

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. MONET'S EXPORT AND MANUFACTURING CORP., VICENTE V. TAGLE, SR. AND MA. CONSUELO G. TAGLE, RESPONDENTS.

G.R. No. 184971. April 19, 2010

Ponente: ABAD, J.

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ABAD, J.:

This case is about the evidence required to prove how much a borrower still owes the bank when he has multiple loan accounts with it that had all fallen due.

The Facts and the Case

On June 25, 1981 petitioner Land Bank of the Philippines (Land Bank) and respondent Monet's Export and Manufacturing Corporation (Monet) executed an Export Packing Credit Line Agreement (Agreement) under which the bank gave Monet a credit line of P250,000.00, secured by the proceeds of its export letters of credit, promissory notes, a continuing guaranty executed by respondent spouses Vicente V. Tagle, Sr. and Ma. Consuelo G. Tagle (the Tagles), and a third-party mortgage executed by one Pepita C. Mendigoria. Land Bank renewed and amended this credit line agreement several times until it reached a ceiling of P5 million.

Land Bank claims that by August 31, 1992 Monet's obligation under the Agreement had swelled to P11,464,246.19. Since Monet failed to pay despite demands, the bank filed a collection suit against Monet and the Tagles before the Regional Trial Court (RTC) of Manila.[1] In their answer, Monet and the Tagles claimed that Land Bank had refused to collect the US\$33,434.00 receivables on Monet's export letter of credit against Wishbone Trading Company of Hong Kong while making an unauthorized payment of US\$38,768.40 on its import letter of credit to Beautilike (H.K.) Ltd. This damaged Monet's business interests since it ran short of funds to carry on with its usual business. In other words, Land Bank mismanaged its client's affairs under the Agreement.

After trial on July 15, 1997 the RTC rendered a decision[2] that, among other things, recognized Monet and the Tagles' obligations to Land Bank in the amount reflected in Exhibit 39, the bank's Schedule of Amortization from its Loans and Discount Department, but sans any penalty. The RTC ordered petitioners to pay Land Bank the same.

On appeal to the Court of Appeals (CA),[3] the latter rendered judgment on October 9, 2003, affirming the RTC decision.[4] Land Bank filed a petition for review with this Court[5] and on March 10, 2005 the Court rendered a Decision[6] that, among other things, remanded the case to the RTC for the reception of additional evidence. The pertinent portion reads:

Insofar as the amount of indebtedness of the respondents [Monet and the Tagles] to the petitioner [Land Bank] is concerned, the October 9, 2003 decision and the January 20, 2004 resolution of the Court of Appeals in CA-G.R. CV No. 57436, are SET ASIDE. The case is hereby remanded to its court of origin, the Regional

Trial Court of Manila, Branch 49, for the reception of additional evidence as may be needed to determine the actual amount of indebtedness of the respondents to the petitioner. x x x

In remanding the case, the Court noted that Exhibit 39, the Summary of Availment and Schedule of Amortization, on which both the RTC and the CA relied, covered only Monet's debt of P2.5 million under Promissory Note P-981, a small amount compared to the P11,464,246.19 that Land Bank sought to collect from it. The records showed, however, that Monet executed not only one but several promissory notes in varying amounts in favor of the bank. Indeed, the bank submitted a Consolidated Statement of Account dated August 31, 1992 in support of its claim of P11,464,246.19 but both the RTC and the CA merely glossed over it. Land Bank also submitted a Summary of Availments and Payments from 1981 to 1989 that detailed the series of availments and payments Monet made.

The Court explained its reason for remanding the case for reception of additional evidence, thus:

Unfortunately, despite the pieces of evidence submitted by the parties, our review of the same is inconclusive in determining the total amount due to the petitioner. The petitioner had failed to establish the effect of Monet's Exhibit "39" to its own Consolidated Statement of Account as of August 31, 1992, nor did the respondents categorically refute the said statement of account vis-à-vis its Exhibit "39". The interest of justice will best be served if this case be remanded to the court of origin for the purpose of determining the amount due to petitioner. The dearth in the records of sufficient evidence with which we can utilize in making a categorical ruling on the amount of indebtedness due to the petitioner constrains us to remand this case to the trial court with instructions to receive additional evidence as needed in order to fully thresh out the issue and establish the rights and obligations of the parties. From the amount ultimately determined by the trial court as the outstanding obligation of the respondents to the petitioner, will be deducted the award of opportunity losses granted to the respondents in the amount of US\$15,000.00 payable in Philippine pesos at the official exchange rate when payment is to be made. [7]

On remand, the RTC held one hearing on October 30, 2006, at which the lawyer of Land Bank told the court that, apart from what the bank already adduced in evidence, it had no additional documents to present. Based on this, the RTC issued an order on the same day,[8] affirming its original decision of July 15, 1997. The pertinent portion of the order reads:

At today's hearing of this case, the lawyer for Land Bank stated on record that he has no more documents to present. Therefore, the obligation of the defendants would be those stated in the schedule of amortization from the Loans & Discount Department of the Land Bank (Exhibit "39") as well as the interest mentioned therein, as provided in the Decision of this Court. From the said obligation shall be deducted in favor of the defendants the REDUCED amount of US\$15,000.00 representing the award of opportunity losses, as determined by the Supreme Court, payable in Philippine Pesos at the official exchange rate when payment is to be made. [9]

In effect, the RTC stood by Exhibit 39 as the basis of its finding that Monet and the Tagles owed Land Bank only P2.5 million as opposed to the latter's claim of P11,464,246.19. Effectively, the RTC reinstated the portion of its July 15, 1997 decision that the Court struck down with finality in G.R. 161865 as baseless for determining the amount due the bank.

Land Bank filed a motion for reconsideration, actually a motion to reopen the hearing, to enable it to adduce in evidence a Consolidated Billing Statement as of October 31, 2006 to show how much Monet and the Tagles still owed the bank. But the trial court denied the motion. Land Bank appealed the order to the CA[10] but the latter rendered a decision on May 30, 2008,[11] affirming the RTC orders.[12] Land Bank moved for reconsideration, but the CA denied it in its October 10, 2008 resolution,[13] hence, the present petition by Land Bank.

Issue Presented

The sole issue presented in this case is whether or not the RTC and the CA acted correctly in denying petitioner Land Bank's motion to reopen the hearing to allow it to present the bank's updated Consolidated Billing Statement as of October 31, 2006 that reflects respondents Monet and the Tagles' remaining indebtedness to it.

The Court's Ruling

The CA conceded that the RTC needed to receive evidence that would enable it to establish Monet's actual indebtedness to Land Bank in compliance with the Court's decision in G.R. 161865. But since Land Bank, which had the burden of proving the amount of that indebtedness, told the RTC, when it set the matter for hearing, that it had no further documentary evidence to present, it was but right for that court to issue its assailed order of October 30, 2006, which reiterated its original decision of July 15, 1997.

The CA also held that the RTC did right in denying Land Bank's motion to reopen the hearing to allow it to present its Consolidated Billing Statement as of October 31, 2006 involving Monet's loans. Such billing statement, said the CA, did not constitute sufficient evidence to prove Monet's total indebtedness for the simple reason that this Court in G.R. 161865 regarded a prior Consolidated Statement of Account for 1992 insufficient for that purpose.

But what the RTC and the CA did not realize is that the original RTC decision of July 15, 1997 was an incomplete decision since it failed to resolve the main issue that the collection suit presented: how much Monet and the Tagles exactly owed Land Bank. As the Court noted in its decision in G.R. 161865, the evidence then on record showed that the credit line Land Bank extended to Monet began at P250,000.00 but, after several amendments, eventually rose up to P5 million. Monet availed itself of these credit lines by taking out various loans evidenced by individual promissory notes that had diverse terms of payment.

As it happened, however, in its original decision, the RTC held that Monet still owed Land Bank only P2.5 million as reported in the bank's Schedule of Amortization (Exhibit 39). But that schedule covered only one promissory note, Promissory Note P-981. Noting this, the Court rejected Exhibit 39 as basis for determining Monet's total obligation, given that it undeniably took out more loans as evidenced by the other promissory notes it executed in favor of Land Bank.

And, although the bank presented at the trial its Consolidated Statement of Account for 1992 covering Monet's loans, the Court needed to know how the balance of P2.5 million in Exhibit 39, dated April 29, 1991, which the RTC regarded as true and correct, impacted on that consolidated statement that the bank prepared a year later. The Court thus remanded the case so the RTC can receive evidence that would show, after reconciliation of all of Monet's loan accounts, exactly how much more it owed Land Bank.

The CA of course places no value on the Consolidated Billing Statement that Land Bank would have adduced in evidence had the RTC granted its motion for reconsideration and reopened the hearing. Apparently, both courts believe that Land Bank needed to present in evidence all original documents evidencing every transaction between Land Bank and Monet to prove the current status of the latter's loan accounts. But a bank statement, properly authenticated by a competent bank officer, can serve as evidence of the status of those accounts and what Monet and the Tagles still owe the bank. Under Section 43, Rule 130[14] of the Rules of Court, entries prepared in the regular course of business are prima facie evidence of the truth of what they state. The billing statement reconciles the transaction entries entered in the bank records in the regular course of business and shows the net result of such transactions.

Entries in the course of business are accorded unusual reliability because their regularity and continuity are calculated to discipline record keepers in the habit of precision. If the entries are financial, the records are

routinely balanced and audited. In actual experience, the whole of the business world function in reliance of such kind of records.[15]

Parenthetically, consider a borrower who takes out a loan of P10,000.00 from a bank and executes a promissory note providing for interests, charges, and penalties and an undertaking to pay the loan in 10 monthly installments of P1,000.00. If he pays the first five months installments but defaults in the rest, how will the bank prove in court that the debtor still owes it P5,000.00 plus interest?

The bank will of course present the promissory note to establish the scope of the debtor's primary obligations and a computation of interests, charges, and penalties based on its terms. It must then show by the entries in its record how much it had actually been paid. This will in turn establish how much the borrower still owes it. The bank does not have to present all the receipts of payment it issued to all its clients during the entire year, thousands of them, merely to establish the fact that only five of them, rather than ten, pertains to the borrower. The original documents need not be presented in evidence when it is numerous, cannot be examined in court without great loss of time, and the fact sought to be established from them is only the general result.[16]

Monet and the Tagles can of course dispute the bank's billing statements by proof that the bank had exaggerated what was owed it and that Monet had made more payments than were reflected in those statements. They can do this by presenting evidence of those greater payments. Notably, Monet and the Tagles have consistently avoided stating in their letters to the bank how much they still owed it. But, ultimately, it is as much their obligation to prove this disputed point if they deny the bank's statements of their loan accounts.

In reverting back to Exhibit 39, which covers just one of many promissory notes that Monet and the Tagles executed in favor of Land Bank, the RTC and the CA have shown an unjustified obstinacy and a lack of understanding of what the Court wanted done to clear up the issue of how much Monet and the Tagles still owed the bank. The bank lawyer who claimed that Land Bank had no further evidence to present during the hearing was of course in error and it probably warranted a dismissal of the bank's claim for failure to prosecute. But the bank's motion for reconsideration, asking for an opportunity to present evidence of the status of the loans, opened up a chance for the RTC to abide by what the Court required of it. It committed error, together with the CA, in ruling that a reopening of the hearing would serve no useful purpose.

WHEREFORE, the Court GRANTS the petition, SETS ASIDE the Court of Appeals decision in CA-G.R. CV 88782 dated May 30, 2008 and resolution dated October 10, 2008 and the Regional Trial Court order in Civil Case 93-64350 dated October 30, 2006, REMANDS the case to the same Regional Trial Court of Manila for the reception of such evidence as may be needed to determine the actual amount of indebtedness of respondents Monet's Export and Manufacturing Corp. and the spouses Vicente V. Tagle, Sr. and Ma. Consuelo G. Tagle and adjudicate petitioner Land Bank of the Philippines' claims as such evidence may warrant.

SO ORDERED.

Carpio, Bion, Del Castillo, and Perez, JJ., concur.

[1] Docketed with its Branch 49 as Civil Case 93-64350.

[2] Rollo, pp. 67-75.

[3] Docketed as CA-G.R. CV 57436.

[4] Rollo, pp. 77-83. Penned by Associate Justice Sergio L. Pestaño, and concurred in by Associate Justices Marina L. Buzon and Jose C. Mendoza.

[5] Docketed as G.R. 161865.

[6] Rollo, pp. 85-99. Penned by First Division Associate Justice Consuelo Ynares-Santiago (ret.), and concurred in by then Chief Justice Hilario G. Davide, Jr. (ret.) and Associate Justices Leonardo A. Quisumbing (ret.), Antonio T. Carpio, and Adolfo S. Azcuna (ret.). Cited in 453 SCRA 173.

[7] Id. at 95-97.

[8] Id. at 100.

[9] Id.

[10] Docketed as CA-G.R. CV 88782.

[11] Rollo, pp. 46-58. Penned by Associate Justice Mariflor P. Punzalan Castillo and concurred in by Associate Justices Rodrigo V. Cosico and Hakim S. Abdulwahid.

[12] Id. at 58.

[13] Id. at 60-62. Penned by Associate Justice Mariflor P. Punzalan Castillo and concurred in by Associate Justices Hakim S. Abdulwahid and Arcangelita M. Romilla-Lontok.

[14] Sec. 43. Entries in the course of business. - Entries made at, or near the time of the transactions to which they refer, by a person deceased, or unable to testify, who was in a position to know the facts therein stated, may be received as prima facie evidence, if such person made the entries in his professional capacity or in the performance of duty and in the ordinary or regular course of business or duty.

[15] Sec. 286, McCormick, Fourth Edition.

[16] RULES OF COURT, Rule 130, Section 3.

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