

PHILIPPINE BANK OF COMMUNICATIONS, PETITIONER, VS. SPOUSES JOSE C. GO AND ELVY T. GO, RESPONDENTS.

G.R. No. 175514. February 14, 2011

Ponente: MENDOZA, J.

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MENDOZA, J.:

This is a petition for review on certiorari under Rule 45 filed by petitioner Philippine Bank of Communications (PBCom) seeking to set aside the July 28, 2006 Decision,[1] and the November 27, 2006 Resolution[2] of the Court of Appeals (CA) in CA G.R. CV No. 77714. The CA decision reversed and set aside the January 25, 2002 Decision of the Regional Trial Court, Branch 42, Manila (RTC), which granted the motion for summary judgment and rendered judgment on the basis of the pleadings and attached documents.

THE FACTS

On September 30, 1999, respondent Jose C. Go (Go) obtained two loans from PBCom, evidenced by two promissory notes, embodying his commitment to pay P17,982,222.22 for the first loan, and P80 million for the second loan, within a ten-year period from September 30, 1999 to September 30, 2009.[3]

To secure the two loans, Go executed two (2) pledge agreements, both dated September 29, 1999, covering shares of stock in Ever Gotesco Resources and Holdings, Inc. The first pledge, valued at P27,827,122.22, was to secure payment of the first loan, while the second pledge, valued at P70,155,100.00, was to secure the second loan.[4]

Two years later, however, the market value of the said shares of stock plunged to less than P0.04 per share. Thus, PBCom, as pledgee, notified Go in writing on June 15, 2001, that it was renouncing the pledge agreements.[5]

Later, PBCom filed before the RTC a complaint[6] for sum of money with prayer for a writ of preliminary attachment against Go and his wife, Elvy T. Go (Spouses Go), docketed as Civil Case No. 01-101190. PBCom alleged that Spouses Go defaulted on the two (2) promissory notes, having paid only three (3) installments on interest payments--covering the months of September, November and December 1999. Consequently, the entire balance of the obligations of Go became immediately due and demandable. PBCom made repeated demands upon Spouses Go for the payment of said obligations, but the couple imposed conditions on the payment, such as the lifting of garnishment effected by the Bangko Sentral ng Pilipinas (BSP) on Go's accounts.[7]

Spouses Go filed their Answer with Counterclaim[8] denying the material allegations in the complaint and stating, among other matters, that:

8. The promissory note referred to in the complaint expressly state that the loan obligation is payable within the period of ten (10) years. Thus, from the execution date of September 30, 1999, its due date falls on September 30, 2009 (and not 2001 as erroneously stated in the complaint). Thus, prior to September 30, 2009, the loan obligations cannot be deemed due and demandable.

In conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already

acquired, shall depend upon the happening of the event which constitutes the condition. (Article 1181, New Civil Code)

9. Contrary to the plaintiff's profference, defendant Jose C. Go had made substantial payments in terms of his monthly payments. There is, therefore, a need to do some accounting works (sic) to reconcile the records of both parties.

10. While demand is a necessary requirement to consider the defendant to be in delay/default, such has not been complied with by the plaintiff since the former is not aware of any demand made to him by the latter for the settlement of the whole obligation.

11. Undeniably, at the time the pledge of the shares of stock were executed, their total value is more than the amount of the loan or at the very least, equal to it. Thus, plaintiff was fully secured insofar as its exposure is concerned.

12. And even assuming without conceding, that the present value of said shares x x x went down, it cannot be considered as something permanent since the prices of stocks in the market either increases (sic) or decreases (sic) depending on the market forces. Thus, it is highly speculative for the plaintiff to consider said shares to have suffered tremendous decrease in its value. More so, it is unfair for the plaintiff to renounce or abandon the pledge agreements.

On September 28, 2001, PBCom filed a verified motion for summary judgment[9] anchored on the following grounds:

I. MATERIAL AVERMENTS OF THE COMPLAINT ADMITTED BY DEFENDANT-SPOUSES IN THEIR ANSWER TO OBVIATE THE NECESSITY OF TRIAL

II. NO REAL DEFENSES AND NO GENUINE ISSUES AS TO ANY MATERIAL FACT WERE TENDERED BY THE DEFENDANT-SPOUSES IN THEIR ANSWER

III. PLAINTIFF'S CAUSES OF ACTIONS ARE SUPPORTED BY VOLUNTARY ADMISSIONS AND AUTHENTIC DOCUMENTS WHICH MAY NOT BE CONTRADICTED.[10]

PBCom contended that the Answer interposed no specific denials on the material averments in paragraphs 8 to 11 of the complaint such as the fact of default, the entire amount being already due and demandable by reason of default, and the fact that the bank had made repeated demands for the payment of the obligations.[11]

Spouses Go opposed the motion for summary judgment arguing that they had tendered genuine factual issues calling for the presentation of evidence.[12]

The RTC granted PBCom's motion in its Judgment[13] dated January 25, 2002, the dispositive portion of which states:

WHEREFORE, in view of all the foregoing, judgment is rendered for the plaintiff and against the defendants ordering them to pay plaintiff jointly and severally the following:

- The total amount of P117,567,779.75, plus interests and penalties as stipulated in the two promissory notes;
- A sum equivalent to 10% of the amount involved in this case, by way of attorney's fees; and
- The costs of suit.

SO ORDERED.[14]

Spouses Go moved for a reconsideration but the motion was denied in an order[15] dated March 20, 2002.

RULING OF THE COURT OF APPEALS

In its Decision dated July 28, 2006, the CA reversed and set aside the assailed judgment of the RTC, denied PBCom's motion for summary judgment, and ordered the remand of the records to the court of origin for trial on the merits. The dispositive portion of the decision states:

WHEREFORE, premises considered, the assailed judgment of the Regional Trial Court, Branch 42 of Manila in Civil Case No. 01-101190 is hereby REVERSED and SET ASIDE, and a new one entered denying plaintiff-appellee's motion for summary judgment. Accordingly, the records of the case are hereby remanded to the court of origin for trial on the merits.

SO ORDERED.[16]

The CA could not agree with the conclusion of the RTC that Spouses Go admitted paragraphs 3, 4 and 7 of the complaint. It found the supposed admission to be insufficient to justify a rendition of summary judgment in the case for sum of money, since there were other allegations and defenses put up by Spouses Go in their Answer which raised genuine issues on the material facts in the action.[17]

The CA agreed with Spouses Go that paragraphs 3 and 4 of the complaint merely dwelt on the fact that a contract of loan was entered into by the parties, while paragraph 7 simply emphasized the terms of the promissory notes executed by Go in favor of PBCom. The fact of default, the amount of the outstanding obligation, and the existence of a prior demand, which were all material to PBCom's claim, were "hardly admitted"[18] by Spouses Go in their Answer and were, in fact, effectively questioned in the other allegations in the Answer.[19]

PBCom's motion for reconsideration was denied in a resolution[20] dated November 27, 2006.

Thus, this petition for review.

THE ISSUES

I

WHETHER THE COURT OF APPEALS ERRED OR ACTED IN GRAVE ABUSE OF DISCRETION AMOUNTING TO LACK, OR EXCESS OF JURISDICTION IN RULING THAT THERE EXISTS A GENUINE ISSUE AS TO MATERIAL FACTS IN THE ACTION IN SPITE OF THE UNEQUIVOCAL ADMISSIONS MADE IN THE PLEADINGS BY RESPONDENTS; AND

II

WHETHER THE COURT OF APPEALS ERRED OR ACTED IN GRAVE ABUSE OF JURISDICTION [DISCRETION] IN HOLDING THAT ISSUES WERE RAISED ABOUT THE FACT OF DEFAULT, THE AMOUNT OF THE OBLIGATION, AND THE EXISTENCE OF PRIOR DEMAND, EVEN WHEN THE PLEADING CLEARLY POINTS TO THE CONTRARY.

Petitioner PBCom's Position:

Summary judgment was proper,
as there were no genuine issues
raised as to any material fact.

PBCom argues that the material averments in the complaint categorically admitted by Spouses Go obviated the necessity of trial. In their Answer, Spouses Go admitted the allegations in paragraphs 3 and 4 of the Complaint pertaining to the security for the loans and the due execution of the promissory notes,[21] and those in paragraph 7 which set forth the acceleration clauses in the promissory note. Their denial of paragraph 5 of the Complaint

pertaining to the Schedules of Payment for the liquidation of the two promissory notes did not constitute a specific denial required by the Rules.[22]

Even in the Comment[23] of Spouses Go, the clear, categorical and unequivocal admission of paragraphs 3, 4, and 7 of the Complaint had been conceded.[24]

PBCom faults the CA for having formulated non-existent issues pertaining to the fact of default, the amount of outstanding obligation and the existence of prior demand, none of which is borne by the pleadings or the records.[25]

The Spouses Go, PBCom argues, cannot negate or override the legal effect of the acceleration clauses embodied in each of the two promissory notes executed by Go. Moreover, the non-payment of arrearages constituting default was admitted by Go in his letters to PBCom dated March 3 and April 7, 2000, respectively.[26] Therefore, by such default, they have lost the benefit of the period in their favor, pursuant to Article 1198[27] of the Civil Code.

Further, PBCom claims that its causes of action are supported by authentic documents and voluntary admissions which cannot be contradicted. It cites the March 3 and April 7, 2000 letters of Go requesting deferment of interest payments on his past due loan obligations to PBCom, as his assets had been placed under attachment in a case filed by the BSP.[28] PBCom emphasizes that the said letters, in addition to its letters of demand duly acknowledged and received by Go, negated their claim that they were not aware of any demand having been made.[29]

Respondent spouses' position:

Summary judgment was not proper.

The core contention of Spouses Go is that summary judgment was not proper under the attendant circumstances, as there exist genuine issues with respect to the fact of default, the amount of the outstanding obligation, and the existence of prior demand, which were duly questioned in the special and affirmative defenses set forth in the Answer. Spouses Go agree with the CA that the admissions in the pleadings pertained to the highlight of the terms of the contract. Such admissions merely recognized the existence of the contract of loan and emphasized its terms and conditions.[30] Moreover, although they admitted paragraphs 3, 4, and 7, the special and affirmative defenses contained in the Answer tendered genuine issues which could only be resolved in a full-blown trial.[31]

On the matter of specific denial, Spouses Go posit that the Court decisions cited by PBCom[32] do not apply on all fours in this case. Moreover, the substance of the repayment schedule was not set forth in the complaint. It, therefore, follows that the act of attaching copies to the complaint is insufficient to secure an implied admission. Assuming *arguendo* that it was impliedly admitted, the existence of said schedule and the promissory notes would not immediately make private respondents liable for the amount claimed by PBCom.[33] Before respondents may be held liable, it must be established, first, that they indeed defaulted; and second, that the obligations has remained outstanding.[34]

Spouses Go also state that although they admitted paragraphs 3, 4 and 7 of the Complaint, the fact of default, the amount of outstanding obligation and the existence of prior demand were fully questioned in the special and affirmative defenses.[35]

RULING OF THE COURT

The Court agrees with the CA that "[t]he supposed admission of defendants-appellants on the x x x allegations in the complaint is clearly not sufficient to justify the rendition of summary judgment in the case for sum of money,

considering that there are other allegations embodied and defenses raised by the defendants-appellants in their answer which raise a genuine issue as to the material facts in the action." [36]

The CA correctly ruled that there exist genuine issues as to three material facts, which have to be addressed during trial: first, the fact of default; second, the amount of the outstanding obligation, and third, the existence of prior demand.

Under the Rules, following the filing of pleadings, if, on motion of a party and after hearing, the pleadings, supporting affidavits, depositions and admissions on file show that, "except as to the amount of damages, there is no genuine issue as to any material fact, and that the moving party is entitled to a judgment as a matter of law," [37] summary judgment may be rendered. This rule was expounded in *Asian Construction and Development Corporation v. Philippine Commercial International Bank*, [38] where it was written:

Under Rule 35 of the 1997 Rules of Procedure, as amended, except as to the amount of damages, when there is no genuine issue as to any material fact and the moving party is entitled to a judgment as a matter of law, summary judgment may be allowed. [39] Summary or accelerated judgment is a procedural technique aimed at weeding out sham claims or defenses at an early stage of litigation thereby avoiding the expense and loss of time involved in a trial. [40]

Under the Rules, summary judgment is appropriate when there are no genuine issues of fact which call for the presentation of evidence in a full-blown trial. Even if on their face the pleadings appear to raise issues, when the affidavits, depositions and admissions show that such issues are not genuine, then summary judgment as prescribed by the Rules must ensue as a matter of law. The determinative factor, therefore, in a motion for summary judgment, is the presence or absence of a genuine issue as to any material fact.

A "genuine issue" is an issue of fact which requires the presentation of evidence as distinguished from a sham, fictitious, contrived or false claim. When the facts as pleaded appear uncontested or undisputed, then there is no real or genuine issue or question as to the facts, and summary judgment is called for. The party who moves for summary judgment has the burden of demonstrating clearly the absence of any genuine issue of fact, or that the issue posed in the complaint is patently unsubstantial so as not to constitute a genuine issue for trial. Trial courts have limited authority to render summary judgments and may do so only when there is clearly no genuine issue as to any material fact. When the facts as pleaded by the parties are disputed or contested, proceedings for summary judgment cannot take the place of trial. [41] (Underscoring supplied.)

Juxtaposing the Complaint and the Answer discloses that the material facts here are not undisputed so as to call for the rendition of a summary judgment. While the denials of Spouses Go could have been phrased more strongly or more emphatically, and the Answer more coherently and logically structured in order to overthrow any shadow of doubt that such denials were indeed made, the pleadings show that they did in fact raise material issues that have to be addressed and threshed out in a full-blown trial.

PBCom anchors its arguments on the alleged implied admission by Spouses Go resulting from their failure to specifically deny the material allegations in the Complaint, citing as precedent *Philippine Bank of Communications v. Court of Appeals*, [42] and *Morales v. Court of Appeals*. Spouses Go, on the other hand, argue that although admissions were made in the Answer, the special and affirmative defenses contained therein tendered genuine issues.

Under the Rules, every pleading must contain, in a methodical and logical form, a plain, concise and direct statement of the ultimate facts on which the party pleading relies for his claim or defense, as the case may be, omitting the statement of mere evidentiary facts. [43]

To specifically deny a material allegation, a defendant must specify each material allegation of fact the truth of

which he does not admit, and whenever practicable, shall set forth the substance of the matters upon which he relies to support his denial. Where a defendant desires to deny only a part of an averment, he shall specify so much of it as is true and material and shall deny only the remainder. Where a defendant is without knowledge or information sufficient to form a belief as to the truth of a material averment made in the complaint, he shall so state, and this shall have the effect of a denial.[44]

Rule 8, Section 10 of the Rules of Civil Procedure contemplates three (3) modes of specific denial, namely: 1) by specifying each material allegation of the fact in the complaint, the truth of which the defendant does not admit, and whenever practicable, setting forth the substance of the matters which he will rely upon to support his denial; (2) by specifying so much of an averment in the complaint as is true and material and denying only the remainder; (3) by stating that the defendant is without knowledge or information sufficient to form a belief as to the truth of a material averment in the complaint, which has the effect of a denial.[45]

The purpose of requiring the defendant to make a specific denial is to make him disclose the matters alleged in the complaint which he succinctly intends to disprove at the trial, together with the matter which he relied upon to support the denial. The parties are compelled to lay their cards on the table.[46]

Again, in drafting pleadings, members of the bar are enjoined to be clear and concise in their language, and to be organized and logical in their composition and structure in order to set forth their statements of fact and arguments of law in the most readily comprehensible manner possible. Failing such standard, allegations made in pleadings are not to be taken as stand-alone catchphrases in the interest of accuracy. They must be contextualized and interpreted in relation to the rest of the statements in the pleading.

In *Spouses Gaza v. Lim*, the Court ruled that the CA erred in declaring that the petitioners therein impliedly admitted respondents' allegation that they had prior and continuous possession of the property, as petitioners did in fact enumerate their special and affirmative defenses in their Answer. They also specified therein each allegation in the complaint being denied by them. The Court therein stated:

The Court of Appeals held that spouses Gaza, petitioners, failed to deny specifically, in their answer, paragraphs 2, 3 and 5 of the complaint for forcible entry quoted as follows:

xxx xxx xxx

2. That plaintiffs are the actual and joint occupants and in prior continuous physical possession since 1975 up to Nov. 28, 1993 of a certain commercial compound described as follows:

A certain parcel of land situated in Bo. Sta. Maria, Calauag, Quezon. Bounded on the N., & E., by Julian de Claro; on the W., by Luis Urrutia. Containing an area of 5,270 square meters, more or less. Declared under Ramon J. Lim's Tax Dec. No. 4576 with an Ass. Value of P26,100.00

3. That plaintiffs have been using the premises mentioned for combined lumber and copra business. Copies of plaintiffs' Lumber Certificate of Registration No. 2490 and PCA Copra Business Registration No. 6265/76 are hereto attached as Annexes "A" and "B" respectively; the Mayor's unnumbered copra dealer's permit dated Dec. 31, 1976 hereto attached as Annex "C";

xxx xxx xxx

5. That defendants' invasion of plaintiffs' premises was accomplished illegally by detaining plaintiffs' caretaker Emilio Herrera and his daughter inside the compound, then proceeded to saw the chain that held plaintiffs' padlock on the main gate of the compound and then busted or destroyed the padlock that closes the backyard gate or exit. Later, they forcibly opened the lock in the upstairs room of plaintiff Agnes J. Lim's quarters and

defendants immediately filled it with other occupants now. Copy of the caretaker's (Emilio Herrera) statement describing in detail is hereto attached as Annex "D";

xxx xxx xxx.[7]

The Court of Appeals then concluded that since petitioners did not deny specifically in their answer the above-quoted allegations in the complaint, they judicially admitted that Ramon and Agnes Lim, respondents, "were in prior physical possession of the subject property, and the action for forcible entry which they filed against private respondents (spouses Gaza) must be decided in their favor. The defense of private respondents that they are the registered owners of the subject property is unavailing."

We observe that the Court of Appeals failed to consider paragraph 2 of petitioners' answer quoted as follows:

2. That defendants specifically deny the allegations in paragraph 2 and 3 of the complaint for want of knowledge or information sufficient to form a belief as to the truth thereof, the truth of the matter being those alleged in the special and affirmative defenses of the defendants;"[8]

Clearly, petitioners specifically denied the allegations contained in paragraphs 2 and 3 of the complaint that respondents have prior and continuous possession of the disputed property which they used for their lumber and copra business. Petitioners did not merely allege they have no knowledge or information sufficient to form a belief as to truth of those allegations in the complaint, but added the following:

SPECIAL AND AFFIRMATIVE DEFENSES

That defendants hereby reiterate, incorporate and restate the foregoing and further allege:

5. That the complaint states no cause of action;

"From the allegations of plaintiffs, it appears that their possession of the subject property was not supported by any concrete title or right, nowhere in the complaint that they alleged either as an owner or lessee, hence, the alleged possession of plaintiffs is questionable from all aspects. Defendants Sps. Napoleon Gaza and Evelyn Gaza being the registered owner of the subject property has all the right to enjoy the same, to use it, as an owner and in support thereof, a copy of the transfer certificate of title No. T-47263 is hereto attached and marked as Annex "A-Gaza" and a copy of the Declaration of Real Property is likewise attached and marked as Annex "B-Gaza" to form an integral part hereof;

6. That considering that the above-entitled case is an ejectment case, and considering further that the complaint did not state or there is no showing that the matter was referred to a Lupon for conciliation under the provisions of P.D. No. 1508, the Revised Rule on Summary Procedure of 1991, particularly Section 18 thereof provides that such a failure is jurisdictional, hence subject to dismissal;

7. That the Honorable Court has no jurisdiction over the subject of the action or suit;

The complaint is for forcible entry and the plaintiffs were praying for indemnification in the sum of P350,000.00 for those copra, lumber, tools, and machinery listed in par. 4 of the complaint and P100,000.00 for unrealized income in the use of the establishment, considering the foregoing amounts not to be rentals, Section 1 A (1) and (2) of the Revised Rule on Summary Procedure prohibits recovery of the same, hence, the Honorable Court can not acquire jurisdiction over the same. Besides, the defendants Napoleon Gaza and Evelyn Gaza being the owners of those properties cited in par. 4 of the complaint except for those copra and two (2) live carabaos outside of the subject premises, plaintiffs have no rights whatsoever in claiming damages that it may suffer, as and by way of proof of ownership of said properties cited in paragraph 4 of the complaint attached herewith are bunche[s] of documents to form an integral part hereof;

8. That plaintiffs' allegation that Emilio Herrera was illegally detained together with his daughter was not true

and in support thereof, attached herewith is a copy of said Herrera's statement and marked as Annex "C-Gaza."

xxx xxx xxx.[9]

The above-quoted paragraph 2 and Special and Affirmative Defenses contained in petitioners' answer glaringly show that petitioners did not admit impliedly that respondents have been in prior and actual physical possession of the property. Actually, petitioners are repudiating vehemently respondents' possession, stressing that they (petitioners) are the registered owners and lawful occupants thereof.

Respondents' reliance on *Warner Barnes and Co., Ltd. v. Reyes*[10] in maintaining that petitioners made an implied admission in their answer is misplaced. In the cited case, the defendants' answer merely alleged that they were "without knowledge or information sufficient to form a belief as to the truth of the material averments of the remainder of the complaint" and "that they hereby reserve the right to present an amended answer with special defenses and counterclaim." [11] In the instant case, petitioners enumerated their special and affirmative defenses in their answer. They also specified therein each allegation in the complaint being denied by them. They particularly alleged they are the registered owners and lawful possessors of the land and denied having wrested possession of the premises from the respondents through force, intimidation, threat, strategy and stealth. They asserted that respondents' purported possession is "questionable from all aspects." They also averred that they own all the personal properties enumerated in respondents' complaint, except the two carabaos. Indeed, nowhere in the answer can we discern an implied admission of the allegations of the complaint, specifically the allegation that petitioners have priority of possession.

Thus, the Court of Appeals erred in declaring that herein petitioners impliedly admitted respondents' allegation that they have prior and continuous possession of the property.[47] (Underscoring supplied.)

In this case, as in *Gaza*, the admissions made by Spouses Go are to be read and taken together with the rest of the allegations made in the Answer, including the special and affirmative defenses.

For instance, on the fact of default, PBCom alleges in paragraph 8 of the Complaint that Go defaulted in the payment for both promissory notes, having paid only three interest installments covering the months of September, November, and December 1999.

In paragraph 6 of the Answer, Spouses Go denied the said allegation, and further alleged in paragraphs 8 to 13 that Go made substantial payments on his monthly loan amortizations.

The portions of the pleadings referred to are juxtaposed below:

Complaint

Answer

8. The defendant defaulted in the payment of the obligations on the two (2) promissory notes (Annexes "A" and "B" hereof) as he has paid only three (3) installments on interests (sic) payments covering the months of September, November and December, 1999, on both promissory notes, respectively. As a consequence of the default, the entire balance due on the obligations of the defendant to plaintiff on both promissory notes immediately became due and demandable pursuant to the terms and conditions embodied in the two (2) promissory notes;[48]

6. Defendants deny the allegations in paragraphs 8, 9, 10 and 11 of the Complaint;

x x x

8. The promissory notes referred to in the complaint expressly state that the loan obligation is payable within the

period of ten (10) years. Thus, from the execution date of September 30, 1999, its due date falls on September 30, 2009 (and not 2001 as erroneously stated in the complaint). Thus, prior to September 30, 2009, the loan obligations cannot be deemed due and demandable.

In conditional obligations, the acquisition of rights, as well as the extinguishment or loss of those already acquired, shall depend upon the happening of the event which constitutes the condition. (Article 1181, New Civil Code)

9. Contrary to the plaintiff's preference, defendant Jose C. Go has made substantial payments in terms of his monthly payments. There is therefore, a need to do some accounting works (sic) just to reconcile the records of both parties.

10. While demand is a necessary requirement to consider the defendant to be in delay/default, such has not been complied with by the plaintiff since the former is not aware of any demand made to him by the latter for the settlement of the whole obligation.

11. Undeniably, at the time the pledge of the shares of stocks were executed, their total value is more than the amount of the loan, or at the very least, equal to it. Thus, plaintiff was fully secured insofar as its exposure is concerned.[49]

12. And even assuming without conceding, that the present value of said shares has went (sic) down, it cannot be considered as something permanent since, the prices of stocks in the market either increases (sic) or (sic) decreases depending on the market forces. Thus, it is highly speculative for the plaintiff to consider said shares to have suffered tremendous decrease in its value. Moreso (sic), it is unfair for the plaintiff to renounce or abandon the pledge agreements.

13. As aptly stated, it is not aware of any termination of the pledge agreement initiated by the plaintiff.

Moreover, in paragraph 10 of the Answer, Spouses Go also denied the existence of prior demand alleged by PBCom in paragraph 10 of the Complaint. They stated therein that they were not aware of any demand made by PBCom for the settlement of the whole obligation. Both sections are quoted below:

Complaint

Answer

10. Plaintiff made repeated demands from (sic) defendant for the payment of the obligations which the latter acknowledged to have incurred however, defendant imposed conditions such as [that] his [effecting] payments shall depend upon the lifting of garnishment effected by the Bangko Sentral on his accounts. Photocopies of defendant's communication dated March 3, 2000 and April 7, 2000, with plaintiff are hereto attached as Annexes "F" and "G" hereof, as well as its demand to pay dated April 18, 2000. Demand by plaintiff is hereto attached as Annex "H" hereof.[50] [Emphases supplied]

10. While demand is a necessary requirement to consider the defendant to be in delay/default, such has not been complied with by the plaintiff since the former is not aware of any demand made to him by the latter for the settlement of the whole obligation.

Finally, as to the amount of the outstanding obligation, PBCom alleged in paragraph 9 of the Complaint that the outstanding balance on the couples' obligations as of May 31, 2001 was P21,576,668.64 for the first loan and P95,991,111.11, for the second loan or a total of P117,567,779.75.

In paragraph 9 of the Answer, however, Spouses Go, without stating any specific amount, averred that substantial

monthly payments had been made, and there was a need to reconcile the accounting records of the parties.

Complaint

Answer

9. Defendants' outstanding obligations under the two (2) promissory notes as of May 31, 2001 are: P21,576,668.64 (Annex "A") and P95,991,111.11 (Annex "B"), or a total of P117,567,779.75. Copy of the Statement of Account is hereto attached as Annex "E" hereof.[51]

9. Contrary to the plaintiff's preference, defendant Jose C. Go has made substantial payments in terms of his monthly payments. There is therefore, a need to do some accounting works just to reconcile the records of both parties.[52]

Clearly then, when taken within the context of the entirety of the pleading, it becomes apparent that there was no implied admission and that there were indeed genuine issues to be addressed.

As to the attached March 3, 2000 letter, the Court is in accord with the CA when it wrote:

The letter dated March 3, 2000 is insufficient to support the material averments in PBCom's complaint for being equivocal and capable of different interpretations. The contents of the letter do not address all the issues material to the bank's claim and thus do not conclusively establish the cause of action of PBCom against the spouses Go. As regards the letter dated April 7, 2000, the trial court itself ruled that such letter addressed to PBCom could not be considered against the defendants-appellants simply because it was not signed by defendant-appellant Jose Go.

Notably, the trial court even agreed with the defendant-appellants on the following points:

The alleged default and outstanding obligations are based on the Statement of Account. This Court agrees with the defendants that since the substance of the document was not set forth in the complaint although a copy thereof was attached thereto, or the said document was not set forth verbatim in the pleading, the rule on implied admission does not apply.[53]

It must also be pointed out that the cases cited by PBCom do not apply to this case. Those two cases involve denial of lack of knowledge of facts "so plainly and necessarily within [the knowledge of the party making such denial] that such averment of ignorance must be palpably untrue." [54] Also, in both cases, the documents denied were the same documents or deeds sued upon or made the basis of, and attached to, the complaint.

In *Philippine Bank of Communications v. Court of Appeals*, [55] the Court ruled that the defendant's contention that it had no truth or information sufficient to form a belief as to the truth of the deed of exchange was an invalid or ineffectual denial pursuant to the Rules of Court, [56] as it could have easily asserted whether or not it had executed the deed of exchange attached to the petition. Citing *Capitol Motors Corporations v. Yabut*, [57] the Court stated that:

x x x The rule authorizing an answer to the effect that the defendant has no knowledge or information sufficient to form a belief as to the truth of an averment and giving such answer the effect of a denial, does not apply where the fact as to which want of knowledge is asserted, is so plainly and necessarily within the defendant's knowledge that his averment of ignorance must be palpably untrue. [58]

The Warner Barnes case cited above sprung from a suit for foreclosure of mortgage, where the document that defendant denied was the deed of mortgage sued upon and attached to the complaint. The Court then ruled that it would have been easy for the defendants to specifically allege in their answer whether or not they had executed the alleged mortgage.

Similarly, in *Capitol Motors*, the document denied was the promissory note sued upon and attached to the complaint. In said case, the Court ruled that although a statement of lack of knowledge or information sufficient to form a belief as to the truth of a material averment in the complaint was one of the modes of specific denial contemplated under the Rules, paragraph 2 of the Answer in the said case was insufficient to constitute a specific denial.^[59] Following the ruling in the *Warner Barnes* case, the Court held that it would have been easy for defendant to specifically allege in the Answer whether or not it had executed the promissory note attached to the Complaint.^[60]

In *Morales v. Court of Appeals*,^[61] the matter denied was intervenor's knowledge of the plaintiff's having claimed ownership of the vehicle in contention. The Court therein stated:

Yet, despite the specific allegation as against him, petitioner, in his Answer in Intervention with Counterclaim and Crossclaim, answered the aforesaid paragraph 11, and other paragraphs, merely by saying that "he has no knowledge or information sufficient to form a belief as to its truth." While it may be true that under the Rules one could avail of this statement as a means of a specific denial, nevertheless, if an allegation directly and specifically charges a party to have done, performed or committed a particular act, but the latter had not in fact done, performed or committed it, a categorical and express denial must be made. In such a case, the occurrence or non-occurrence of the facts alleged may be said to be within the party's knowledge. In short, the petitioner herein could have simply expressly and in no uncertain terms denied the allegation if it were untrue. It has been held that when the matters of which a defendant alleges of having no knowledge or information sufficient to form a belief, are plainly and necessarily within his knowledge, his alleged ignorance or lack of information will not be considered as specific denial. His denial lacks the element of sincerity and good faith, hence, insufficient.^[62]

Borrowing the phraseology of the Court in the *Capitol Motors* case, clearly, the fact of the parties' having executed the very documents sued upon, that is, the deed of exchange, deed or mortgage or promissory note, is so plainly and necessarily within the knowledge of the denying parties that any averment of ignorance as to such fact must be palpably untrue.

In this case, however, Spouses Go are not disclaiming knowledge of the transaction or the execution of the promissory notes or the pledge agreements sued upon. The matters in contention are, as the CA stated, whether or not respondents were in default, whether there was prior demand, and the amount of the outstanding loan. These are the matters that the parties disagree on and by which reason they set forth vastly different allegations in their pleadings which each will have to prove by presenting relevant and admissible evidence during trial.

Furthermore, in stark contrast to the cited cases where one of the parties disclaimed knowledge of something so patently within his knowledge, in this case, respondents Spouses Go categorically stated in the Answer that there was no prior demand, that they were not in default, and that the amount of the outstanding loan would have to be ascertained based on official records.

WHEREFORE, the petition is DENIED.

SO ORDERED.

Carpio, (Chairperson), Nachura, Peralta, and Abad, JJ. concur.

[1] Rollo, pp. 33-42.

[2] Id. at 44-45.

[3] Id. at 34.

[4] Id.

[5] Id.

[6] Id. at 46-56.

[7] Id. at 35.

[8] Id. at 35-36.

[9] Id. at 64.

[10] Id.

[11] Id. at 36.

[12] Id.

[13] Id. at 80-86.

[14] Id. at 86.

[15] Id. at 37.

[16] Id. at 41.

[17] Id. at 39.

[18] Id.

[19] Id. at 39-40.

[20] Id. at 44-45. Penned by Associate Justice Rodrigo V. Cosico, with Associate Justices Edgardo F. Sundiam and Apolinario D. Bruselas, Jr. (in lieu of Associate Justice Japar B. Dimaampao who was on leave per Office Order No. 300-06-RTR dated November 14, 2006), concurring.

[21] Id. at 236.

[22] Id. at 237

[23] Id. at 174.

[24] Id. at 240.

[25] Id. at 241.

[26] Id. at 242.

[27] Article 1198 of the Civil Code provides: "The debtor shall lose every right to make use of the period:

(1) When after the obligation has been contracted, he becomes insolvent, unless he gives a guaranty or security for the debt;

(2) When he does not furnish to the creditor the guaranties or securities which he has promised;

(3) When by his own acts he has impaired said guaranties or securities after their establishment, and when through a fortuitous event they disappear, unless he immediately gives new ones equally satisfactory;

(4) When the debtor violates any undertaking, in consideration of which the creditor agreed to the period;

(5) When the debtor attempts to abscond."

[28] Rollo, pp. 242-243.

[29] Id. at 244.

[30] Id. at 210.

[31] Id. at 211.

[32] Philippine Bank of Communications v. Court of Appeals, G.R. No. 92067, March 22, 1991, 195 SCRA 567 and Morales v. Court of Appeals, 274 Phil.674 (1991).

[33] Rollo, p. 215.

[34] Id.

[35] Id. at 213.

[36] Id. at 39.

[37] Rule 35, Rules of Civil Procedure.

[38] G.R. No. 153827, April 25, 2006, 488 SCRA 192.

[39] Citing Northwest Airlines v. CA, 348 Phil. 438, 449 (1998).

[40] Citing Excelsa Industries, Inc, v. CA, 317 Phil. 664, 671 (1995).

[41] Supra note 38 at 202-203, citing Evadel Realty and Development Corporation v. Soriano, 409 Phil. 450, 461 (2001).

[42] G.R. No. 92067, March 22, 1991, 195 SCRA 567.

[43] Section 1, Rule 8, Rules of Civil Procedure.

[44] Section 10, Rule 8, Rules of Civil Procedure.

[45] Spouses Gaza. v. Ramon J. Lim and Agnes J. Lim, 443 Phil. 337, 345 (2003).

[46] Aquintey v. Tibong, G.R. No. 166704, December 20, 2006, 511 SCRA 414, 432.

[47] Supra note 45.

[48] Rollo, p. 50.

[49] Id. at 59.

[50] Id. at 50.

[51] Id.

[52] Id. at 59.

[53] Id. at 40.

[54] Warner Barnes & Co., Ltd. v. Reyes, 103 Phil. 662, 665 (1958), citing Icle Plant Equipment Co. v. Marcello, D.C. Pa. 1941, 43 F. Supp. 281.

[55] Philippine Bank of Communications v. Court of Appeals, supra note 32.

[56] Id. at 574.

[57] Id.

[58] Id., citing Warner Barnes & Co., Ltd. v. Reyes, 103 Phil. 662 (1958).

[59] Id.

[60] Id.

[61] 274 Phil. 674, 686 (1991).

[62] Id. at 674, citing Gutierrez v. Court of Appeals, 165 Phil. 752 (1976) and Warner Barnes & Co. v. Reyes, 103 Phil. 662 (1958).

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