ANICETO G. SALUDO, JR., PETITIONER, VS. SECURITY BANK CORPORATION, RESPONDENT.

G.R. No. 184041. October 13, 2010

Ponente: PEREZ, J.

Read online (full-text search, related cases, audio case brief): https://batas.org/library/g-r-no-184041/

PEREZ, J.:

Before this Court is a petition for review on certiorari seeking the reversal of the Decision[1] of the Court of Appeals in CA-G.R. CV No. 88079 dated 24 January 2008 which affirmed the Decision[2] of Branch 149 of the Regional Trial Court (RTC) of Makati City, finding petitioner Aniceto G. Saludo, Jr. and Booklight, Inc. (Booklight) jointly and severally liable to Security Bank Corporation (SBC).

The basic facts follow--

On 30 May 1996, Booklight was extended an omnibus line credit facility[3] by SBC in the amount of P10,000,000.00. Said loan was covered by a Credit Agreement[4] and a Continuing Suretyship[5] with petitioner as surety, both documents dated 1 August 1996, to secure full payment and performance of the obligations arising from the credit accommodation.

Booklight drew several availments of the approved credit facility from 1996 to 1997 and faithfully complied with the terms of the loan. On 30 October 1997, SBC approved the renewal of credit facility of Booklight in the amount of P10,000,000.00 under the prevailing security lending rate.[6] From August 3 to 14, 1998, Booklight executed nine (9) promissory notes[7] in favor of SBC in the aggregate amount of P9,652,725.00. For failure to settle the loans upon maturity, demands[8] were made on Booklight and petitioner for the payment of the obligation but the duo failed to pay. As of 15 May 2000, the obligation of Booklight stood at P10,487,875.41, inclusive of interest past due and penalty.[9]

On 16 June 2000, SBC filed against Booklight and herein petitioner an action for collection of sum of money with the RTC. Booklight initially filed a motion to dismiss, which was later on denied for lack of merit. In his Answer, Booklight asserted that the amount demanded by SBC was not based on the omnibus credit line facility of 30 May 1996, but rather on the amendment of the credit facilities on 15 October 1996 increasing the loan line from P8,000,000.00 to P10,000,000.00. Booklight denied executing the promissory notes. It also claimed that it was not in default as in fact, it paid the sum of P1,599,126.11 on 30 September 1999 as a prelude to restructuring its loan for which it earnestly negotiated for a mutually acceptable agreement until 5 July 2000, without knowing that SBC had already filed the collection case.[10]

In his Answer to the complaint, herein petitioner alleged that under the Continuing Suretyship, it was the parties' understanding that his undertaking and liability was merely as an accommodation guarantor of Booklight. He countered that he came to know that Booklight offered to pay SBC the partial payment of the loan and proposed the restructuring of the obligation. Petitioner argued that said offer to pay constitutes a valid tender of payment which discharged Booklight's obligation to the extent of the offer. Petitioner also averred that the imposition of the penalty on the supposed due and unpaid principal obligation based on the penalty rate of 2% per month is

clearly unconscionable.[11]

On 7 March 2005, Booklight was declared in default. Consequently, SBC presented its evidence ex-parte. The case against petitioner, however, proceeded and the latter was able to present evidence on his behalf.

After trial, the RTC ruled that petitioner is jointly and solidarily liable with Booklight under the Continuing Suretyship Agreement. The dispositive portion reads:

> WHEREFORE, in view of the foregoing considerations, the Court hereby finds in favor of the plaintiff against the defendants by ordering the defendants Booklight, Inc. and Aniceto G. Saludo, Jr., jointly and severally liable (solidarily liable) to plaintiff [sic], the following sums of Philippine Pesos:
>
> PN No.
>
> Amount
>
> Interest Rate (per annum)
>
> Beginning--Until fully paid
>
> 74/787/98
>
> P1,927,000.00
>
> 20.189%
>
> November 2, 1998
>
> 74/788/98
>
> 913,545.00
>
> 20.189%
>
> November 2, 1998
>
> 74/789/98
>
> 1,927,090.00
>
> 20.189%
>
> November 2, 1998
>
> 74/791/98
>
> 500,000.0
>
> 20.178%
>
> November 4, 1998
>
> 74/792/98
>
> 800,000.00
>
> 20.178%
>
> November 4, 1998
>
> 74/793/98

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

665,000.00

20.178%

November 3, 1998

74/808/98

970,000.00

20.178%

November 9, 1998

74/822/98

975,000.00

20.178%

November 12, 1998

74/823/98

975,000.00

20.178%

November 12, 1998

with attorney's fee of P100,000.00 plus cost of suit.[12]

The Court of Appeals affirmed in toto the ruling of the RTC.[13] Petitioner filed a motion for reconsideration but it was denied by the Court of Appeals on 7 August 2008.[14]

Hence, the instant petition on the following arguments:

- The first credit facility has a one-year term from 30 June 1996 to 30 June 1997 while the second credit facility runs from 30 October 1997 to 30 October 1998.

- When the first credit facility expired, its accessory contract, the Continuing Surety agreement likewise expired.

- The second credit facility is not covered by the Continuing Suretyship, thus, availments made in 1998 by Booklight are not covered by the Continuing Suretyship.

- The approval of the second credit facility necessitates the consent of petitioner for the latter's Continuing Suretyship to be effective.

- The nine (9) promissory notes executed and drawn by Booklight in 1998 did not specify that they were drawn against and subject to the Continuing Suretyship. Neither was it mentioned in the Continuing Suretyship that it was executed to serve as collateral to the nine (9) promissory notes.

- The Continuing Suretyship is a contract of adhesion and petitioner's participation to it is his signing of his contract.

- The approval of the second credit facility is considered a novation of the first sufficient to extinguish the Continuing Suretyship and discharge petitioner.

- The 20.178% interest rate imposed by the RTC is unconscionable.[15]

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

The main derivative of these averments is the issue of whether or not petitioner should be held solidarily liable for the second credit facility extended to Booklight.

We rule in the affirmative.

There is no doubt that Booklight was extended two (2) credit facilities, each with a one-year term, by SBC. Booklight availed of these two (2) credit lines. While Booklight was able to comply with its obligation under the first credit line, it defaulted in the payment of the loan obligation amounting to P9,652,725.00 under the second credit line. There is likewise no dispute that the first credit line facility, with a term from 30 June 1996 to 30 June 1997, was covered by a Continuing Suretyship with petitioner acting as the surety. The dispute is on the coverage by the Continuing Suretyship of the loan contracted under the second credit facility.

Under the Continuing Suretyship, petitioner undertook to guarantee the following obligations:

> a) "Guaranteed Obligations" - the obligations of the Debtor arising from all credit accommodations extended by the Bank to the Debtor, including increases, renewals, roll-overs, extensions, restructurings, amendments or novations thereof, as well as (i) all obligations of the Debtor presently or hereafter owing to the Bank, as appears in the accounts, books and records of the Bank, whether direct or indirect, and (ii) any and all expenses which the Bank may incur in enforcing any of its rights, powers and remedies under the Credit Instruments as defined herein below; [16] (Emphasis supplied.)

Whether the second credit facility is considered a renewal of the first or a brand new credit facility altogether was indirectly answered by the trial court when it invoked paragraph 10 of the Continuing Suretyship which provides:

> 10. Continuity of Suretyship. - This Suretyship shall remain in full force and effect until full and due payment and performance of the Guaranteed Obligations. This Suretyship shall not be terminated by the partial payment to the Bank of Guaranteed Obligations by any other surety or sureties of the Guaranteed Obligations, even if the particular surety or sureties are relieved of further liabilities.[17]

and concluded that the liability of petitioner did not expire upon the termination of the first credit facility.

It cannot be gainsaid that the second credit facility was renewed for another one-year term by SBC. The terms of renewal read:

> 30 October 1997
>
> BOOKLIGHT, INC.
> x x x x
>
> Gentlemen:
>
> We are pleased to advise you that the Bank has approved the renewal of your credit facility subject to the terms and conditions set forth below:
>
> Facility : Loan Line
> Amount : P10,000,000.00
> Collateral : Existing JSS of Atty. Aniceto Saludo (marital consent waived)
> Term : 180 day Promissory Notes
> Interest Rate : Prevailing SBC lending rate; subject to monthly setting and payment
> Expiry : October 31, 1998
>
> x x x x.[18]

This very renewal is explicitly covered by the guaranteed obligations of the Continuing Suretyship.

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

The essence of a continuing surety has been highlighted in the case of Totanes v. China Banking Corporation[19] in this wise:

> Comprehensive or continuing surety agreements are, in fact, quite commonplace in present day financial and commercial practice. A bank or financing company which anticipates entering into a series of credit transactions with a particular company, normally requires the projected principal debtor to execute a continuing surety agreement along with its sureties. By executing such an agreement, the principal places itself in a position to enter into the projected series of transactions with its creditor; with such suretyship agreement, there would be no need to execute a separate surety contract or bond for each financing or credit accommodation extended to the principal debtor.[20]

In Gateway Electronics Corporation v. Asianbank Corporation,[21] the Court emphasized that "[b]y its nature, a continuing suretyship covers current and future loans, provided that, with respect to future loan transactions, they are x x x `within the description or contemplation of the contract of guaranty.'"

Petitioner argues that the approval of the second credit facility necessitates his consent considering the onerous and solidary liability of a surety. This is contrary to the express waiver of his consent to such renewal, contained in paragraph 12 of the Continuing Suretyship, which provides in part:

> 12. Waivers by the Surety. - The Surety hereby waives: x x x (v) notice or consent to any modification, amendment, renewal, extension or grace period granted by the Bank to the Debtor with respect to the Credit Instruments.[22]

Respondent, as last resort, harps on the novation of the first credit facility to exculpate itself from liability from the second credit facility.

At the outset, it must be pointed out that the Credit Agreement is actually the principal contract and it covers "all credit facilities now or hereafter extended by [SBC] to [Booklight];"[23] and that the suretyship agreement was executed precisely to guarantee these obligations, i.e., the credit facilities arising from the credit agreement. The principal contract is the credit agreement covered by the Continuing Suretyship.

The two loan facilities availed by Booklight under the credit agreement are the Omnibus Line amounting to P10,000,000.00 granted to Booklight in 1996 and the other one is the Loan Line of the same amount in 1997. Petitioner however seeks to muddle the issue by insisting that these two availments were two separate principal contracts, conveniently ignoring the fact that it is the credit agreement which constitutes the principal contract signed by Booklight in order to avail of SBC's credit facilities. The two credit facilities are but loans made available to Booklight pursuant to the credit agreement.

On these facts the novation argument advanced by petitioner must fail.

There is no novation to speak of. It is the first credit facility that expired and not the Credit Agreement. There was a second loan pursuant to the same credit agreement. The terms and conditions under the Credit Agreement continue to apply and the Continuing Suretyship continues to guarantee the Credit Agreement.

The lameness of petitioner's stand is pointed up by his attempt to escape from liability by labelling the Continuing Suretyship as a contract of adhesion.

> A contract of adhesion is defined as one in which one of the parties imposes a ready-made form of contract, which the other party may accept or reject, but which the latter cannot modify. One party prepares the stipulation in the contract, while the other party merely affixes his signature or his `adhesion' thereto, giving no room for negotiation and depriving the latter of the opportunity to bargain on equal footing.[24]

A contract of adhesion presupposes that the party adhering to the contract is a weaker party. That cannot be said

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

of petitioner. He is a lawyer. He is deemed knowledgeable of the legal implications of the contract that he is signing.

> It must be borne in mind, however, that contracts of adhesion are not invalid per se. Contracts of adhesion, where one party imposes a ready-made form of contract on the other, are not entirely prohibited. The one who adheres to the contract is, in reality, free to reject it entirely; if he adheres, he gives his consent.[25]

Finally, petitioner challenges the imposition of 20.189% interest rate as unconscionable. We rule otherwise. In Development Bank of the Philippines v. Family Foods Manufacturing Co. Ltd.,[26] this Court upheld the validity of the imposition of 18% and 22% stipulated rates of interest in the two (2) promissory notes. Likewise in Spouses Bacolor v. Banco Filipino Savings and Mortgage Bank,[27] the 24% interest rate agreed upon by parties was held as not violative of the Usury Law, as amended by Presidential Decree No. 116.

WHEREFORE, the petition is DENIED. The Decision dated 24 January 2008 of the Court of Appeals in CA-G.R. CV No. 88079 is AFFIRMED in toto.

SO ORDERED.

Corona, C.J., (Chairperson), Nachura,[*] Leonardo-De Castro, and Del Castillo, JJ., concur.

---

[*] Additional member in place of Associate Justice Presbitero J. Velasco, Jr., per raffle dated 11 October 2010.

[1] Penned by Associate Justice Myrna Dimaranan Vidal with Associate Justices Jose L. Sabio, Jr. and Jose C. Reyes, Jr., concurring. Rollo, pp. 64-73.

[2] Presided by Judge Cesar O. Untalan. Records, pp. 425-433.

[3] Id. at 7-9.

[4] Id. at 10-13.

[5] Id. at 14-17.

[6] Id. at 124.

[7] Id. at 18-26.

[8] Id. at 30-31.

[9] Id. at 32.

[10] Id. at 103.

[11] Id. at 58-59.

[12] Rollo, p. 139.

[13] Id. at 72.

[14] Id. at 75.

[15] Id. at 23-45.

[16] Records, p. 398.

[17] Id. at 400.

[18] Id. at 472.

[19] G.R. No. 179880, 19 January 2009, 576 SCRA 323.

[20] Id. at 329-330.

[21] G.R. No. 172041, 18 December 2008, 574 SCRA 698, 717 citing Diño v. Court of Appeals, G.R. No. 89775, 26 November 1992, 216 SCRA 9, 17-18.

[22] Records, p. 400.

[23] Rollo, pp. 10-14.

[24] Norton Resources and Development Corporation v. All Asia Bank Corporation, G.R. No. 162523, 25 November 2009, 605 SCRA 370, 380-381 citing Radio Communications of the Philippines, Inc. v. Verchez, G.R. No. 164349, 31 January 2006, 481 SCRA 384, 401, further citing Philippine Commercial International Bank v. Court of Appeals, 325 Phil. 588, 597 (1996).

[25] Norton Resources and Development Corporation v. All Asia Bank Corporation, id., citing Premiere Development Bank v. Central Surety & Insurance Company, Inc., G.R. No. 176246, 13 February 2009, 579 SCRA 359.

[26] G.R. No. 180458, 30 July 2009, 594 SCRA 461, 472 citing Garcia v. Court of Appeals, G.R. Nos. L-82282-83, 24 November 1988, 167 SCRA 815, 830 and Bautista v. Pilar Development Corporation, 371 Phil. 533, 544 (1999).

[27] G.R. No. 148491, 8 February 2007, 515 SCRA 79, 84-85.

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

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.