

PHILIPPINE NATIONAL BANK, PETITIONER, VS. DEANG MARKETING CORPORATION AND BERLITA DEANG, RESPONDENTS.

G.R. No. 177931. December 08, 2008

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

The Philippine National Bank (petitioner) assails the February 26, 2007 Decision[1] and the May 16, 2007 Resolution[2] of the Court of Appeals, which set aside the Orders of May 16, 2006 and August 9, 2006 of the Regional Trial Court (RTC) of Angeles City, Branch 57, and consequently declared petitioner in default.

Respondents Deang Marketing Corporation and Berlita Deang filed before the RTC of Angeles City a Complaint[3] against petitioner, docketed as Civil Case No. 12686, for reformation of contract and specific performance, claiming that a dacion en pago arrangement in the February 21, 2005 Consolidation and Restructuring Agreement[4] forged by them transformed respondents' outstanding loan obligations into a 7-year term loan of P36,483,699.45.

Summons was served on petitioner on April 20, 2006.[5]

On May 15, 2006, respondents filed a Motion to Declare Defendant[-herein petitioner] in Default,[6] which they set for hearing on May 24, 2006. On even date, the trial court received petitioner's Motion for Extension of Time [30 days up to June 11, 2006] to File Answer[7] dated May 5, 2006.

The following day, May 16, 2006 or eight days prior to the slated hearing of respondents' Motion to Declare [Petitioner] in Default, the trial court issued an Order denying said motion and granting petitioner's Motion for Extension of Time to File Answer. To the trial court's Order respondents filed a Motion for Reconsideration.

In the meantime, petitioner filed its Answer to the Complaint on May 25, 2006.

The trial court, by Order of August 9, 2006,[8] denied respondents' Motion for Reconsideration of its May 16, 2006 Order denying their Motion to Declare petitioner in default and granting the latter's Motion for Extension.

Respondents subsequently assailed the trial court's Orders of May 16, 2006 and August 9, 2006 via certiorari to the Court of Appeals which, by the challenged Decision of February 26, 2007, annulled the trial court's orders, disposing as follows:

WHEREFORE, premises considered, the petition is GRANTED. The Orders dated May 16, 2006 and August 9, 2006 issued by the Hon. Omar T. Viola are hereby ANNULLED and SET ASIDE. Accordingly, private respondent is declared IN DEFAULT and the Answer filed by private respondent is ordered EXPUNGED from the records of the case. The case is REMANDED to the Regional Trial Court, Branch 57, Angeles City, for further proceedings.

SO ORDERED.[9] (Emphasis in the original, underscoring supplied)

Petitioner's Motion for Reconsideration having been denied by Resolution of May 16, 2007, it filed the present

Petition for Review (with Prayer for the Issuance of Temporary Restraining Order/Preliminary Injunction) which ascribes error to the Court of Appeals in:

. . . DECLARING PNB IN DEFAULT AND ORDERING THAT THE ANSWER FILED IN THE RTC BE EXPUNGED FROM THE RECORDS OF THE CASE [AND]

. . . ANNULING AND SETTING ASIDE THE ORDERS DATED MAY 16, 2006 AND AUGUST 9, 2006 OF THE RTC.[10]

The petition fails.

Petitioner's Motion for Extension of Time to File Answer was laden with glaring lapses.

Petitioner had, following the reglementary 15-day period after service of summons (unless a different period is fixed by the court),[11] until May 5, 2006 within which to file an Answer or appropriate pleading. It filed the Motion for Extension, however, via a private courier on May 14, 2006, which was received by the trial court on May 15, 2006 or ten days late.

It is a basic rule of remedial law that a motion for extension of time to file a pleading must be filed before the expiration of the period sought to be extended.[12] The court's discretion to grant a motion for extension is conditioned upon such motion's timeliness, the passing of which renders the court powerless to entertain or grant it.[13] Since the motion for extension was filed after the lapse of the prescribed period, there was no more period to extend.

Petitioner was not candid enough to aver in the Motion for Extension that the period had lapsed, as it still toyed with the idea that it could get away with it. The allegations therein were crafted as if the said motion was timely filed. Notably, the May 16, 2006 Order expressed no inkling that the motion was filed out of time. The trial court either was deceived by or it casually disregarded the apparent falsity foisted by petitioner. Lest this Court be similarly deceived, it is imperative to carefully examine the facts.

By petitioner's allegation in its Motion for Extension, it received the summons on April 24, 2006. This is belied by the Process Server's Return, which indicates that petitioner received the summons on April 20, 2006. Petitioner's counsel was to later clarify that it was only on April 24, 2006 that she received copies of the summons and complaint which were faxed from petitioner's main office.

In requesting for a 30-day extension or until June 11, 2006 to file answer, petitioner apparently reckoned the date from which the extension would start on May 12, 2006, which was not the last day of the 15-day period sought to be extended, it being May 5, 2006. By computation, petitioner actually sought more than 30 days, contrary to the period of extension it purportedly requested. The counting of the period was erroneous, even if one uses the material dates alleged by petitioner.[14] Petitioner clearly disregarded elementary rules[15] and jurisprudence[16] on the matter.

The flaws in petitioner's moves/representations reinforce respondents' claim that the Motion for Extension was "cunningly" dated May 5, 2006 (the last day to file a responsive pleading) to make it appear that it was timely filed, although it was transmitted only on May 14, 2006. Petitioner's allegation that the Motion it filed was the one actually prepared and signed on May 5, 2006[17] contradicts its earlier claim in its Opposition to the Motion to Declare [It] in Default that "[s]hort of time in coming up with [herein petitioner's] Answer on April 28, 2006," its counsel caused to be prepared a Motion for Extension of Time to File Answer which was, however, misplaced, and upon discovery thereof "another motion for extension was immediately caused to be prepared and filed." [18]

More. Petitioner served and filed the Motion for Extension through a private courier, LBC, a mode not recognized

by the rules.[19] Explanation for availing such mode was not stated in the Motion.[20] The mode was, nonetheless, clearly unjustifiable, considering that (a) petitioner's handling counsel was based in nearby San Fernando; (b) postal registry service is, for lack of explanation to the contrary, available in Pampanga;[21] (c) urgency is out of the equation because the official date of filing done via private messengerial service is the date of actual receipt of the court,[22] and had the motion been personally filed the following day (May 15, 2006), it would have reached the court earlier. It thus shows that the mode was utilized to obscure any indication that the motion was filed out of time.

In denying respondents' Motion for Reconsideration of its grant of petitioner's Motion for Extension, the trial court ruled that it was inclined to reconsider or lift an order of default.[23] By such ruling, the trial court preempted the dictates of orderly procedure by unduly anticipating and signifying a slant toward the remedies and arguments yet to be availed of and raised by petitioner.

Petitioner can not harp on *Indiana Aerospace University v. Comm. on Higher Educ.*[24] which it cites. In that case, the Answer had already been filed- albeit after the 15-day period, but before the defendants were declared in default. In the present case, had the hearing on the Motion to Declare Petitioner in Default pushed through on May 24, 2006, the trial court would have readily noticed that no Answer had yet been filed on said date, the Answer having been filed, as earlier stated, only on May 25, 2006.

Neither can petitioner harp on *Sps. Ampeloquio, Sr. v. Court of Appeals*,[25] for the Court therein held that it is within the discretion of the trial court to permit the filing of an answer even beyond the reglementary period, provided that there is justification for the belated action and there is no showing that the defendant intended to delay the case. Thus, in that case, the therein defendant-respondent deferred the submission of a prepared Answer as it awaited the trial court's resolution on its motion to dismiss, which resolution had, it turned out, been priorly issued, a copy of which was, however, mistakenly addressed to another counsel.

In the present case, no satisfactory reason was adduced to justify the tardiness of the Answer and no compelling reason was given to justify its admission. The intention to delay was rather obvious.

It is not amiss to mention at this juncture that the Court's attention has been drawn to the fact that petitioner's counsel even notarized the Verification of respondents' Complaint as well as the Corporate Secretary's Certificate as early as April 10, 2006. By such act, which is irregular, to say the least, petitioner's counsel was even made aware in advance of the impending filing of the case against her client-herein petitioner.

Moreover, petitioner's handling counsel belongs to its Legal Department which monitors its pending cases and oversees a network of lawyers.

On petitioner's counsel's belated and trite allegation of heavy volume of work which called for the filing of the Motion for Extension, nowhere is it therein claimed that there was heavy volume of work in other equally important cases.[26] With the implication that petitioner had been all the while preparing an Answer, it defies comprehension how petitioner still attributes the delay to "inadvertence," "honest oversight" and "simple remission" in its having allegedly misplaced the Motion for Extension.[27]

The Court thus finds petitioner's negligence inexcusable, as the circumstances behind and the reasons for the delay are detestable.

Rules of procedure, especially those prescribing the time within which certain acts must be done, have often been held as absolutely indispensable to the prevention of needless delays and to the orderly and speedy discharge of business. The bare invocation of "the interest of substantial justice" is not a magic wand that will automatically compel this Court to suspend procedural rules.[28]

Under Rule 1, Section 6 of the 1997 Rules of Civil Procedure, liberal construction of the rules is the controlling principle to effect substantial justice. Thus, litigations should, as much as possible, be decided on their merits and not on technicalities. This does not mean, however, that procedural rules are to be ignored or disdained at will to suit the convenience of a party. Procedural law has its own rationale in the orderly administration of justice, namely, to ensure the effective enforcement of substantive rights by providing for a system that obviates arbitrariness, caprice, despotism, or whimsicality in the settlement of disputes. Hence, it is a mistake to suppose that substantive law and procedural law are contradictory to each other, or as often suggested, that enforcement of procedural rules should never be permitted if it would result in prejudice to the substantive rights of the litigants.

Litigation is not a game of technicalities, but every case must be prosecuted in accordance with the prescribed procedure so that issues may be properly presented and justly resolved. Hence, rules of procedure must be faithfully followed except only when for persuasive reasons, they may be relaxed to relieve a litigant of an injustice not commensurate with his failure to comply with the prescribed procedure. Concomitant to a liberal application of the rules of procedure should be an effort on the part of the party invoking liberality to explain his failure to abide by the rules.[29] (Underscoring supplied)

Given the foregoing circumstances, Justice Presbitero Velasco, Jr., in his Dissenting Opinion, still finds "exceptional circumstances" that warrant this Court to suspend its rules and accord liberality to petitioner, citing Section 11, Rule 11 of the Rules of Court, which reads:

Upon motion and on such terms as may be just, the court may extend the time to plead provided in these Rules.

The court may also, upon like terms, allow an answer or other pleading to be filed after the time fixed by these Rules. (Emphasis and underscoring supplied)

From the foregoing discussion, it is unimaginable how "such terms as may be just" may be applied in petitioner's favor. Under the stated premises, to grant the petition along the lines of liberality is to countenance the context of fibs and flaws.

Obviously grasping straws in its final pitch to win the court's leniency, petitioner employed a ploy to conceal not just the lapse of time but also the serious lapses of non-compliance with basic rules. The scheme insults the intelligence of the Court. While the Court frowns upon default judgments, it does not condone gross transgressions of the rules and perceptible vestiges of bad faith.

Good faith is central to the concept of "excusable neglect" justifying failure to answer.[30] An attempt to cover up the procedural lapses and obscure the technical imperfections negates good faith on the part of the party imploring the accommodating arm of the court.

In his Dissenting Opinion, Justice Velasco proffers that the complaint centers on the interpretation of a contract which can only be determined if the parties are heard in the course of trial.

There is no arguing that all complaints of whatever nature can only be determined if the parties are heard. There is, however, a standing rule set in place for a declaration of default, in cases where there is no justification for the belated action, and there is showing that the defendant intended to delay the case. In this case, the party lackadaisically squandered its opportunity to file a responsive pleading and, worse, made deceptive moves in an obvious attempt to redeem itself.

The Court is duty-bound to observe its rules and procedures and uphold the noble purpose behind their issuance. Rules are laid down for the benefit of all and should not be made dependent upon a suitor's sweet time and own bidding.[31]

In preliminarily assessing the merits of the case, the Court is merely tasked to consider whether the reception of defendant's evidence would serve a practical purpose, considering that respondents had, during the pendency of the case, concluded the ex-parte presentation of evidence.[32]

Accordingly, after carefully reviewing petitioner's Answer and Pre-Trial Brief, the Court finds that to re-open the presentation of evidence just to ventilate the defense of mere denial - that there exists no dacion en pago -and to present the written agreement, the existence of which is already admitted by respondents, would serve no practical purpose.

If petitioner is confident that the complaint lacks merit, then it need not worry because once the defendant is declared in default, the plaintiff is not automatically entitled to the relief prayed for. Favorable relief can be granted only after it has been ascertained that it is warranted by the evidence offered and the facts proven by the presenting party.[33] In any event, petitioner, even if declared in default, is not deprived of his right to appeal the decision of the trial court.[34]

To emphasize, the case does not involve any outright deprivation of life, liberty or property. Contrary to what is being depicted, intimated or romanticized, petitioner does not stand to lose P36,483,699.45 regardless of the characterization of the commercial transaction entered into by the parties. The amount is secured by mortgages over prime real properties, which is precisely the subject of the alleged dacion en pago.

WHEREFORE, the petition is DENIED.

SO ORDERED.

Quisumbing, (Chairperson), and Brion, JJ., concur.

Tinga, J., joined Justice Velasco's dissent.

Velasco, Jr., J., pls. see dissenting opinion.

[1] Rollo, pp. 10-16, penned by Justice Juan Q. Enriquez, Jr. with Justices Vicente S.E. Veloso and Marlene Gonzales-Sison, concurring.

[2] Id. at 18-20, penned by Justice Juan Q. Enriquez, Jr. with Justices Vicente S.E. Veloso and Ricardo R. Rosario, concurring.

[3] Id. at 80-94.

[4] Id. at 70-75.

[5] Id. at 217-218.

[6] Id. at 214-216.

[7] Records, Vol. 1, pp. 49-53.

[8] Id. at 138-141.

[9] Rollo, p. 16.

[10] Id. at 36.

[11] RULES OF COURT, Rule 11, Sec. 2; vide Rule 16, Sec. 1.

[12] Vda. de Victoria v. Court of Appeals, G.R.. No. 147550, January 26, 2005, 449 SCRA 319, 320.

[13] Vide Phil. Long Distance Telephone Co., Inc. v. Court of Appeals, G.R. No. 57079, September 29, 1989, 178 SCRA 94, 95.

[14] Even if the original 15-day period to file pleading were to begin on April 24, 2006 in which case it would expire on May 9, 2006, the 30-day requested extension would be up to June 8, 2006, not June 11, 2006. The erroneously indicated due date presumes that the summons was received on April 27, 2006.

[15] A.M. No. 00-2-14-SC (February 29, 2000) which provides that any extension of time to file the required pleading should be counted from the expiration of the period.

[16] Bernardo v. People, G.R. No. 166980, April 3, 2007, 520 SCRA 332, 340 citing Luz v. National Amnesty Commission, G.R. No. 159708, September 24, 2004, 439 SCRA 111, which states that the extension should be tacked to the original period, to commence immediately after the expiration of such period. The court has no discretion to reckon the commencement of the extension from a date later than the expiration of such period, not even if the expiry date is a Saturday, Sunday, or a legal holiday.

[17] CA rollo, p. 112.

[18] Vide Opposition to the Motion to Declare Defendant in Default, records, Vol. 1, p. 71.

[19] Vide RULES OF COURT, Rule 13, Secs. 3, 5 & 7.

[20] Records, Vol. 1, p. 51. The written explanation in the motion erroneously indicates that petitioner availed of the mode of "registered mail."

[21] While distance is an acceptable explanation why the motion was not served personally upon respondents' counsel in Pasig City, no credible justification has been offered as to why the motion was not instead served by registered mail.

[22] Industrial Timber Corp. v. NLRC, G.R. No. 111985, June 30, 1994, 233 SCRA 597, 602; Bank of the Philippine Islands v. Far East Molasses Corp., G.R. No. 89125, July 2, 1991, 198 SCRA 689, 702.

[23] Rollo, p. 129.

[24] 408 Phil. 483 (2001).

[25] 389 Phil. 13 (2000).

[26] Records, Vol. 1, pp. 49-50.

[27] Vide id. at 70-71, 133; The November 29, 2006 Affidavit of Atty. Elenita G.C. Quinsay (rollo, pp. 97-98) reads:

x x x x

- That due to heavy volume of work vis-à-vis the need to coordinate with the PNB branch concerned regarding the history of the accounts, the undersigned found it imperative to ask for an extension of time to file answer, thus, she instructed her secretary to prepare a motion for Extension of time to file answer, intended to be filed in court before the reglementary period within which to file answer would elapsed;

- The Motion was prepared earlier but due to the afore-stated reasons, the same was signed by the undersigned in the late hours of 5 May 2006, the last day of filing an answer;

- That in order to expedite the mailing of the said Motion, undersigned volunteered to use her car in carrying the motion to the post office for mailing, however, the post office closed earlier than 5:00 PM, so undersigned

has no recourse but to send it via LBC;

- That on her way to the LBC, the motion placed at the dashboard of the car, slipped and fell off the dashboard, together with the other records she is bringing along with her;

- While driving, undersigned hastily picked up the Motion and inserted the same in one of the folders she is bringing along with records of Civil Case No. 12868;

- When she reached the LBC Office, she did not notice the motion as it was inserted in a different folder, thus she inadvertently failed to include the motion among the pleadings that she sent via LBC;

x x x x

The Court notes petitioner's allegation that it was not until May 14, 2006, a Sunday, when its counsel realized that the motion was not filed when her secretary asked from her the proof of service of the motion. (vide CA rollo, pp. 148-149).

[28] Lazaro v. Court of Appeals, 386 Phil. 412, 417 (2000).

[29] Sebastian v. Hon. Morales, 445 Phil. 595, 605 (2003).

[30] Villareal v. CA, 356 Phil. 826, 846 (1998).

[31] Far Corporation v. Magdaluyo, G.R. No. 148739, November 19, 2004, 443 SCRA 218.

[32] Vide records, Vol. 2.

[33] Gajudo v. Traders Royal Bank, G.R. No. 151098, March 21, 2006, 485 SCRA 108.

[34] Crisologo v. Globe Telecom, Inc., G.R. No. 167631, December 16, 2005, 478 SCRA 433.

DISSENTING OPINION

VELASCO, JR., J.:

I find attendant in the case at bar exceptional circumstances which far outweigh a strict application of the rules of procedure. These circumstances include the resulting injustice due to the gross negligence of petitioner's counsel, the considerable sum which is the object of the prestation involved, and the necessity of taking into account all relevant evidence, especially those of petitioner's, in order to ascertain the true intent of the parties to the contract. With all due respect, I submit that the petition should be granted for the following reasons:

1. The Court under Sec. 11, Rule 11 has the discretion to allow an answer filed after the time fixed by the Rules.

The ruling in the main case turns on a technicality. It holds that petitioner, Philippine National Bank (PNB), failed to file an Answer within the reglementary period. The facts, as found by the majority, are as follows:

Respondents Deang Marketing Corporation and Berlita Deang filed before the Regional Trial Court (RTC) in Angeles City a complaint for reformation of contract and specific performance, claiming that a dacion en pago arrangement with PNB altered their outstanding loan obligations into a seven-year term loan in the amount of PhP 36,483,699.45.

The Process Server's Return shows that PNB was served with summons on April 20, 2006[1] through PNB's

Chief Legal Counsel in Pasay City. The PNB Branch concerned, PNB San Fernando City, Pampanga, claimed that it received the summons from its head office only on April 24, 2006.

Counting from April 20, 2006, PNB had 15 days, or until May 5, 2006, within which to file an Answer. PNB, however, filed a Motion for Extension of Time to File an Answer only on May 15, 2006. This was granted by the RTC, thereby giving PNB until June 11, 2006 to file an Answer. PNB filed its Answer on May 25, 2006. Even if the original 15-day period to file an Answer is reckoned from April 20, 2006 and the said period was extended up to June 4, 2006, the filing of the answer on May 25, 2006 can be considered as within the extended period of 30 days in the higher interests of justice.

On May 15, 2006, respondents filed a Motion to Declare PNB in Default. On the same date, the RTC received PNB's Motion for Extension of Time to File an Answer. The next day, or on May 16, 2006, the RTC issued an Order denying the Motion to Declare PNB in Default and granting a 30-day extension of time to file an Answer in favor of PNB. The Order of the RTC granting an extension to file an Answer in favor of PNB is in accord with Section 11, Rule 11:

Extension of time to plead.—Upon motion and on such terms as may be just, the court may extend the time to plead provided in these Rules.

The court may also, upon like terms, allow an answer or other pleading to be filed after the time fixed by these Rules. (Emphasis supplied.)

Plainly the matter of admitting an answer filed beyond the reglementary period of fifteen (15) days is DISCRETIONARY on the trial court. Discretion is the power exercised by courts to determine questions arising in the trial of a case to which no rule of law is applicable but which, from their nature and circumstances of the case, are controlled by personal judgment and not by fixed rules of law.[2] Discretion which a judge may exercise means sound discretion exercised, not arbitrarily or willfully, but with regard to what is right and equitable under the circumstances and the law, and directed by the judge's reason and conscience to just result.[3]

In its Order of August 9, 2006, the RTC stood by its Order of May 16, 2006 and reasoned that "it would be best if this case will go to trial on the merits rather than ruling in favor of plaintiffs in declaring PNB in default. The Court still believes that its Order serves not the parties, but the ends of justice." [4] The RTC itself saw the need for the subject of the complaint to be exhaustively weighed and discussed, which is related to the second reason for my dissent. Under the circumstances, it is not difficult to say that the trial court acted properly and fairly in allowing the tardy filing of PNB's answer especially considering that a decision has not yet been rendered in the case. To allow the answer and to afford PNB the opportunity to adduce evidence is but in keeping with the norms of fair play. It will grant said party a sporting chance to convince the court of its proposition. There is nothing arbitrary nor whimsical in the challenged order.

2. The complaint centers on the interpretation of a contract, which can only be determined if the parties are heard in the course of trial.

Respondents seek in the RTC the reformation of the loan contract extended by PNB, alleging that there has been a dacion en pago agreement involving the amount of PhP 36,483,699.45. PNB refutes this.[5] It claims that after the Consolidation and Restructuring Agreement was signed between the parties, respondents offered in a letter the possibility of turning the agreement into a dacion en pago, but no such new agreement was entered into.

Even respondents admit that its claim of dacion en pago was not expressed in its written agreement with PNB.[6]

Thus, the substantive issue is, what was the true agreement of the parties?

Case law provides that among the requisites of a valid dation in payment, there must be an agreement between the creditor and debtor that the obligation is immediately extinguished by reason of the performance of a prestation different from that due.[7] As aforementioned, the main issue is whether or not there is such an agreement to a dacion en pago. This can only be resolved by hearing the parties and allowing them to present evidence in a full-blown trial, for the law provides that "in order to judge the intention of the contracting parties, their contemporaneous and subsequent acts shall be principally considered." [8]

It would be unfair and unjust to declare PNB in default and preclude it from presenting evidence on the import of the contract when it is respondents themselves who are the parties ascribing a different meaning to the written contract. When the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement.[9] This rule, also known as the Parol Evidence Rule, is the general rule. Stated otherwise, a written contract embodies the intention of the parties. To go beyond the four corners of the document is an exception to the general rule, such that a party may present evidence to modify, explain, or add to the terms of written agreement if the party puts in issue in the pleading the existence of other terms agreed to after the execution of the written agreement. To determine whether or not the terms of the agreement between the parties have been changed necessitates that before the court steps in, it must consider the intent of the parties and the surrounding reasons and circumstances bearing on the total import of their true intention.

3. The Rules of Court should be given a liberal construction in this case for two compelling reasons, namely: (a) the gross negligence of PNB's counsel led to PNB's grave prejudice; and (b) PNB's cause appears to be meritorious.

Gross Negligence of PNB's Counsel

There is a range of reasons which may provide justification for a court to resist a strict adherence to procedure, such as: (1) matters of life, liberty, honor, or property; (2) counsel's negligence without any participatory negligence on the part of the client; (3) the existence of special or compelling circumstances; (4) the merits of the case; (5) a cause not entirely attributable to the fault or negligence of the party favored by the suspension of the rules; (6) a lack of any showing that the review sought is merely frivolous and dilatory; and (7) the other party will not be unjustly prejudiced thereby.[10] The Rules is to be liberally construed in order to promote its objective of securing a just, speedy, and inexpensive disposition[11] of the subject complaint, especially in this case where it can be conceded that petitioner's counsel, Atty. Elenita Quinsay, is guilty of gross negligence in handling PNB's case.

After the summons was received by PNB San Fernando City from its main office on April 20, 2006, Atty. Quinsay failed to act on it immediately. The confusion on which reglementary period to reckon the extension from was caused by her claim of receiving the summons on April 24 from the PNB main branch. She should have known that April 20 was the official date of receipt of her client of the summons. She should then have acted accordingly. These acts of negligence have led to the prejudice of PNB.

As a general rule, the negligence of counsel binds the client, except in the following instances: (1) where reckless or gross negligence of counsel deprives the client of due process of law; (2) when its application will result in

outright deprivation of the client's liberty or property; or (3) where the interests of justice so require. In such cases, courts must step in and accord relief to a party-litigant.[12] The gross negligence of petitioner's counsel amounted to an abandonment or total disregard of its case.

The Court noted that respondents had, during the pendency of this case, concluded the ex-parte presentation of evidence.[13] Since there is no decision rendered yet in the first instance, there is no prejudice that would result on the part of respondents should PNB be allowed to adduce evidence on its behalf.

PNB's Defense Necessitates Presentation of Evidence

PNB's defense justifies a liberal application of the Rules for respondents seek in the RTC the reformation of the loan contract extended by PNB, alleging that there has been a dacion en pago agreement involving the amount of PhP 36,483,699.45. PNB vehemently denies any such reformation and asserts the primacy of its written Consolidation and Restructuring Agreement with the respondents. Respondents are claiming the exception to the parol evidence rule.[14] Thus, the substantive issue revolves on the true agreement of the parties. This cannot be resolved without hearing both of the parties to the contract. Based on the pleadings, PNB strongly asserts that the Consolidation and Restructuring Agreement is the true agreement between the parties. It is supported by the best evidence of the agreement, the written contract itself, while respondents' claim is anchored on evidence beyond the four corners of the written contract. For us to deprive PNB of the opportunity to refute the respondents' claim is not only unfair but also unjust.

The Rules of Court was conceived and promulgated to set forth guidelines in the dispensation of justice, but not to bind and chain the hand that dispenses it, for otherwise, courts will be mere slaves to or robots of technical rules, shorn of judicial discretion. That is precisely why courts, in rendering justice, have always been, as they in fact ought to be, conscientiously guided by the norm that on the balance, technicalities take a backseat to substantive rights, and not the other way around.[15] Circumspect leniency will give the appellant the fullest opportunity to establish the merits of the appellant's complaint rather than to lose life, liberty, honor, or property on technicalities.[16] The rules of procedure should be viewed as mere tools designed to aid the courts in the speedy, just, and inexpensive determination of the cases before them. Liberal construction of the rules and the pleadings is the controlling principle to effect substantial justice.[17]

In light of the foregoing reasons, I vote to GRANT the petition.

[1] Records, Vol. 1, pp. 49-53.

[2] *Gregorio Araneta, Inc. v. Rodas*, 81 Phil. 506 (1948).

[3] *People v. Quibate*, 131 SCRA 96, Dissent (1984).

[4] *Rollo*, pp. 129-130.

[5] *Id.* at 100.

[6] *Id.* at 81.

[7] *Caltex v. Intermediate Appellate Court*, 215 SCRA 580 (1992). The other two requisites are as follows: (1) There must be the performance of the prestation in lieu of payment (*animo solvendi*) which may consist in the delivery of a corporal thing or a real right or a credit against the third person; and (2) There must be some difference between the prestation due and that which is given in the substitution (*aliud pro alio*).

[8] Art. 1253, Republic Act No. 386: An Act to Ordain and Institute the Civil Code of the Philippines (1950).

[9] REVISED RULES ON EVIDENCE, Rule 130, Sec. 9.

[10] Baylon v. Fact-finding Intelligence Bureau, 394 SCRA 21, 31 (2002).

[11] 1997 RULES OF CIVIL PROCEDURE, Sec. 6.

[12] Callangan v. People, G.R. No. 153414, June 27, 2006.

[13] Footnote 25 of the Ponencia.

[14] Supra note 8.

[15] Heirs of Spouses Eugenio Natonton and Regina Arcilla v. Spouses Eulogio and Lily Magaway, 486 SCRA 199 (2006).

[16] Jaro v. Court of Appeals, 427 Phil. 532, 536 (2002).

[17] Sanchez v. Court of Appeals, 452 Phil. 665, 673 (2003).

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