

ALLIED BANKING CORPORATION AND PACITA UY, PETITIONERS, VS. SPOUSES DAVID E. ESERJOSE AND ZENAIDA ESERJOSE, RESPONDENTS.

G.R. NO. 161776. March 10, 2005

Ponente: YNARES-SANTIAGO, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-161776/>

YNARES-SANTIAGO, J.:

On October 22, 2004, we rendered a Decision disposing of this case as follows:

WHEREFORE, premises considered, the instant petition is DENIED. The decision and resolution of the Court of Appeals, dated November 14, 2003 and January 16, 2004, in CA-G.R. SP No. 78645 are AFFIRMED.

SO ORDERED.

The facts, as stated in our Decision, are as follows:

The original action filed with the trial court is one for the release of mortgage, release from guaranty, reconveyance, cancellation of title and damages lodged by respondents Spouses David and Zenaida Eserjose against petitioners ABC [Allied Banking Corporation] and Pacita Uy as well as Johnnie C. So and Avelina Cruz, doing business under the name and style of Lucky Find Enterprises. Respondents allege that they are the registered owners of a piece of property, on which they have built their residential home, located in No. 78-E Tangali Street, Barangay San Jose, Quezon City. The lot is covered by Transfer Certificate of Title (TCT) No. RT-75353 (235715) and consists of 378 square meters. In February 1993, the adjoining lot, covered by TCT No. 50096, was offered to them for sale. While interested in buying this adjoining lot, respondents did not have sufficient funds to buy it. Hence, they sought the help of Johnnie C. So, who was then one of their closest friends.

Johnnie C. So referred the respondents to petitioner Uy, manager of ABC's Del Monte, Quezon City Branch. So and his mother-in-law, Avelina Cruz, doing business under the name Lucky Find Enterprises, were familiar clients of the bank and maintained a credit accommodation with said bank. Respondents applied for a loan with the bank in the amount of Four Million Pesos (P4,000,000.00), which loan was approved by petitioner Uy, in her capacity as Branch Manager, on condition that the lot to be bought should be registered in the name of Lucky Find Enterprises and that the loan shall be secured by a Real Estate Mortgage dated February 10, 1993 on the house and lot owned by respondent spouses under TCT No. 75353. The proceeds of the loan were released and the adjoining lot bought and registered in the name of Lucky Find Enterprises under TCT No. 80539.

On or about February 2, 1994, another mortgage covering respondents' residential lot was executed between ABC and respondent spouses. This mortgage is likewise in the amount of Four Million Pesos (P4,000,000.00). On November 27, 1996, respondent spouses paid ABC the remaining balance of their loan amounting to Two Million Pesos (P2,000,000.00). Having paid off the entire amount of their loan, respondents asked petitioner Uy for the return of their two titles, namely, the title to their residential lot and that pertaining to the adjoining lot which they bought. Petitioner Uy did not accede to the request and failed to give an explanation for her

inaction. She failed to return the titles despite a formal written demand dated January 5, 1998 by respondents' counsel. Upon their inquiry, respondents learned that aside from the two existing mortgages on their residential lot, another mortgage was also executed by So in favor of ABC covering the newly acquired lot to secure a loan of Five Million Pesos (P5,000,000.00) as evidenced by a Real Estate Mortgage agreement dated September 2, 1994. The foregoing events led to the filing of the complaint against the petitioners, Johnnie So and Avelina Cruz.

Johnnie So and Avelina Cruz denied any participation in the transaction between respondents and ABC. They alleged that the respondents dealt with petitioner Uy on their own accord. So further denied having executed the Real Estate Mortgage over the acquired lot "without notice to the [respondents]" since the latter verbally agreed and consented to the mortgage. He further stated that the respondents agreed to register the acquired lot in the name of Lucky Find Enterprises and to mortgage the same as part of the loan line guaranty with the understanding that the bank would release the same along with the title to respondents' residential lot as soon as the "accommodation loan" was paid off by the respondents.

Petitioners ABC and Uy insist on the validity of the agreements executed over the subject properties. They contend that the real estate mortgages, dated February 10, 1993 and February 2, 1994, as well as the Continuing Guaranty/Comprehensive Surety Agreement (CG/CS), dated September 8, 1994, were all executed by respondents on their own free will and with full knowledge of the legal implications thereof. Petitioners also allege that aside from the first loan amounting to Four Million Pesos (P4,000,000.00) which was paid, Lucky Find Enterprises/Avelina Cruz were also granted several other loans the total amount of which is Fourteen Million Five Hundred Thirty Four Thousand Seven Hundred Fifty (P14,534,750.00). In signing the CG/CS, respondents became sureties to all these loans to the extent of Twenty Five Million Pesos (P25,000,000.00). The two mortgages on respondents' residential lot also serve as security for the loans. As Lucky Find Enterprises has not yet fully paid these loans, the title to respondents' residential lot cannot be released.

As to the mortgage executed by So for Lucky Find Enterprises over the acquired lot, petitioners maintain that they relied upon the title to the property which shows that it is registered in the name of Lucky Find Enterprises. On this premise, they accepted the property as collateral for the loan in the amount of Five Million Pesos (P5,000,000.00).

On January 31, 2003, the trial court rendered its decision holding that the real estate mortgages covering the residential lot contained an annotation that these were executed to secure a loan line in favor of respondents or Lucky Find Enterprises/Avelina Cruz and "other credit accommodations". Effectively, respondents were made liable to ABC not only for the amount they borrowed but also for other obligations which Lucky Find Enterprises/Avelina Cruz may incur. The trial court ruled that, unless a continuing real estate mortgage is involved, a real estate mortgage is not a valid security for future loans under the so-called "dragnet clause". Thus, the trial court ruled:

Premises considered, judgment is hereby rendered in favor of the plaintiffs:

- Declaring the Real Estate Mortgages, dated February 10, 1993 and February 2, 1994, on the property covered by TCT No. 75353 (235715) as fully paid and released;
- Declaring the Real Estate Mortgage on the property covered by TCT No. 80539 executed by Johnnie C. So in favor of Allied Banking Corporation as null and void;
- Declaring the Continuing Guaranty/Comprehensive Surety Agreement, insofar as plaintiffs are concerned, as null and void;
- Ordering defendants Allied Banking Corporation and Pacita S.Uy to return TCT No. 75353 (235715) and TCT No. 80539 to the plaintiffs; and, in the event of their failure or refusal to comply, ordering the Registry of Deeds of Quezon City to cancel them and issue new titles thereon in the name of the plaintiffs;

- Ordering all the defendants to pay the plaintiffs, jointly and severally, the amount of Four Million Pesos (P4,000,000.00) as moral damages; the amount of Four Million Pesos (P4,000,000.00) as exemplary damages and the amount of Fifty Thousand Pesos (P50,000.00) as attorney's fees, plus costs of suit.

SO ORDERED.

Petitioners ABC and Pacita Uy filed a motion for reconsideration dated February 21, 2003 while Johnnie So filed his motion on March 5, 2003. Petitioner Uy filed a Supplemental Motion for Reconsideration on March 12, 2003. Respondents, for their part, filed their Opposition to Motion for Reconsideration on April 4, 2003. The trial court denied the foregoing motions for reconsideration in its Order dated June 30, 2003.

From the denial of its motion for reconsideration, petitioners filed their Notice of Appeal on July 14, 2003. The respondents filed their Motion to Dismiss Appeal and Motion for Execution. They alleged that the Notice of Appeal was belatedly filed. According to them, two days before it was to expire, the period to appeal was tolled by the prior filing of the motion for reconsideration. Petitioners received a copy of the Order denying their motion on July 9, 2003. The Notice of Appeal, therefore, should have been filed not later than July 11, 2003. As the filing was done only on July 14, 2003, petitioners were unable to perfect their appeal.

On August 5, 2003, the trial court issued an Order granting respondents' motions. Petitioners' appeal was denied due course and a Writ of Execution was issued by the trial court.

Petitioners filed a petition for certiorari before the Court of Appeals seeking to annul the Order and Writ of Execution for having been issued in excess of jurisdiction or with grave abuse of discretion.

The Court of Appeals, in its decision dated November 14, 2003, ruled that judgments or orders become final and executory by operation of law and not by judicial declaration. Hence, it disposed of the case as follows:

Based on the foregoing pronouncement of the Supreme Court, it appears that public respondent did not commit grave abuse of discretion in rendering the assailed Order dated August 5, 2003 and issuing the Writ of Execution.

WHEREFORE, premises considered, the instant petition is hereby DENIED for lack of merit and ordered DISMISSED.

SO ORDERED.

Petitioners' motion for reconsideration was denied on January 16, 2004...[1]

Thereafter, a judicial sale to enforce the judgment award was held on October 9, 2003.

As stated above, we denied the petition for review and affirmed the decision and resolution of the Court of Appeals dated November 14, 2003 and January 16, 2004, respectively.

Petitioners filed a Motion for Reconsideration which, on January 12, 2005, was denied with finality.

Petitioners thus filed a Second Motion for Reconsideration (With Leave of Court), praying for the liberal application of the Rules. They argue that their notice of appeal, which was due on July 11, 2003, a Friday, was late by only one day when it was filed on the following Monday, July 14, 2003.

In our Decision, we rejected petitioners' protestations that their case falls within the exceptions to the rigid application of the rule on finality of judgments. In so ruling, we looked at the merits of the case and found that there was no substantial ground to reverse the decision of the trial court. Citing *Vda. de Dela Rosa v. Court of Appeals*,[2] we noted that a delay in the filing of an appeal may be excused only on grounds of substantial justice.

We took a second hard look at the records of this case and found that, while the trial court did not err in declaring

null and void the real estate mortgages on respondents' property and ordering the return of the titles to them, it overstepped reasonable bounds in fixing the amount of damages awarded to respondents.

In the case at bar, the trial court declared null and void the real estate mortgage constituted on respondents' property to secure the obligation of Lucky Find Enterprises in the amount of P5,000,000.00. Thereafter, it awarded to respondents the sums of P4,000,000.00 by way of moral damages and another P4,000,000.00 as exemplary damages, or a total of P8,000,000.00.

Moral damages are meant to compensate the claimant for any physical suffering, mental anguish, fright, serious anxiety, besmirched reputation, wounded feelings, moral shock, social humiliation and similar injuries unjustly caused. Although incapable of pecuniary estimation, the amount must somehow be proportional to and in approximation of the suffering inflicted. It should not be palpably and scandalously excessive; rather, it must be commensurate to the loss or injury suffered.[3] We have consistently ruled that moral damages are not punitive in nature and were never intended to enrich the claimant at the expense of the defendant.[4] Its award must not appear to be the result of passion or undue prejudice, and it must always reasonably approximate the extent of injury and be proportional to the wrong committed.[5]

Similarly, exemplary damages are imposed not to enrich one party or impoverish another but to serve as a deterrent against or as a negative incentive to curb socially deleterious actions.[6]

Conformably with prevailing jurisprudence, the grant of moral and exemplary damages by the trial court must be tempered to reasonable levels. In the circumstances, we find the amounts of P2,000,000.00 as moral damages and P2,000,000.00 as exemplary damages to be commensurate to the injury suffered by respondents.

We, thus, resolve to relax the strict application of rules of procedure but only in regard to the amount of damages, in order to correct a grave or patent injustice.[7] It is a far better and more prudent cause of action for the Court to excuse a technical lapse to attain the ends of justice.[8]

Indeed, cases should be determined on the merits after all parties have been given full opportunity to ventilate their causes and defenses, rather than on technicalities or procedural imperfections.[9] We should always bear in mind that rules of procedure are mere tools designed to facilitate the attainment of justice. Their strict and rigid application especially on technical matters, which tends to frustrate rather than promote substantial justice, must be avoided. Technicality, when it deserts its proper office as an aid to justice and becomes its great hindrance and chief enemy, deserves scant consideration from the courts.[10]

WHEREFORE, premises considered, the Decision dated October 22, 2004, which affirmed the decision of the Court of Appeals in CA-G.R. SP No. 78645 and the decision of the Regional Trial Court of Quezon City, Branch 85, in Civil Case No. Q-98-34137, is MODIFIED as to the amount of damages. Petitioners are ordered, jointly and severally, to pay respondents the amount of Two Million Pesos (P2,000,000.00) as moral damages; and the amount of Two Million Pesos (P2,000,000.00) as exemplary damages.

The above-mentioned decision of the trial court is AFFIRMED in all other respects.

SO ORDERED.

Davide, Jr., C.J., (Chairman), Quisumbing, Carpio, and Azcuna, JJ., concur.

[1] Decision, pp. 2-6.

[2] 345 Phil. 678, 690-691 (1997).

[3] *Samson v. BPI*, G.R. No. 150487, 10 July 2003, 405 SCRA 607, 611.

- [4] Liu v. Loy, G.R. No. 145982, 3 July 2003, 405 SCRA 316, 337.
- [5] Dr. Jacutin v. People, 428 Phil. 508, 518-519 (2002).
- [6] Victory Liner v. Heirs of Malecdan, G.R. No. 154278, 27 December 2002, 394 SCRA 520-528; Bataan Seedling Association, Inc. v. Republic, G.R. No. 141009, 2 July 2002, 383 SCRA 590, 600-601.
- [7] Ramos v. Court of Appeals, 341 Phil. 157, 164 (1997).
- [8] Vallejo v. Court of Appeals, G.R. No. 156413, 14 April 2004.
- [9] Diaz, et al. v. Mesias, G.R. No. 156345, 4 March 2004.
- [10] Quirao v. Quirao, G.R. No. 148120, 24 October 2003, 414 SCRA 430-435.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.