

SPOUSES NORA SAGUID AND ROLANDO P. SAGUID, PETITIONERS, VS. SECURITY FINANCE, INC., RESPONDENT.

G.R. NO. 159467. December 09, 2005

Ponente: CHICO-NAZARIO, J.

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CHICO-NAZARIO, J.:

Assailed in a Petition for Review on Certiorari under Rule 45 of the 1997 Rules of Civil Procedure are the decision[1] of the Court of Appeals in CA-G.R. CV No. 68129 dated 31 January 2003 reversing the decision of the Regional Trial Court (RTC) of Makati City, Branch 135, in Civil Case No. 98-1803, dated 07 July 2000, ordering respondent Security Finance, Inc. to pay petitioner Spouses Nora and Rolando Saguid the daily earnings of the seized motor vehicle as well as damages, attorney's fees and costs of suit, and its Resolution[2] dated 10 June 2003 denying petitioners' motion for reconsideration.

On 30 July 1998, respondent filed a case for Recovery of Possession with Replevin with Alternative Prayer for Sum of Money and Damages against petitioners and one John Doe in whose possession and custody the mortgaged property may be found.[3] It alleged that petitioners, for value, jointly and severally executed in its favor a Promissory Note[4] in the amount of P508,248.00, payable in monthly installments per schedule indicated therein. To secure payment of the Promissory Note, petitioners executed a Chattel Mortgage[5] over a motor vehicle particularly described as follows:

MAKE : TOYOTA COROLLA XL

MODEL : 1996

ENGINE NO. : 2E-2895512

SERIAL NO. : EE100-9555787

Respondent alleged that petitioners defaulted in complying with the terms and conditions of the Promissory Note and Chattel Mortgage by failing to pay several monthly installments on the Promissory Note. As provided for in the Promissory Note and Chattel Mortgage, the failure of the petitioners to pay any installment when due shall make the entire balance of the obligation immediately due and payable. The total obligation of petitioners amounted to P756,634.64 as of 15 May 1998.[6]

Despite demand[7] for payment or the surrender, if in good order and condition, of the mortgaged motor vehicle, petitioners failed and refused to comply with the demand. Thus, respondent was constrained to file the instant case praying that (1) a Writ of Replevin be issued ordering the seizure of the afore-described vehicle, complete with all its accessories, and that same be delivered to it; or (2) in the event that manual delivery thereof cannot be effected, order the petitioners to pay the amount of P756,634.64 exclusive of accruing interest and penalty charges thereon at the rate of five percent (5%) per month until fully paid. In either case, to order petitioners to pay

respondent the amount of P189,158.66 as and for attorney's fees, replevin bond premium and other expenses incurred in the seizure of the motor vehicle, and costs of suit.

On 03 August 1998, the Hon. Francisco B. Ibay, Presiding Judge, Branch 135, RTC, Makati City, issued an Order directing the branch sheriff to seize the aforementioned vehicle upon filing of a bond in the amount of P1,513,270.00 which is double the value of the property to be seized, and to take it into his custody upon further orders from the court.[8]

Upon being informed by respondent in a Motion for Clarification[9] that the reasonable estimated value of the vehicle involved is P150,000.00, the RTC lowered the Replevin Bond to be filed to P300,000.00[10] which respondent filed on 12 August 1998.

On 12 October 1998, the RTC issued a Writ of Seizure ordering the Branch Sheriff to seize the vehicle, to keep it in his possession for five (5) days, and then to deliver it to respondent.[11]

On 13 October 1998, after service upon petitioners of the copy of the summons with the complaint and annexes, affidavit, writ of seizure and bond, the vehicle subject of this case was repossessed by the sheriff upon issuance of the corresponding receipt. On 20 October 1998, the vehicle was delivered to respondent.[12]

In their Answer with Compulsory Counterclaim,[13] petitioners specifically denied the allegations in the Complaint. They maintained they, whether individually or as spouses, did not and never executed a Promissory Note and Chattel Mortgage in favor of respondent. They claimed they bought the car subject of the case in cash as evidenced by the Vehicle Sales Invoice[14] of Toyota Balintawak, Inc. dated 15 March 1996. Petitioner Nora Saguid alleged that she could not have physically executed the Promissory Note on 23 April 1996 as she was in Australia when the same was supposedly executed. On the part of petitioner Rolando Saguid, he admitted that he signed the promissory note in preparation for an application for loan upon the request of one Sonny Quijano who promised to facilitate the same for the purchase of another motor vehicle to be converted into a taxicab, but not with respondent. As compulsory counterclaim, they ask that respondent be ordered to pay moral, exemplary and actual damages, as well as attorney's fees and costs of suit.

After pre-trial, the RTC issued a Pre-Trial Order containing the following stipulation of facts:

- The personal and corporate personalities of the parties;
- That the promissory note dated April 23, 1996 in the amount of P508,248.00 in favor of plaintiff was signed by defendant Rolando Saguid; and
- That the chattel mortgage was signed by defendant Rolando Saguid; . . .[15]

Trial ensued. The respective evidence of the parties are substantially summarized in the decision of the RTC.

Evidence of the Petitioners:

The plaintiff presented two (2) witnesses: 1] Rosauro G. Maghirang, Jr., 43 years of age, married, Assistant Vice-President for Marketing of the plaintiff, and a resident of No. 140 J. Molina Street, Marikina City; and 2] Antonio B. Placido, 37 years of age, married, an employee of the plaintiff, and a resident of 263 Santo Cristo Street, Angat, Bulacan.

It can be culled from plaintiff's evidence that an application [Exhibit A] for a loan to finance the purchases [of] a new car was filed with the plaintiff. The application was not signed by any of the defendants. The signature appearing on the application [Exhibit A] belongs to one David Garcia, a Marketing Assistant of the plaintiff. The application was evaluated and investigated and was approved. The Promissory Note No. 96-01447 dated April 23, 1996 [Exhibit B] and the Chattel Mortgage Contract dated September 3, 1996 [Exhibit D] were

signed. Submitted to the plaintiff were postdated checks [Exhibits E, E-1 to E-12]. When deposited these checks were dishonored for the reason that the account was already closed. The dishonored checks were replaced with P27,137.67 cash for which O.R. No. 12467 dated June 27, 1996 [Exhibit F]. After the payment made on June 27, 1996, the checks that subsequently bounced were not replaced. The case was referred to counsel for collection. A demand letter was delivered by witness Placido to the residence of the defendants. There being no response from the defendants this case was filed against them. Placido conducted a surveillance of the place where the vehicle could possibly be found. He accompanied the sheriff in implementing the writ of seizure. After seizure of the vehicle it was stowed at the warehouse of plaintiff in Las Pinas.

On cross-examination of Rosauro G. Maghirang, Jr., Assistant Vice-President for Marketing of the plaintiff, it was established that the mortgage of subject motor vehicle was not registered with the LTO because the dealer did not submit to plaintiff the certificate of registration. In transactions of this nature, loan applicants are required to submit the original certificate of registration and the official receipt. The dealer, Toyota Balintawak, did not send to the plaintiff these documents.[16]

Evidence of the Respondent:

Defendants testified for and in their behalf. Zenaida Marquinez Maralit, 33 years of age, single, a resident of Orlon Street, Litex Village, San Jose, Rodriguez, Rizal, and the Credit and Collection Head of Toyota Balintawak testified for the defendants. Defendant Rolando bought in cash the subject motor vehicle from Toyota Balintawak. He was issued Vehicle Delivery Invoice No. 7104 [Exhibit 1] and Vehicle Delivery Note No. 7104 [Exhibit 2]. The same vehicle was registered [Exhibit 3]. He identified his signatures in the promissory note [Exhibit B] and in the chattel mortgage [Exhibit D]. He was asked by one Sonny Quijano to sign these documents in blank on the representation of the latter that he will help him secure additional capital to enable him to purchase another taxi.

Rolando met for the first time Sonny Quijano sometime in January 1996 at Toyota Quezon Avenue. Rolando was then planning to purchase two units of taxi colored white. But at that time there was only one available unit at Toyota Quezon Avenue. Quijano approached Rolando informing him that there are units colored white available at Toyota Balintawak and that he will help him secure one. Rolando was able to secure one. In the month of May, Quijano went to the house of defendants and asked Rolando if he is still interested in getting additional capital to purchase a taxi. Rolando was asked to sign documents in blank. The name of the plaintiff does not appear in these documents. When Rolando asked Quijano why the documents are in blank, Quijano told him just to sign and that he will take care of everything. Rolando did not sign the documents because at that time she was in Australia. Rolando (sic) not know what happened to the documents he signed. He read from the papers that Quijano was shot. He denied the issuance of the checks [Exhibits E, E-1 to E-12]. Defendants received a letter [Exhibit 8] dated February 21, 1997 from De Castro Law Office. Rolando went to this Law Office and presented his documents evidencing payment of the subject motor vehicle. He was told by Atty. De Castro that everything is okay and that he will take care of everything.

On October 28, 1998 at about 7:00 in the morning two [2] units of taxi including subject motor vehicle were seized by the sheriff assisted by three [3] SWAT members. The boundary of the subject motor vehicle, which is a taxi, is P750.00 for every 24 hours. From October 28, 1998 to October 1999 defendants lost P180,000 in income. Defendants retained the services of counsel for P100,000 plus P1,500 per appearance. With this incident on October 28, 1998, Rolando was embarrassed in front of his neighbors. For his sufferings Rolando is praying for P1 Million in damages plus P3 Million in exemplary damages.

Witness Maralit corroborated that testimony of Rolando that the subject motor vehicle was purchased in cash and not through financing. Had subject vehicle been purchased through financing the original Certificate of Registration and Certificate of Registration would have been transmitted to the financing company marked by the LTO "encumbered". This did not happen in this case. Security Finance, the plaintiff in this case was not accredited by Toyota Balintawak not even in one transaction. The appearance in both Exhibits 1 and 2 of

"SPQ Center/Nora Saguid" as purchaser of the subject motor vehicle was satisfactorily explained by witness Maralit. The subject motor vehicle was initially reserved by SPQ Center but later on it waived its right in favor of Nora. It is for this reason that "SPQ Center/Nora Saguid" appears as the purchaser of the vehicle.[17]

In its decision[18] dated 07 July 2000, the RTC ruled in favor of petitioners, the dispositive portion of which reads:

WHEREFORE, judgment is hereby rendered ordering plaintiff SECURITY FINANCE, INCORPORATED to pay defendant-spouses ROLANDO and NORA SAGUID:

- The total amount of the daily earnings of the seized motor vehicle computed from the date of its seizure on October 28, 1998 up to its return to the defendants, at the rate of P750.00 daily;
- The amount of P500,000 for moral damages;
- The amount of P1,000,000 for exemplary damages;
- The amount P200,000 for and as attorney's fees; and
- The Costs.

In reaching its verdict, the RTC ruled that the promissory note and the deed of mortgage were not valid contracts and were not binding on petitioners. It explained that respondent failed to show with convincing evidence that it loaned to petitioners the money used in the purchase of the subject motor vehicle. On the contrary, it found that there was preponderance of evidence showing that the motor vehicle was purchased in cash by petitioners from Toyota Balintawak, Inc.

Respondent appealed the decision to the Court of Appeals via a Notice of Appeal.[19]

On 31 January 2003, the Court of Appeals rendered the assailed decision. It reversed and set aside the decision of the RTC and ruled in favor of respondent. It disposed of the case as follows:

WHEREFORE, premises considered, the assailed decision of the trial court is hereby REVERSED and SET ASIDE, and another one is rendered in favor of the plaintiff-appellant. Costs against the defendants-appellees.[20]

The Court of Appeals found the ruling of the trial court that there was no valid contract entered into between the parties on the ground there was no cause or consideration when they executed the same, and that respondent failed to show with convincing evidence that it loaned the money to petitioners which was used to purchase the subject motor vehicle, to be bereft of factual and legal basis. It relied heavily on the admission of petitioner Rolando Saguid during pre-trial and during his direct-examination that he signed the promissory note dated 23 April 1996 and the chattel mortgage dated 03 September 1996. It did not give weight to petitioners' bare denial that they never transacted with respondent for the subject loan and that they never executed the promissory note and the deed of chattel mortgage because it belied the admission made by petitioner Rolando Saguid.

Petitioners filed a Motion for Reconsideration[21] dated 24 February 2003 while respondent filed a Motion for Clarificatory Judgment[22] dated 17 February 2003.

In a resolution dated 10 June 2003, the Court of Appeals denied the Motion for Reconsideration and granted the Motion for Clarificatory Judgment. It amended the dispositive portion of its 31 January 2003 decision as follows:

WHEREFORE, premises considered, the assailed decision of the trial court is hereby REVERSED and SET ASIDE, and another one is rendered in favor of the plaintiff-appellant ordering the defendants-appellees:

1) To deliver to the plaintiff-appellant the motor vehicle described as follows:

MAKE : Toyota Corolla XL

MODEL : 1996

ENGINE NO. : 2E-2895512

SERIAL NO. : EE100-9555787

2) In the event the manual delivery of the above-described motor vehicle is not feasible, to pay the plaintiff appellant the amount of P508,248.00 plus interest and penalty charges at the legal rate per annum until fully paid, in line with the decision of the Supreme Court in the case of Medel vs. Court of Appeals, 299 SCRA 481; and

3) To pay the costs of suit.[23]

Hence, the instant petition, contending that:

I

THE HONORABLE COURT OF APPEALS COMMITTED A GRAVE REVERSIBLE ERROR IN HOLDING THAT PETITIONERS ENTERED INTO A TRANSACTION WITH RESPONDENT CONCERNING THE SUBJECT MOTOR VEHICLE BASED ON THE PROMISSORY NOTE AND CHATTEL MORTGAGE, DESPITE THE FACT THAT PETITIONER ROLANDO SAGUID'S ADMISSION OF HAVING SIGNED THE DOCUMENTS WAS MERELY IN PREPARATION FOR A LOAN APPLICATION PRESENTED TO HIM BY THE LATE SONNY QUIJANO, A CAR SALES AGENT.

II

THE HONORABLE COURT OF APPEALS COMMITTED A SERIOUS REVERSIBLE ERROR IN NOT HOLDING THAT THE PROMISSORY NOTE AND THE DEED OF MORTGAGE ARE NOT VALID AND NOT BINDING ON THE PETITIONERS CONSIDERING PETITIONER ROLANDO SAGUID'S EXPLANATION REGARDING HIS ADMISSION AND THE SOLID AND COMPETENT EVIDENCE THAT PETITIONER WIFE WAS NOT IN THE PHILIPPINES AT THE TIME OF THE EXECUTION OF THE SAID DOCUMENTS BUT WAS IN AUSTRALIA.

III

THE HONORABLE COURT OF APPEALS COMMITTED A GRAVE MISAPPREHENSION OF FACTS AND THE EVIDENCE WHEN IT GRANTED RESPONDENT'S MOTION FOR CLARIFICATORY JUDGMENT AND ORDERED PETITIONER TO DELIVER THE SUBJECT MOTOR VEHICLE TO RESPONDENT AND TO PAY RESPONDENT THE AMOUNT OF P508,248.00 PLUS INTEREST AND PENALTY CHARGES IN CASE MANUAL DELIVERY OF THE VEHICLE WAS NOT FEASIBLE, OVERLOOKING THE FACT THAT THE SUBJECT MOTOR VEHICLE WAS ALREADY FORCIBLY CONFISCATED AND SEIZED BY THE SHERIFF BY VIRTUE OF THE WRIT OF SEIZURE ISSUED BY THE TRIAL COURT AND DULY ACKNOWLEDGED TO HAVE BEEN RECEIVED BY THE SHERIFF FROM THE PETITIONERS.

Respondent would like to impress on the Court that there is a valid Contract of Loan between it and petitioners, and that the proceeds of the loan were used to buy the vehicle involved in this case. In support thereof, it offered, among other things, a Promissory Note[24] dated 23 April 1996 and Chattel Mortgage[25] dated 03 September 1996 over the subject vehicle which served as security for the payment of the amount indicated in the former. On the other hand, petitioners contend that they neither entered into any contract with respondent nor did they receive

any money from it that was used to buy the subject car. Though petitioner Rolando Saguid admitted that the signatures in the Promissory Note and Chattel Mortgage are his, he clarified that when he signed said documents upon the prodding of Sonny Quijano, he signed them in blank. Petitioner Nora Saguid, on her part, denied signing said documents. She claimed that the signatures purporting to be hers are forgeries since she was in Australia when said documents were executed.

Petitioners maintained that the Court of Appeals erred in holding that they entered into a transaction with respondent based on the promissory note and chattel mortgage despite petitioner Rolando Saguid's explanation of the circumstances surrounding his signing thereof, and in not holding that these documents are not valid and binding on them.

To ascertain whether or not petitioners are bound by the promissory note and chattel mortgage, it must be established that all the elements of a contract of loan are present. Like any other contract, a contract of loan is governed by the rules as to the requisites and validity of contracts in general. It is basic and elementary in this jurisdiction that what determines the validity of a contract, in general, is the presence of the elements constituting the same, namely: (1) consent of the contracting parties; (2) object certain which is the subject matter of the contract; and (3) cause of the obligation which is established.[26] In this case, petitioners insist the third element is lacking since they never transacted with respondent for the proceeds of the loan which were used in purchasing the subject motor vehicle.

The Court of Appeals ruled that petitioners transacted with respondent and are bound by the promissory note and chattel mortgage they signed. It anchored its ruling on the admission of petitioner Rolando Saguid that he signed said documents. Citing Section 4, Rule 129[27] of the Rules of Court, it reasoned out that petitioner Rolando Saguid's bare denial cannot qualify the admission he made during pre-trial and during trial that they transacted with respondent and executed the aforesaid documents. It brushed aside the explanation made by petitioner Rolando Saguid that he signed the same in blank and only as preparation for a loan application presented to him by Sonny Quijano.

From the record, it is clear that what petitioner Rolando Saguid admitted was only his signatures in the aforementioned documents and not the contents thereof. In petitioners' Answer, Rolando Saguid admitted signing the promissory note in preparation for an application for loan upon the request of Sonny Quijano who promised to facilitate the same for the purchase of another motor vehicle to be converted into a taxicab, but not with respondent. During trial, Rolando Saguid explained the circumstances under which he signed the documents with emphasis that he signed them in blank.

We find that the Court of Appeals committed an error when it closed its eyes to the clarification made by petitioner Rolando Saguid on the ground that same belied his admission. The rule that an admission cannot be contradicted unless it can be shown that it was made through palpable mistake or that no such admission was made will not apply under the circumstances obtaining in this case. It does not follow that the admission of the signatures carries with it the admission of the contents of the documents especially when the person who affixed his signatures thereon questions its execution and the veracity of the details embodied therein. Petitioners could have been bound by the terms and conditions of the promissory note and chattel mortgage if petitioner Rolando Saguid admitted not only his signatures but also as to what are contained therein. This is not to be in the case before us. Petitioners can therefore adduce evidence that would nullify or invalidate both the promissory note and the chattel mortgage. In other words, they can show that the elements of the contract of loan are wanting.

The Court of Appeals held that it was not in a proper position to entangle itself in resolving the matter as regards the qualification made by petitioner Rolando Saguid on his admission because whatever the documents he signed

in favor of Mr. Quijano is not the concern of the court as the same is not one of the issues presented before it, and that Mr. Quijano is not a party in the case. Petitioners claim that if only the Court of Appeals ruled on the matter, it could have ruled in their favor and sustained the decision of the trial court.

The Court of Appeals should have ruled on the same it being the primal defense of petitioners. It should not have wholly disregarded the qualification made by petitioner Rolando Saguid considering that said defense can easily be supported by other competent evidence. Instead of relying heavily on the admitted signatures, it should have evaluated other evidence that could have either bolstered or disproved the defense of petitioners.

This did not happen in this case. The Court of Appeals conveniently did not mention in its decision the testimony of Zenaida M. Maralit, an employee of Toyota Balintawak, Inc., who testified as to the circumstances on how the subject car was bought, and the documentary evidence that originated from Toyota Balintawak, Inc. We consider her to be an impartial witness whose testimony is vital in the proper resolution of this case.

Petitioners contend that the Court of Appeals erred in reversing the ruling of the trial court that the promissory note and the deed of chattel mortgage are not valid contracts and are not binding on them on the ground that the contracts did not contain the essential element of cause. The Court of Appeals said the trial court did not clearly declare in categorical terms the absence of cause in the aforesaid contracts and that petitioners failed to disprove that they are debtors of respondent since it is presumed that the cause exists in the contract.

Under Article 1354 of the Civil Code, it is presumed that consideration[28] exists and is lawful unless the debtor proves the contrary.[29] Moreover, under Section 3(r) of Rule 131 of the Rules of Court, it is presumed that there is a sufficient consideration for a contract. The presumption that a contract has sufficient consideration cannot be overturned by a mere assertion that it has no consideration.[30] To overcome the presumption of consideration, the alleged lack of consideration must be shown by preponderance of evidence.[31]

In proving that there is no consideration for the aforementioned documents, petitioners proffered in evidence the following documents that showed that they bought the subject vehicle in cash and not in installment basis: (a) Vehicle Sales Invoice No. 7104;[32] (b) Vehicle Delivery Note;[33] (c) Official Receipts No. 208646[34] and No. 208648;[35] (d) Certificate of Registration No. 32862328;[36] and (e) Official Receipt No. 40459605.[37] In addition, Ms. Zenaida Maralit of Toyota Balintawak, Inc. confirmed that the subject car was indeed paid in cash and not through financing for the reasons that the originals of the Certificate of Registration and the Official Receipt of the subject vehicle have not been marked as encumbered by the Land Transportation Office and are in the possession of the buyer. She added that respondent is not accredited in Toyota Balintawak, Inc. She testified:

Q: Madam Witness, do you know if this vehicle was purchased in cash or through financing?

A: It was purchased in cash.

Q: What proof do you have to show that it was purchased in cash?

A: There was an invoice cash return.

Q: By the way, being the head of the Credit and Collection, what are your duties and functions?

A: We are in-charge of collection, we are in-charge of the documentation with LTO, insurance and financing documents.

Q: As far as the purchase of vehicle through financing, what is your specific duty?

A: We are the one who asked the client to sign the documents.

Q: Will you tell the Honorable Court what is the procedure in case the vehicle is purchased from your office

through financing?

A: After the client signed the documents, we get all the requirements based on the credit advice issued by the financing company. So together with the documents and all the requirements, valid ID, post dated checks, we are the one transmitting them to the financing company and after processing, the financing company gave us the proceed two to four days after the release of the vehicle.

Q: As far as the Certificate of Registration and Official Receipt are concerned, what did you do with them if the vehicle was purchased through financing?

A: If it was through financing, the original Official Receipt and Certificate of Registration goes to the financing company. We are the one transmitting them. Only the xerox copies of the Official Receipt and Certificate of Registration go to the client through financing transaction.

Q: As far as the security of the financing company, when it comes to purchase of vehicle through financing, what do you do with the Official Receipt and Certificate of Registration?

A: The LTO marked there encumbered. It means it was mortgaged to that particular financing company.

Q: Where it was marked?

A: At the Certificate of Registration, it was marked encumbered.

Q: On the face?

A: On the face.

Q: Do you have any policy as far as your company is concerned with regards to the purchase of vehicle through financing?

A: We have only the accredited financing companies.

Q: Is the plaintiff herein, Security Finance, accredited in your company?

A: No, not even in one transaction.

Q: What would be the significance if the original copy of the Certificate of Registration and the corresponding Official Receipt is in the possession of the buyer?

A: That means it was on cash transaction.[38]

On the other hand, respondent, through Rosauro G. Maghirang, Jr., Vice-President for Marketing, said that it paid the dealer in checks and that they have proof of payment. He testified:

Q: Mr. witness, you said you paid the dealer. In what form did you pay the dealer?

A: In checks, sir.

Q: Do you have any proof of your payment?

A: Yes, sir. [39]

It is thus clear that the subject car was bought in cash and not through financing via respondent. We find the evidence presented by respondent to be unreliable and erratic. The testimony of Rosauro Maghirang, Jr. that respondent paid Toyota Balintawak, Inc. is simply unsubstantiated by competent evidence. If respondent truly paid the dealer how come it never presented the checks it used to pay Toyota Balintawak, Inc.? Even assuming arguendo that respondent released the loan proceeds to petitioners, the same would be inconsistent with its

allegation that it was the one that paid the dealer. Furthermore, another telltale sign that strengthens the claim of petitioners that they did not transact with respondent for a loan was the fact that the alleged loan/credit application[40] was not signed by any or both of them.

Respondent's contention that petitioners did not deny drawing postdated checks in its favor is untenable. Petitioner Rolando Saguid categorically denied issuing the check and claimed that the signatures appearing thereon were not his.[41]

As to the alleged signature of petitioner Nora Saguid in the promissory note, evidence points that she could not have signed the document she being in Australia when she allegedly executed said document on 23 April 1996 as established by a certification[42] from the Bureau of Immigration that she left for Sydney, Australia, on 30 September 1995 and returned to the country on 15 June 1996.

From the foregoing, the Court is convinced that petitioners' allegation of absence of consideration has been substantiated and the presumption of consideration disproved and overcome. We are of the mind that petitioners bought the car with their own money. There being no cause or consideration in the contract of loan allegedly entered into by the parties, the promissory note is not binding on the petitioners.

As regards the chattel mortgage, it is settled that a mortgage is a mere accessory contract and its validity would depend on the validity of the loan secured by it.[43] The chattel mortgage constituted over the subject vehicle is an accessory contract to the loan obligation as embodied in the promissory note. It cannot exist as an independent contract since its consideration is the same as that of the principal contract. A principal obligation is an indispensable condition for the existence of an accessory contract.[44] Since it has been sufficiently established that there was no cause or consideration for the promissory note, it follows that the chattel mortgage has no leg to stand on. Hence, it must be extinguished and cannot have any legal effect on petitioners.

Having ruled that both promissory note and chattel mortgage are not binding on petitioners, the return of the subject vehicle to petitioners is in order. In case the vehicle can no longer be delivered in the condition when it was seized, respondent shall pay petitioners the amount of P150,000.00[45] plus interest of 6% per annum to be computed from 13 October 1998,[46] the date when said vehicle was seized, until finality of judgment after which interest rate shall become 12% per annum until actual payment.

We now go to the award of damages.

It is well-settled that actual or compensatory damages must be proved and proved with reasonable degree of certainty. A party is entitled only up to such compensation for the pecuniary loss that he has duly proven.[47] It cannot be presumed.[48] Absent proof of the amount of actual damages sustained, the Court cannot rely on speculations, conjectures, or guesswork as to the fact and amount of damages, but must depend upon competent proof that they have been suffered by the injured party and on the best obtainable evidence of the actual amount thereof.[49]

In the instant case, the trial court awarded as actual damages the amount of P750.00 per day as daily earnings of the seized vehicle from 28 October 1998 until its return. Same should be deleted for lack of competent proof. The bare assertion of petitioner Rolando Saguid that the subject vehicle was earning P750.00 a day before it was seized is inadequate, if not speculative, and should not be accepted because it is not supported by independent evidence. Petitioners should have at least presented a record or journal that would clearly show how much the vehicle earned in a specific period. This, petitioners failed to do. Instead, they relied on mere allegations that do not prove anything.

Petitioners are entitled to moral damages having suffered undue embarrassment when the subject vehicle was

seized from their home. There is no hard-and-fast rule in the determination of what would be a fair amount of moral damages since each case must be governed by its own peculiar facts. The yardstick should be that it is not palpably and scandalously excessive.[50] We find the amount of P500,000.00 awarded by the lower court to be excessive. In our view, the award of P50,000.00 as moral damages is reasonable under the facts obtaining in this case.

Exemplary or corrective damages are imposed, by way of example or correction for the public good, in addition to the moral, temperate, liquidated or compensatory damages.[51] When moral damages are awarded, exemplary damages may also be granted.[52] We, however, find the P1,000,000.00 awarded by the lower court to be excessive and should accordingly be reduced to P50,000.00.

Moreover, attorney's fees may be awarded when a party is compelled to litigate or incur expenses to protect his interest by reason of an unjustified act of the other party.[53] Petitioners are entitled thereto because they were compelled to litigate in order to protect their interest. Moreover, there being an award for exemplary damages,[54] it follows that there should be an award thereof. An award of P20,000.00 will be sufficient as the award of P200,000.00 by the RTC is too much.

WHEREFORE, premises considered, the decision of the Court of Appeals in CA-G.R. CV No. 68129 is REVERSED and SET ASIDE. Respondent Security Finance, Inc. is ordered to deliver the possession of the subject vehicle to petitioners, or, in the alternative if such delivery can no longer be made, to pay petitioners the amount of P150,000.00 plus interest of 6% per annum to be computed from 13 October 1998 until finality of judgment after which interest rate shall become 12% per annum until actual payment. Respondent is also ordered to pay petitioners P50,000.00 as moral damages, P50,000.00 as exemplary damages and P20,000.00 by way of attorney's fees.

No pronouncement as to costs.

SO ORDERED.

Puno, (Chairman), Austria-Martinez, Callejo, Sr., and Tinga, JJ., concur.

[1] CA Rollo, pp. 81-91; Penned by Associate Justice Amelita G. Tolentino with Associate Justices Eubulo G. Verzola and Candido V. Rivera, concurring.

[2] Id. at 182-183.

[3] Records, pp. 1-7.

[4] Exh. B, Id. at 123.

[5] Exh. D, Id. at 125.

[6] Exhs. G-1 to G-5, Id. at 142-147.

[7] Exh. G, Id. at 141.

[8] Records, p. 21.

[9] Id. at 23-25

[10] Id. at 27.

[11] Id. at 53.

[12] Id. at 55.

[13] Id. at 61-64.

[14] Exh. 1, Id. at 193.

[15] Id. at 107.

[16] Records, pp. 217-218.

[17] Id. at 218-220.

[18] Id. at 216-221.

[19] Id. at 229-230.

[20] CA Rollo, p. 91.

[21] Id. at 92-114.

[22] Id. at 115-118.

[23] Id. at 143.

[24] Exh. B, Records, p. 123.

[25] Exh. D, Id. at 125.

[26] Santos v. Heirs of Jose P. Mariano & Erlinda Mariano-Villanueva, G.R. No. 143325, 24 October 2000, 344 SCRA 284, 292; Insular Life Assurance Company, Ltd. v. Asset Builders Corporation, G.R. No. 147410, 05 February 2004, 422 SCRA 148, 161. See Article 1318, Civil Code of the Philippines.

[27] SEC. 4. Judicial admissions. – An admission, verbal or written, made by a party in the course of the proceedings in the same case, does not require proof. The admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made.

[28] In this jurisdiction, cause and consideration are used interchangeably.

[29] Nuguid v. Court of Appeals, G.R. No. 77423, 13 March 1989, 171 SCRA 213, 218.

[30] Fernandez v. Fernandez, G.R. No. 143256, 28 August 2001, 363 SCRA 811, 828.

[31] Ong v. Ong, G.R. No. L-67888, 8 October 1985, 139 SCRA 133, 136.

[32] Exh. 1, Records, p. 193.

[33] Exh. 2, Id. at 194.

[34] Exh. 3, Id. at 195.

[35] Exh. 4, Id. at 196.

[36] Exh. 5, Id. at 197.

[37] Exh. 6, Ibid.

[38] TSN, 9 December 1999, pp. 4-6.

[39] TSN, 24 June 1999, pp. 49-50.

[40] Exh. A, Records, p. 122.

[41] TSN, 05 August 1999, pp. 9-10.

[42] Exh. 7-B, Records, p. 201.

[43] *Filipinas Marble Corporation v. Intermediate Appellate Court*, G.R. No. L-68010, 30 May 1986, 142 SCRA 180; *Philipp Brothers Oceanic, Inc. v. Court of Appeals*, G.R. No. 105416-17, 25 June 2003, 404 SCRA 605.

[44] *Spouses Efren N. Rigor and Zosima D. Rigor v. Consolidated Orix Leasing and Finance Corporation*, G.R. No. 136423, 20 August 2002, 387 SCRA 437.

[45] Estimated actual value of vehicle when seized, Records, p. 27.

[46] See Sheriff's Return, Records, p. 55; Actual seizure of vehicle was on 13 October 1998 and not 28 October 1998 as claimed by petitioners.

[47] *Sabio v. International Corporate Bank, Inc.*, G.R. No. 132709, 04 September 2001, 364 SCRA 385.

[48] *Padillo v. Court of Appeals*, G.R. No. 117907, 29 November 2001, 371 SCRA 27.

[49] *Manufacturers Building, Inc. v. Court of Appeals*, G.R. No. 116847, 16 March 2001, 354 SCRA 521.

[50] *Cagungun v. Planters Development Bank*, G.R. No. 158674, 17 October 2005.

[51] Article 2229, Civil Code of the Philippines.

[52] *Bert Osmeña & Associates v. Court of Appeals*, G.R. No. L-56545, 28 January 1983, 120 SCRA 395, 400.

[53] *Terminal Facilities and Services Corporation v. Philippine Ports Authority*, G.R. No. 135639, 27 February 2002, 378 SCRA 82.

[54] Art. 2208. In the absence of stipulation, attorney's fees and expenses of litigation, other than judicial costs, cannot be recovered, except:

(1) When exemplary damages are awarded; ...

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