

MAXWELL HEAVY EQUIPMENT CORPORATION, PETITIONER, VS. ERIC UYCHIAOCO YU, RESPONDENT.

G.R. No. 179395. December 15, 2010

Ponente: CARPIO, J.

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CARPIO, J.:

The Case

This petition for review[1] assails the 21 June 2007 Decision[2] of the Court of Appeals in CA-G.R. CV No. 84522. The Court of Appeals affirmed with modification the 11 January 2005 Decision[3] of the Regional Trial Court, National Capital Judicial Region, Branch 167, Pasig City. The trial court ordered, among others, the reimbursement by petitioner Maxwell Heavy Equipment Corporation (Maxwell) of the amount of P8,888,932.33 to respondent Eric Uychiaoco Yu (Yu) for the latter's payment of Maxwell's loan obligation with the Bank of Philippine Islands (BPI).

The Facts

On 3 April 2001 and 2 May 2001, Maxwell obtained loans from BPI, G. Araneta Avenue Branch, in the total sum of P8,800,000.00 covered by two Promissory Notes and secured by a real estate mortgage over two lots registered in Yu's name. Promissory Note No. 1-6743742-001 for P800,000.00 was due on 26 March 2002[4] while Promissory Note No. 1-6743742-002 for P8,000,000.00 was due on 24 April 2002.[5] Yu signed as Maxwell's co-maker in the Promissory Note covering the P8,000,000 loan. It appears that Yu did not sign as co-maker in the Promissory Note for P800,000.

Maxwell defaulted in the payment of the loans, forcing Yu to pay BPI P8,888,932.33 representing the principal loan amounts with interest, through funds borrowed from his mother, Mina Yu, to prevent the foreclosure of his real properties.

Thereafter, Yu demanded reimbursement from Maxwell of the entire amount paid to BPI. However, Maxwell failed to reimburse Yu. Consequently, Yu filed with the trial court a complaint for sum of money and damages.

Maxwell denied liability for Yu's claimed amount. Maxwell countered that the transactions with BPI were merely accommodation loans purely for Yu's benefit. Maxwell likewise pointed out that Yu, having signed as co-maker, is solidarily liable for the loans. Maxwell also insisted that Yu's mother is the real payor of the loans and thus, is the real party-in-interest to institute the complaint.

The trial court ruled in favor of Yu, disposing of the case as follows:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant Maxwell Heavy Equipment Corporation ordering the latter to pay the former the following sums of money:

a) The sum of Php 8,888,932.33/00, representing the principal obligation, with legal interest thereon computed at the legal rate from the time of default on 2 April 2002 until full payment thereof;

b) The sum of Php 200,000.00, for and as reasonable attorney's fees and;

c. Costs of suit.

Bereft of evidence, the claim for moral as well as exemplary damages is hereby DENIED.

Also, for lack of sufficient factual and legal basis, the counterclaim is similarly DISMISSED.

SO ORDERED.[6]

On appeal, the Court of Appeals affirmed with modification the ruling of the trial court, by deleting the award of attorney's fees and specifying the rate of interest on the allegedly reimbursable amount from Maxwell.

Hence, this petition.

The Ruling of the Court of Appeals

In affirming the trial court's ruling, the Court of Appeals rejected Maxwell's contention that the transactions with BPI were accommodation loans solely for Yu's benefit since (1) Maxwell was paying for the loans' interest and (2) various demand letters from BPI were addressed to Maxwell as the borrower.

The Court of Appeals gave credence to the testimonies of Yu and his mother on the liability of Maxwell for the claimed amount. On the other hand, it disbelieved the testimony of Caroline Yu, then president of Maxwell, denying Yu's entitlement to reimbursement for the payment he made to BPI since it was uncorroborated by any documentary evidence.

The dispositive portion of the decision of the Court of Appeals reads:

WHEREFORE, the appealed Decision dated January 11, 2005 is affirmed, subject to the modification that:

- the award of attorney's fees is deleted; and
- the legal rate of interest on the principal amount of P8,800,000.00 is twelve per cent (12%) per annum from the filing of the complaint on August 19, 2003 until the finality of this Decision. After this Decision becomes final and executory, the applicable rate shall also be twelve per cent (12%) per annum until its full satisfaction.

SO ORDERED.[7]

The Issue

The main issue in this case is whether Yu is entitled to reimbursement from Maxwell for the loan payment made to BPI. This issue in turn depends on whether the transactions with BPI were accommodation loans solely for Yu's benefit.

The Ruling of the Court

The petition lacks merit.

This Court is not a trier of facts.[8] It is not the Court's function to analyze or weigh the evidence all over again, its jurisdiction being limited to reviewing errors of law that might have been committed by the lower court.[9]

In this case, the question of whether Maxwell's transactions with BPI were accommodation loans for Yu's benefit is clearly factual, and thus, beyond the Court's review.

Moreover, factual findings of the trial court, when affirmed by the Court of Appeals, will not be disturbed by this

Court.[10] As a rule, such findings by the lower courts are entitled to great weight and respect, and are deemed final and conclusive on this Court when supported by the evidence on record.[11] The foregoing principle applies to the present controversy.

In this case, the Court of Appeals affirmed the trial court's finding that "it was Yu who accommodated Maxwell by allowing the use of his real properties as collateral [for Maxwell's loans]." The appellate court concurred with the trial court that Maxwell is the principal borrower since it was Maxwell which paid interest on the loans. Additionally, various documents designated Maxwell as borrower and communications demanding payment of the loans sent by BPI were addressed to Maxwell as the borrower, with Yu indicated only as the owner of the real properties as loan collateral.

Furthermore, we affirm the finding that Maxwell gravely failed to substantiate its claim that the loans were purely for Yu's benefit. Maxwell's evidence consisting of the testimony of Caroline Yu, Yu's spouse and then president of Maxwell, was uncorroborated.

On the other hand, Yu's and his mother's testimonies were supported by various documents establishing the real nature of the loan, and belying Maxwell's allegations. Yu presented the following: (1) Corporate Resolution to Borrow, dated 21 August 2000, where Maxwell authorized Caroline Yu to loan from BPI on its behalf; (2) the two Promissory Notes, dated 3 April 2001 and 2 May 2001, signed by Caroline Yu as Maxwell's representative; and (3) two disclosure statements, dated 3 April 2001 and 2 May 2001, on "loan/credit transaction" signed by Caroline Yu, designating Maxwell as the borrower. Based on the foregoing, it is clear that Maxwell is the principal borrower solely liable for the payment of the loans.

While Maxwell is the real debtor, it was Yu who paid BPI the entire amount of Maxwell's loans. Hence, contrary to Maxwell's view, Article 1236 of the Civil Code applies. This provision reads:

The creditor is not bound to accept payment or performance by a third person who has no interest in the fulfillment of the obligation, unless there is a stipulation to the contrary.

Whoever pays for another may demand from the debtor what he has paid, except that if he paid without the knowledge or against the will of the debtor, he can recover only insofar as the payment has been beneficial to the debtor.

The above provision grants the plaintiff (Yu) the right to recovery and creates an obligation on the part of the defendant (Maxwell) to reimburse the plaintiff. In this case, Yu paid BPI P8,888,932.33, representing the amount of the principal loans with interest, thereby extinguishing Maxwell's loan obligation with BPI. Pursuant to Article 1236 of the Civil Code, Maxwell, which was indisputably benefited by Yu's payment, must reimburse Yu the same amount of P8,888,932.33.[12]

WHEREFORE, the Court DENIES the petition and AFFIRMS the 21 June 2007 Decision of the Court of Appeals in CA-G.R. CV No. 84522.

SO ORDERED.

Velasco, Jr.,[*] Nachura, Abad, and Mendoza, JJ., concur.

[*] Designated additional member per Raffle dated 2 June 2010.

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

[2] Rollo, pp. 156-167. Penned by Associate Justice Fernanda Lampas Peralta, with Associate Justices Edgardo P.

Cruz and Normandie B. Pizarro, concurring.

[3] Id. at 104-110. Penned by Judge Alfredo C. Flores.

[4] Id. at 74.

[5] Id. at 76.

[6] Id. at 110. Penned by Judge Alfredo C. Flores

[7] Id. at 166.

[8] De Guia v. Presiding Judge, RTC Br. 12, Malolos, Bulacan, G.R. No. 161074, 22 March 2010, 616 SCRA 284, 292; Madrigal v. Court of Appeals, 496 Phil. 149, 156 (2005), citing Bernardo v. CA, G.R. No. 101680, 7 December 1992, 216 SCRA 224 and Remalante v. Tibe, No. L-59514, 25 February 1988, 158 SCRA 138.

[9] Madrigal v. Court of Appeals, *supra*.

[10] Pacific Airways Corporation v. Tonda, 441 Phil. 156, 162 (2002); Austria v. Court of Appeals, 384 Phil. 408, 415 (2000).

[11] Dimaranan v. Heirs of Spouses Hermogenes Arayata and Flaviana Arayata, G.R. No. 184193, 29 March 2010, 617 SCRA 101, 112-113; Espinosa v. People, G.R. No. 181071, 15 March 2010, 615 SCRA 446, 454, citing Republic v. Casimiro, G.R. No. 166139, 20 June 2006, 491 SCRA 499, 523.

[12] See R.F.C. v. Court of Appeals, 94 Phil. 984 (1954), cited in Aquino, *The Civil Code of the Philippines*, Vol. 2, p. 301. See also Philippine Commercial International Bank v. Court of Appeals, G.R. No. 121989, 31 January 2006, 481 SCRA 127, 138.

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