGS BY TRIAL COURT;
- WHETHER OR NOT PETITIONERS SHOULD HAVE BEEN GIVEN THE RIGHT TO PRESENT EVIDENCE ON THEIR SPECIAL AND AFFIRMATIVE DEFENSES;
- WHETHER OR NOT THE PROMISSORY NOTE IS A CONTRACT OF ADHESION CONTAINING UNREASONABLE CONDITIONS WHICH PETITIONERS SIGNED WITHOUT REAL FREEDOM OF WILL TO CONTRACT THE OBLIGATIONS THEREIN; AND
- WHETHER OR NOT THE FILING OF THE COMPLAINT WAS PREMATURE AND/OR THE COMPLAINT FAIL[ED] TO STATE A CAUSE OF ACTION.[5]

Simply put, the basic issue is whether the appellate court erred when it affirmed the RTC's judgment on the pleadings.

Petitioners argue that a judgment on the pleadings cannot be rendered because their Answer tendered genuine issues and disputed the material allegations in the Complaint. They claim that they did not totally or unqualifiedly admit all the material allegations in the Complaint, and that they had alleged special and affirmative defenses. If they were given the chance, they could have presented witnesses to prove their special and affirmative defenses.[6]

For its part, respondent Equitable Banking Corporation states that the Court of Appeals was correct in affirming the judgment on the pleadings granted by the RTC. It adds that petitioners had admitted the material allegations of the Complaint and they did not raise genuine issues of fact that necessitate submission of evidence. It also contends that the special and affirmative defenses raised by petitioners concern the proper interpretation of the provisions of the promissory note and surety agreement. Respondent asserts that these defenses may be resolved based on the pleadings and the applicable laws and jurisprudence, without the need to present evidence.[7]

At the outset, we must stress the Court's policy that cases and controversies should be promptly and expeditiously

resolved. The Rules of Court seeks to shorten the procedure in order to allow the speedy disposition of a case. Specifically, we have rules on demurrer to evidence, judgment on the pleadings, and summary judgments. In all these instances, a full blown trial is dispensed with and judgment is rendered on the basis of the pleadings, supporting affidavits, depositions and admissions of the parties.[8]

In this case, at issue is the propriety and validity of a judgment on the pleadings. A judgment on the pleadings is proper when an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading.[9]

Both the RTC and Court of Appeals recognize that issues were raised by petitioners in their Answer before the trial court. This may be gleaned from their decisions which we partly quote below:

RTC's ORDER:

...

Defendants raised the following defenses:

- That the contract is one of adhesion and they were "forced to sign the same";
- That the interest [8.75% per annum], penalties and fees are unconscionable;
- That plaintiff's demand is premature.[10]

...

Court of Appeals' DECISION:

. . . They neither raise genuine issues of fact needing submission of evidence. Rather, these issues hoist questions concerning the proper interpretation of the provisions of the promissory note and the surety agreement...[11] (Emphasis supplied.)

Petitioners also contend that their Answer below raised issues that "are very material and genuine." [12] Hence, according to petitioners, judgment on the pleadings was not proper. Respondent, on the other hand, argues that the special and affirmative defenses raised by Petitioners are not genuine issues that needed a hearing.[13]

We note now that (1) the RTC knew that the Answer asserted special and affirmative defenses; (2) the Court of Appeals recognized that certain issues were raised, but they were not genuine issues of fact; (3) petitioners insisted that they raised genuine issues; and (4) respondent argued that petitioners' defenses did not tender genuine issues. However, whether or not the issues raised by the Answer are genuine is not the crux of inquiry in a motion for judgment on the pleadings. It is so only in a motion for summary judgment.[14] In a case for judgment on the pleadings, the Answer is such that no issue is raised at all. The essential question in such a case is whether there are issues generated by the pleadings.[15] This is the distinction between a proper case of summary judgment, compared to a proper case for judgment on the pleadings. We have explained this vital distinction in *Narra Integrated Corporation v. Court of Appeals*, [16] thus,

The existence or appearance of ostensible issues in the pleadings, on the one hand, and their sham or fictitious character, on the other, are what distinguish a proper case for summary judgment from one for a judgment on the pleadings. In a proper case for judgment on the pleadings, there is no ostensible issue at all because of the failure of the defending party's answer to raise an issue. On the other hand, in the case of a summary judgment, issues apparently exist-i.e. facts are asserted in the complaint regarding which there is as yet no admission, disavowal or qualification; or specific denials or affirmative defenses are in truth set out in the

answer-but the issues thus arising from the pleadings are sham, fictitious or not genuine, as shown by affidavits, depositions, or admissions. . . . (Underscoring and emphasis supplied.)

Indeed, petitioners' Answer apparently tendered issues. While it admitted that WTC obtained the loan, that Cordova and Young signed the promissory note and that they bound themselves as sureties for the loan, it also alleged special and affirmative defenses that the obligation had not matured and that the promissory note and surety agreement were contracts of adhesion.

Applying the requisites of a judgment on the pleadings vis-à-vis a summary judgment, the judgment rendered by the RTC was not a judgment on the pleadings, but a summary judgment. Although the Answer apparently raised issues, both the RTC and the Court of Appeals after considering the parties' pleadings, petitioners' admissions and the documents attached to the Complaint, found that the issues are not factual ones requiring trial, nor were they genuine issues.

Summary judgment[17] is a procedure aimed at weeding out sham claims or defenses at an early stage of the litigation. The proper inquiry in this regard would be whether the affirmative defenses offered by petitioners constitute genuine issues of fact requiring a full-blown trial.[18] In a summary judgment, the crucial question is: are the issues raised by petitioners not genuine so as to justify a summary judgment?[19] A "genuine issue" means an issue of fact which calls for the presentation of evidence, as distinguished from an issue which is fictitious or contrived, an issue that does not constitute a genuine issue for trial.[20]

We note that this is a case for a sum of money, and petitioners have admitted that they obtained the loan. They also admitted the due execution of the loan documents and their receipt of the final demand letter made by the respondent. These documents were all attached to the Complaint. Petitioners merely claimed that the obligation has not matured. Notably, based on the promissory note, the RTC and the Court of Appeals found this defense not a factual issue for trial, the loan being payable on demand. We are bound by this factual finding. This Court is not a trier of facts.

When respondent made its demand, in our view, the obligation matured. We agree with both the trial and the appellate courts that this matter proffered as a defense could be resolved judiciously by plain resort to the stipulations in the promissory note which was already before the trial court. A full-blown trial to determine the date of maturity of the loan is not necessary. Also, the act of leaving blank the maturity date of the loan did not necessarily mean that the parties agreed to fix it later. If this was the intention of the parties, they should have so indicated in the promissory note. They did not show such intention.

Petitioners likewise insist that their defense tendered a genuine issue when they claimed that the loan documents constituted a contract of adhesion. Significantly, both the trial and appellate courts have already passed upon this contention and properly ruled that it was not a factual issue for trial. We agree with their ruling that there is no need of trial to resolve this particular line of defense. All that is needed is a careful perusal of the loan documents. As held by the Court of Appeals, petitioners failed to show any ambiguity in the loan documents. The rule is that, should there be ambiguities in a contract of adhesion, such ambiguities are to be construed against the party that prepared it. However, if the stipulations are clear and leave no doubt on the intention of the parties, the literal meaning of its stipulations must be held controlling.[21]

In sum, we find no cause to disturb the findings of fact of the Court of Appeals, affirming those of the RTC as to the reasonableness of the interest rate of 8.75% per annum on the loan. We also find no persuasive reason to contradict the ruling of both courts that the loan secured by petitioner WTC, with co-petitioners as sureties, was payable on demand. Certainly, respondent's complaint could not be considered premature. Nor could it be said to be without sufficient cause of action therein set forth. The judgment rendered by the trial court is valid as a

summary judgment, and its affirmance by the Court of Appeals, as herein clarified, is in order.

WHEREFORE, the Petition is DENIED for lack of merit.

SO ORDERED.

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

[1] Rollo, pp. 40-47. Penned by Associate Justice Conrado M. Vasquez, Jr., with Associate Justices Martin S. Villarama, Jr., and Eliezer R. delos Santos concurring.

[2] Id. at 57.

[3] Now Equitable PCI Bank.

[4] Records, p. 48.

[5] Rollo, p. 11.

[6] Id. at 85-87.

[7] Id. at 103-106.

[8] Evadel Realty and Development Corporation v. Soriano, G.R. No. 144291, 20 April 2001, 357 SCRA 395, 400.

[9] Rules of Court, Rule 34, Section 1. Judgment on the pleadings. – Where an answer fails to tender an issue, or otherwise admits the material allegations of the adverse party's pleading, the court may, on motion of that party, direct judgment on such pleading. However, in actions for declaration of nullity or annulment of marriage or for legal separation, the material facts alleged in the complaint shall always be proved.

[10] Records, p. 48.

[11] Rollo, p. 44.

[12] Id. at 86.

[13] Id. at 106.

[14] Evangelista v. Mercator Finance Corp., G.R. No. 148864, 21 August 2003, 409 SCRA 410, 415.

[15] Garcia v. Llamas, G.R. NO. 154127, 8 December 2003, 417 SCRA 292, 306.

[16] G.R. No. 137915, 15 November 2000, 344 SCRA 781, 786.

[17] Rules of Court, rule 35, Section 1. Summary judgment for claimant. – A party seeking to recover upon a claim, counterclaim, or cross-claim or to obtain a declaratory relief may, at any time after the pleading in answer thereto has been served, move with supporting affidavits, depositions or admissions for a summary judgment in his favor upon all or any part thereof.

[18] Supra, note 14.

[19] Supra, note 16 at 787.

[20] Supra, note 14.

[21] Pilipino Telephone Corporation v. Tecson, G.R. No. 156966, 7 May 2004, p. 4.

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