

SPOUSES NOE AND CLARITA QUIAMCO, PETITIONERS, CORONA, VS. CAPITAL INSURANCE & SURETY CO., INC., RESPONDENT.

G.R. No. 170852. September 12, 2008

Ponente: CORONA, J.

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/g-r-no-170852/>

CORONA, J.:

This is a petition for review on certiorari[1] of the August 25, 2005 decision[2] and November 24, 2005 resolution[3] of the Court of Appeals (CA) in CA-G.R. CV No. 74390.

Petitioner spouses Noe and Clarita Quiamco are husband and wife engaged in the sea transportation business. On April 30, 1997, a decision in a labor case[4] was rendered against Clarita as representative of Sto. Niño Ferry Boat Services. Petitioners received the decision on May 7, 1997.[5]

Petitioners then applied for a supersedeas bond with respondent Capital Insurance & Surety Co., Inc., a surety and non-life insurance company. This bond was required in order to perfect their appeal to the National Labor Relations Commission (NLRC). Respondent required petitioners to do the following: (1) to issue and deliver to it an undated check in the amount equivalent to that of the supersedeas bond which it would issue; (2) to execute a supplementary counter-guaranty with chattel mortgage over the sea vessel M/L Gretchen 2 owned by petitioners and to surrender their original copy of certificate of ownership over the vessel; (3) to execute an indemnity agreement wherein petitioners would agree to indemnify respondent all damages it might sustain in its capacity as surety and (4) to pay the premiums. Except for the original copy of the certificate of ownership of M/L Gretchen 2, these requirements were complied with.[6]

Accordingly, the bond was issued on May 23, 1997 and delivered to petitioners who filed it in the NLRC on May 24, 1997.[7]

On July 16, 1997, the NLRC dismissed the appeal for petitioners' failure to post the bond within 10 days from receipt of the decision (May 7, 1997).[8] This made the decision in the labor case final against them.

On June 17, 1998, a writ of execution for the amount of P461,514.67 was served by the sheriff of the NLRC on respondent to collect on the supersedeas bond. This was to fully satisfy the judgment amount in the labor case. Respondent paid to the NLRC the amount guaranteed by the bond. It notified petitioners and forthwith deposited the undated check. It was, however, dishonored because the account was already closed.[9]

On December 3, 1998, respondent filed in the Regional Trial Court (RTC) of Cebu City, Branch 22,[10] a complaint for sum of money and damages with prayer for a writ of preliminary attachment against petitioners. The RTC ruled in favor of respondent. It ordered petitioners to pay to respondent the amount of P461,514.67 plus legal interest of 6% per annum, attorney's fees equivalent to 10% of P461,514.67 and P10,000 as litigation expenses.

On appeal, the CA affirmed the RTC's decision but deleted the award of attorney's fees and litigation expenses for lack of basis. Reconsideration was denied in a resolution dated November 24, 2005. The CA agreed with the RTC

that the surety agreement between petitioners and respondent had been perfected. Its perfection was not dependent on the acceptance by the NLRC of the appeal of petitioners in the labor case. Thus, respondent correctly paid the indebtedness of petitioners.[11]

Hence this petition raising two issues: (1) whether the surety agreement was perfected and (2) whether petitioners are liable to respondent.

Petitioners argue that one of the conditions of the bond was to stay the execution of the judgment in the labor case:

"WHEREAS, [petitioners] being dissatisfied with the decision/judgment desired to stay and suspend the execution of the same pending appeal;

WHEREAS, in order to stay the execution of the above-mentioned decision/judgment, [petitioners] are willing to post bond xxxx"[12] (Emphasis supplied)

Therefore, they insist that the surety agreement was not perfected because the execution of the judgment was not stayed considering that the NLRC rejected the bond for being posted out of time and dismissed the appeal.

We disagree.

There is no dispute that the parties entered into a contract of suretyship wherein respondent as surety bound itself solidarily with petitioners (the principal debtors) to fulfill an obligation.[13] The obligation was to pay the monetary award in the labor case should the decision become final and executory against petitioners.

Contracts are perfected by mere consent. This is manifested by the meeting of the offer and the acceptance upon the object and cause which are to constitute the contract.[14] Here, the object of the contract was the issuance of the bond.[15] The cause or consideration consisted of the premiums paid. The bond was issued after petitioners complied with the requirements. At this point, the contract of suretyship was perfected.

Petitioners cannot insist that the contract was subject to a suspensive condition,[16] that is, the stay of the judgment of the labor arbiter. This was not a condition for the perfection of the contract but merely a statement of the purpose of the bond in its "whereas" clauses. Aside from this, there was no mention of the condition that before the contract could become valid and binding, perfection of the appeal was necessary.[17] If the intention was to make it a suspensive condition, then the parties should have made it clear in certain and unambiguous terms.

From the moment the contract is perfected, the parties are bound to comply with what is expressly stipulated as well as with what is required by the nature of the obligation in keeping with good faith, usage and the law.[18] A surety is considered in law to be on the same footing as the principal debtor in relation to whatever is adjudged against the latter.[19] Accordingly, as surety of petitioners, respondent was obliged to pay on the bond when a writ of execution was served on it. Consequently, it now has the right to seek full reimbursement from petitioners for the amount paid.[20]

Moreover, petitioners[21] signed an indemnity agreement which contained the following stipulations:

INDEMNIFICATION: - To indemnify the SURETY for all damages, payments, advances, losses, costs, taxes, penalties, charges, attorney's fees and expenses of whatever kind and nature that the SURETY may at any time sustain or incur as a consequence of having become surety upon the above-mentioned bond, and to pay, reimburse and make good to the SURETY, its successors and assigns, all sums or all money which it shall pay or become liable to pay by virtue to said bond even if said payment/s or liability exceeds the amount of the bond. The indemnity for attorney's fees shall be twenty (20%) percent of the amount claimed by the SURETY,

but in no case less than TWO THOUSAND PESOS (P2,000.00), whether the SURETY'S claim is settled judicially or extra-judicially.

INCONTESTABILITY OF PAYMENT MADE BY THE SURETY: - Any payment or disbursement made by the SURETY on account of the above-mentioned bond, either in the belief that the SURETY was obligated to make such payment or in the belief that said payment was necessary in order to avoid a greater loss or obligation for which the SURETY might be liable by virtue of the terms of the above-mentioned bond shall be final, and will not be contested by the undersigned, who jointly and severally bind themselves to indemnify the SURETY for any such payment or disbursement. (Emphasis supplied)

Undoubtedly, under these provisions, they are obligated to reimburse respondent.[22]

One final note. It was never respondent's obligation to inquire about the deadline for which the bond was being issued. It was the duty of petitioners to make sure it was filed on time. The delay in filing the bond was purely the result of petitioners' negligence or oversight. They should bear the consequences.

WHEREFORE, the petition is hereby DENIED.

Costs against petitioners.

SO ORDERED.

Puno, C.J., (Chairperson), Carpio Morales[*], Nachura[**], and Leonardo-De Castro, JJ., concur.

[*] As replacement of Justice Antonio T. Carpio who is on official leave per Special Order No. 515.

[**] As replacement of Justice Adolfo S. Azcuna who is on official leave per Special Order No. 518.

[1] Under Rule 45 of the Rules of Court.

[2] Penned by Associate Justice Arsenio J. Magpale and concurred in by Associate Justices Sisinando E. Villon and Enrico A. Lanzanas of the Nineteenth Division of the Court of Appeals; rollo, pp. 16-23.

[3] Associate Justice Villon was replaced by Associate Justice Pampio A. Abarintos in the Special Former Nineteenth Division; id., p. 57.

[4] Docketed as RAB Case Nos. 06-03-0223-92 and 06-04-10334-92. The complaint was for illegal dismissal and the decision was rendered by Labor Arbiter Ray Alan T. Drilon of the Regional Arbitration Branch, Branch VI, Bacolod City in favor of Lakas ng Nagkakaisang Manggagawa-PAFLU; id., p. 27.

[5] Id., p. 44. This was the date stated in the resolution of the National Labor Relations Commission. However, in the decision of the Regional Trial Court, the date stated was May 5, 1997; id., p. 49.

[6] Id., pp. 17-18.

[7] Id., p. 44.

[8] Id. Art. 223 of the Labor Code.

[9] Id., p. 18.

[10] Docketed as Civil Case No. CEB-23049; id., p. 47.

[11] Id., pp. 20-22.

[12] *Id.*, p. 103.

[13] R.B. Jurado, *Civil Law Reviewer*, p. 1009 (19th ed. 1999). Article 2047 of the Civil Code provides:

"Article 2047. By guaranty, a person, called the guarantor binds himself to the creditor to fulfill the obligation of the principal in case the latter should fail to do so.

If a person binds himself solidarily with the principal debtor, the provisions of Section 4, Chapter 3, Title I of this Book shall be observed. In such case the contract is called a suretyship." (Emphasis supplied)

The aforementioned provisions refer to Articles 1207 to 1222 of the Civil Code on "Joint and Solidary Obligations."

[14] Civil Code, Arts. 1315 and 1319.

[15] An assurance of the performance of a particular principal obligation; *Destileria Limtuaco & Co., Inc. v. IAC*, G.R. No. 74369, 29 January 1988, 157 SCRA 706, 712.

[16] The condition is suspensive if the acquisition of rights depends upon the happening of an event which constitutes the condition (see Civil Code, Art. 1181).

[17] *Oesmer v. Paraiso Development Corporation*, G.R. No. 157493, 5 February 2007, 514 SCRA 228, 242.

[18] Civil Code, Art. 1315.

[19] *Suico Rattan & Buri Interiors, Inc. v. CA*, G.R. No. 138145, 15 June 2006, 490 SCRA 560, 580-581, citing *International Finance Corporation v. Imperial Textile Mills, Inc.*, G.R. No. 160324, 15 November 2005, 475 SCRA 149, 161.

[20] *Escaño v. Ortigas, Jr.*, G.R. No. 151953, 29 June 2007, 526 SCRA 26, 45.

[21] Specifically, *Clarita Quiamco*; rollo, p. 83.

[22] *Diamond Builders Conglomeration v. Country Bankers Insurance Corporation*, G.R. No. 171820, 13 December 2007.

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.