

ADRIATICO CONSORTIUM, INC., PRIMARY REALTY CORPORATION, AND BENITO CU-UY-GAM, PETITIONERS, VS. LAND BANK OF THE PHILIPPINES, RESPONDENT.

G.R. No. 187838. December 23, 2009

Ponente: VELASCO JR., J.

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VELASCO JR., J.:

The Case

Before us is a Petition for Review on Certiorari under Rule 45 assailing and seeking to set aside the Decision[1] and Resolution[2] dated October 16, 2008 and May 13, 2009, respectively, of the Court of Appeals (CA) in CA-G.R. SP No. 103717. The CA nullified and set aside the Orders dated February 29, 2008, March 5, 2008, March 17, 2008, and April 21, 2008, with the assailed March 5, 2008 Writ of Execution and March 14, 2008 Writ of Preliminary Injunction, issued by the Regional Trial Court (RTC), Branch 51 in Manila, in Civil Case No. 00-97648.

The Facts

Sometime in 1997, William A. Siy, the president of Adriatico Consortium, Inc. (ACI), applied for a credit line of PhP 200 million with Land Bank of the Philippines as additional funding to finish the construction of the Pan Pacific Hotel and the Adriatico Square, both owned by ACI. The lands on which the buildings were built belonged to Primary Realty Corporation (PRC).

The loan was approved and a Mortgage Trust Indenture (MTI) dated January 15, 1998 was created to secure the loan. Under the MTI, Land Bank was constituted as trustee of the lands of PRC and the buildings of ACI mortgaged to it.

On April 28, 1998, the MTI was amended increasing the maximum amount secured by it from PhP 200 million to PhP 600 million. Metropolitan Bank and Trust Company (Metrobank) and Land Bank participated in the MTI. Land Bank was then issued Mortgage Participation Certificate (MPC) No. 0001 for PhP 200 million, while Metrobank was issued MPC No. 0003 for PhP 100 million.

On July 8, 1998, the MTI was amended for the second time at the initiative of Siy, without the knowledge of other ACI officials and Board of Directors, to include J.V. Williams Realty and Development Corporation (JVWRDC) as borrower. JVWRDC is a majority-owned corporation of Siy. Consequently, Land Bank issued MPC No. 0002 dated July 17, 1998 for PhP 200 million and MPC No. 0004 for PhP 100 million to cover the loans of JVWRDC.

Subsequently, ACI fully paid the PhP 200 million under MPC No. 0001 and PhP 100 million under MPC No. 0003. ACI then requested the cancellation of the MTI but Land Bank refused. At this point, Land Bank revealed it never received any payment from the entire PhP 200 million-loan availed of by Siy sometime in 1997 under MPC No. 0001. This prompted ACI to investigate.

In the course of its investigation, ACI discovered that its former president, Siy, did not remit ACI's payments. What is more, ACI and PRC, with Benito Cu-Uy-Gam, ACI's new president, were obliged by Land Bank to pay the maturing obligations of JWVRDC. Likewise, it was discovered that the second amendment to the MTI was made possible by the submission of two secretary's certificates from ACI and PRC, which the National Bureau of Investigation (NBI) found to be forged.[3]

On June 6, 2000, petitioners filed a Petition for Declaration of Nullity, Specific Performance, Injunction, and Damages with Prayer for a Temporary Restraining Order (TRO) against Land Bank and Siy with the Manila RTC, docketed as Civil Case No. 00-97648.[4]

On November 14, 2000, the parties entered into a Partial Compromise Agreement. Under the said agreement, ACI agreed, among others, to pay and actually paid to Land Bank the total sum of PhP 289,656,868.97 representing the principal amount of PhP 201,233,891.38 plus interest in the amount of PhP 88,422,977.59 on November 28, 2000 as full and complete payment of MPC No. 0001 for PhP 200 million. Accordingly, the RTC issued a Partial Decision[5] approving the compromise agreement on January 31, 2001.

Trial of the case proceeded in the RTC for the purpose of determining who the parties liable under MPC Nos. 0002 and 0004 are.

On January 15, 2008, Land Bank, however, informed ACI through a letter that the JWVRDC loans were included in a sealed-bid public auction of Land Bank Non-Performing Assets under the Special Purpose Vehicle Act. Petitioners viewed this as a violation of the Partial Compromise Agreement by Land Bank, particularly its Section 5, which states:

5. With the submission of this compromise agreement and payment by petitioner Adriatico Consortium, Inc. of the amounts stated in paragraph 2 hereof, the herein parties agree to unconditionally apply said payment in full satisfaction and extinguishment of the loan obligations of petitioner Adriatico Consortium, Inc. with the respondent Land Bank of the Philippines and to suspend all actions against each other with respect to the liabilities represented by Mortgage Participation Certificate No. 0002 for PhP 200,000,000 dated July 17, 1998 and Mortgage Participation No. 0004 for PhP 100,000,000 dated July 29, 1998 covered under the Second Amendment to the Mortgage Trust Indenture dated July 6, 1998. It is understood, however, that said mortgage participation certificates (Certificate Nos. 0002 and 0004) shall continue to secure the outstanding obligations of J.V. Williams until said outstanding obligations have been fully settled and satisfied or until it is finally adjudged and determined who are the parties liable thereto; toward this end, the parties herein agree to cooperate with each other in order for respondent Land Bank of the Philippines to recover the same as against the person/s liable thereon.[6] (Emphasis supplied.)

This prompted petitioners to file a Motion for Execution[7] before the RTC on January 24, 2008.

Likewise, petitioners started to receive verbal demands for payment of the MPCs with a threat to foreclose the MPCs from a supposed highest winning bidder. Hence, on January 30, 2008, petitioners filed a Reiteration of Prayer for TRO and/or Writ of Preliminary Injunction[8] before the RTC to enjoin the threatened foreclosure proceedings.

Despite opposition from Land Bank, the RTC issued an Order[9] granting the Motion for Execution on February 29, 2008. The fallo reads:

Wherefore, the Motion for Execution is granted. Let a Writ of Execution be issued directing respondent Land Bank of the Philippines and respondent William Siy to suspend all actions against petitioner and particularly with respect to Mortgage Participation Certificate No. 0002 and 0004 including the transfer of the same to the buyer at the public auction.

SO ORDERED.

The corresponding Writ of Execution[10] was issued on March 5, 2008. Subsequently, the Motion for Reconsideration and to Quash Writ of Execution[11] filed by Land Bank was denied by the RTC in an Order[12] dated March 17, 2008. The RTC, in interpreting Sec. 5 of the Partial Compromise Agreement, reasoned as follows:

The paragraph is clear and does not need further interpretation. It does not [connote] of any other things. Action is viewed by the Court as any action, deed, act, contemplated by the parties as not to disturb the status quo of the terms and condition in the compromise agreement. The provision in the partial decision specifically prohibit[s] the sale at public auction of liabilities represented by MPC No. 0002 and 0004. So, whatever is done to, or disturbed in the terms and condition which is prohibited is a violation of the partial decision. If the parties [refer] to action stated in the partial decision, it is no other, and if it refers to other action it should have specifically placed in the partial decision which the parties did not.

Likewise, on March 5, 2008, the RTC issued an Order[13] granting petitioner's Reiteration of Prayer for TRO and/or Writ of Preliminary Injunction, and accordingly issuing the corresponding Writ of Preliminary Injunction.[14]

Land Bank filed a Motion for Reconsideration, which was later denied by the RTC in its Order[15] dated April 21, 2008.

Dissatisfied, Land Bank filed a Petition for Certiorari and Prohibition with Prayer for TRO and/or Preliminary Injunction[16] before the CA docketed as CA-G.R. SP No. 103717. Land Bank argued that the sale of the MPCs is not prohibited by the Partial Compromise Agreement, reasoning that it was well within its legal rights to assign its credits to a third person.

Ruling of the Appellate Court

On October 16, 2008, the CA promulgated its Decision as follows:

WHEREFORE, premises considered, the petition is GRANTED and public respondent's Orders dated February 29, 2008, March 5, 2008, March 17, 2008 and April 21, 2008, together with the assailed March 5, 2008 Writ of Execution and March 14, 2008 writ of preliminary injunction are, accordingly, NULLIFIED and SET ASIDE.

SO ORDERED.[17]

Unlike the RTC, the CA found that the compromise agreement sought to prohibit only legal actions, e.g., litigation, and rejected the interpretation of the lower court. Further, it ruled that there is nothing in the said compromise agreement which prohibits Land Bank from transferring or assigning its obligations to third persons, necessarily suggesting that such transfer or assignment does not constitute "action" within the context of the compromise agreement.

Aggrieved by the ruling of the CA, petitioners filed a motion for reconsideration, which was subsequently denied in its likewise assailed resolution dated May 13, 2009

Hence, this petition is before us.

The Issues

I

The Honorable [CA] seriously erred and committed grave abuse of discretion in not holding [that] the Land Bank's actuation in selling the receivables during the litigation is a violation of its obligation under the partial

compromise agreement to cooperate with petitioners to determine the parties liable under Mortgage Participation Nos. 0002 and 0004.

II

The [CA] seriously erred and gravely abused its discretion in holding that the sale of credit or receivables is beyond the scope of the term "action" proscribed under the partial compromise agreement.

III

The [CA] seriously erred and gravely abused its discretion in setting aside the writ of execution issued by the trial court due to the violations of the compromise agreement committed by Land Bank.

Our Ruling

The petition is meritorious.

Petitioners contend that the act of Land Bank in selling the receivables during the litigation violates its obligations under the Partial Compromise Agreement to cooperate with petitioners in the determination of the parties ultimately liable under MPC Nos. 0002 and 0004. Furthermore, they maintain that the sale of the receivables falls under the term "action" as found in the Partial Compromise Agreement.

In their Comment,[18] however, respondent argues that the Partial Compromise Agreement aimed to suspend only legal actions against each other with respect to the obligations covered by MPC Nos. 0002 and 0004. It invoked its legal and contractual rights to transfer the MPCs and that such transfer cannot be construed as an action against petitioners.

Essentially, the issues in this case can be summed up into one basic question: Whether or not the act of Land Bank in selling the receivables violated the Partial Compromise Agreement, specifically the aforequoted Sec. 5.

This Court believes that it did.

For a better understanding of the Partial Compromise Agreement in question, its entire text is hereby reproduced below:

1. To avoid a protracted litigation for the mutual benefit of the parties herein, the petitioners and the respondent bank enter into the following compromise agreement whereby petitioners Adriatico Consortium, Inc. and Primary Realty Corporation are represented by its President, Benito Cu-Uy-Gam while respondent Land Bank of the Philippines is herein represented by its President and Chief Executive Officer, MARGARITO B. TEVES;
2. Parties agree that the petitioner Adriatico Consortium, Inc. will pay to respondent Land Bank of the Philippines the total amount [of] PhP 289,656,868.97 representing the principal amount of PhP 201,233,891.38 plus interest in the amount of PhP 88,422,977.59 on November 28, 2000 as full and complete payment of Mortgage Participation Certificate No. 0001 for PhP 200,000,000 issued under Mortgage Trust Indenture dated January 5, 1998; Penalties, fees and other expenses are hereby waived. Within fifteen (15) days from receipt of the aforesaid payment, respondent Land Bank of the Philippines will release to petitioner Adriatico Consortium, Inc. the Mortgage Participation No. 0001 as confirmation that Adriatico Consortium, Inc. has no more obligations to respondent Land Bank of the Philippines with respect thereto;
3. Parties agree that the respondent Land Bank of the Philippines shall furnish to petitioner Adriatico Consortium, Inc. on or before November 28, 2000 the following:
 - a. Debit memo records for ACI LandBank account 0052-1198-20 as follows:

x x x x

b. Microfilm copies of check pertinent to the withdrawal/disbursement of Php139,671,991.00 issued from ACI LandBank account 0052-1198-20. The particulars of which are as follows:

x x x x

4. Within fifteen (15) days from submission of the above-mentioned documents, petitioner Adriatico Consortium, Inc. and respondent Land Bank of the Philippines shall reconcile ACI Land bank account under 0052-1198-20 in such a manner and procedure as may be mutually agreed upon by the parties.

5. With the submission of this compromise agreement and payment by petitioner Adriatico Consortium, Inc. of the amounts stated in paragraph 2 hereof, the herein parties agree to unconditionally apply said payment in full satisfaction and extinguishment of the loan obligations of petitioner Adriatico Consortium, Inc. with the respondent Land Bank of the Philippines and to suspend all actions against each other with respect to the liabilities represented by Mortgage Participation Certificate No. 0002 for PhP 200,000,000 dated July 17, 1998 and Mortgage Participation No. 0004 for PhP 100,000,000 dated July 29, 1998 covered under the Second Amendment to the Mortgage Trust Indenture dated July 6, 1998. It is understood, however, that said mortgage participation certificates (Certificate Nos. 0002 and 0004) shall continue to secure the outstanding obligations of J.V. Williams until said outstanding obligations have been fully settled and satisfied or until it is finally adjudged and determined who are the parties liable thereto; toward this end, the parties herein agree to cooperate with each other in order for respondent Land Bank of the Philippines to recover the same as against the person/s liable thereon.

6. It is expressly agreed that either party is not precluded from pursuing their legal action against the respondent William Siy or his company, JV Williams, Inc. notwithstanding this compromise agreement.

WHEREFORE, it is respectfully prayed of this Honorable Court that this partial compromise agreement be approved and that a partial judgment based hereon be rendered.[19] (Emphasis supplied.)

The Intent of the Parties Governs in the Interpretation of Contracts

A compromise is a contract whereby the parties, by making reciprocal concessions, avoid a litigation or put an end to one already commenced.[20] It is an agreement intended to terminate a pending suit by making reciprocal concessions.[21]

In the construction or interpretation of a compromise agreement, the Court is guided by the fundamental and cardinal rule that the intention of the parties is to be ascertained from the contract and effect should be given to that intention.[22] Likewise, it must be construed so as to give effect to all the provisions of the contract.[23] In essence, the contract must be read as a whole.

Accordingly, after a careful review of all the provisions of the Partial Compromise Agreement, this Court finds that the term "all actions" found in Sec. 5 of the Partial Compromise Agreement is broad enough to cover all acts in relation to MPC Nos. 0002 and 0004 and is not limited only to legal actions.

First, it should be pointed out that Sec. 1 of the Partial Compromise Agreement talks about a "litigation." As defined, litigation is the process of carrying on a lawsuit or the lawsuit itself.[24] Here, it is evident that the parties intended to use a specific term to describe a legal action.

Likewise, in Section 6 of the Partial Compromise Agreement, the parties stipulated, "It is expressly agreed that either party is not precluded from pursuing their legal action x x x." [25] Again, the parties here purposefully used

the phrase "legal action" and not just the word "action."

Evidently, had the parties intended to limit the application of Sec. 5 to legal actions only, they would have written a specific word or phrase to pertain to legal actions and not just the word "actions" alone.

Moreover, in cases of doubt as to the intention of the parties, their contemporaneous and subsequent acts can be considered in ascertaining their intentions.[26]

In justifying its interpretation of the intention of the parties, the CA reasoned:

Given that the parties' intention to avoid protracted litigation is clearly enunciated in the first paragraph thereof, we find that petitioner [Land Bank] correctly take exception to public respondent's conclusion that the inclusion of the subject obligations in the sealed public auction of petitioner's non-performing assets to be violative of the January 31, 2001 partial decision rendered in Civil Case No. 00-97648.[27] x x x

The parties, however, never meant to avoid protracted litigation with respect to MPC Nos. 0002 and 0004. That particular phrase was confined to MPC No. 0001 as unmistakably shown by the subsequent acts of the parties in proceeding with the litigation with respect to MPC Nos. 0002 and 0004 despite the approval of the Partial Compromise Agreement and the rendition of the Partial Decision.

More importantly, a contract must be interpreted from the language of the contract itself[28] according to its plain and ordinary meaning.[29] This was elucidated by this Court in *Abad v. Goldloop Properties, Inc.*, to wit:

The cardinal rule in the interpretation of contracts is embodied in the first paragraph of Article 1370 of the Civil Code: "[i]f the terms of a contract are clear and leave no doubt upon the intention of the contracting parties, the literal meaning of its stipulations shall control." This provision is akin to the "plain meaning rule" applied by Pennsylvania courts, which assumes that the intent of the parties to an instrument is "embodied in the writing itself, and when the words are clear and unambiguous the intent is to be discovered only from the express language of the agreement." It also resembles the "four corners" rule, a principle which allows courts in some cases to search beneath the semantic surface for clues to meaning. A court's purpose in examining a contract is to interpret the intent of the contracting parties, as objectively manifested by them. The process of interpreting a contract requires the court to make a preliminary inquiry as to whether the contract before it is ambiguous. A contract provision is ambiguous if it is susceptible of two reasonable alternative interpretations. Where the written terms of the contract are not ambiguous and can only be read one way, the court will interpret the contract as a matter of law. If the contract is determined to be ambiguous, then the interpretation of the contract is left to the court, to resolve the ambiguity in the light of the intrinsic evidence.[30]

In the case at bar, the word "action" should be defined according to its plain and ordinary meaning, i.e., as the process of doing something; conduct or behavior; a thing done.[31] It is not limited to actions before a court or a judicial proceeding. Therefore, the only logical conclusion that can be derived from the use of the word "action" in Sec. 5 is that the parties intentionally used it in its plain and ordinary sense and did not limit it to mean any specific legal term.

Moreover, a compromise agreement compromises not only those objects definitely stated in it, but also those, which by necessary implication, should be deemed to have been included in it.[32] Ergo, the term "action" includes the sale of the receivables as a necessary implication.

Consequently, any act made by any of the parties with regard to MPC Nos. 0002 and 0004 specified in Section 5 of the Partial Compromise Agreement falls under the generally accepted meaning of the word "action," including the act of Land Bank in transferring or selling the MPCs to a third party.

Furthermore, Sec. 5 of the Partial Compromise Agreement speaks of cooperation between the parties to determine

the person or persons ultimately liable. It states, "x x x until it is finally adjudged and determined who are the parties liable thereto; toward this end, the parties herein agree to cooperate with each other in order for respondent Land Bank of the Philippines to recover the same as against the person/s liable thereon."

In other words, the parties agreed to cooperate and collaborate with each other in order to determine the person or persons who are ultimately liable. By selling the receivables, Land Bank did not cooperate with petitioners.

Thus, it can be safely concluded that the act of Land Bank is a clear and patent violation of Sec. 5 of the Partial Compromise Agreement.

Partial Compromise Agreement Constitutes

Novation to the Loan Agreement

Additionally, respondent Land Bank argues that the transfer of the MPCs is in accordance with the transferability clause in the loan agreement with JVWRDC, which provides that Land Bank has the legal authority to encumber, assign, transfer, or sell any right which it may have under the Loan/Line Agreement.

We do not agree.

Novation is the extinguishment of an obligation by the substitution or change of the obligation by a subsequent one which extinguishes or modifies the first, either by changing the object or principal conditions, or by substituting another in place of the debtor, or by subrogating a third person in the rights of the creditor.[33]

Novation may be extinctive or modificatory. It is extinctive when an old obligation is terminated by the creation of a new one that takes the place of the former; it is merely modificatory when the old obligation subsists to the extent that it remains compatible with the amendatory agreement.[34]

For novation to take place, the following requisites must concur:

- 1) There must be a previous valid obligation.
- 2) The parties concerned must agree to a new contract.
- 3) The old contract must be extinguished.
- 4) There must be a valid new contract.[35]

Novation may either be express, when the new obligation declares in unequivocal terms that the old obligation is extinguished; or implied, when the new obligation is on every point incompatible with the old one.[36] The test of incompatibility is whether the two obligations can stand together, each one with its own independent existence.[37]

In the instant case, the Court finds that the Partial Compromise Agreement entered into by petitioners and Land Bank constitutes as an implied modificatory novation or amendment to the Loan/Line Agreement. As such, any provision in the Loan/Line Agreement inconsistent with the provisions of the Partial Compromise Agreement is deemed amended or waived by the parties.

In other words, by entering into the Partial Compromise Agreement and agreeing to "suspend all actions," Land Bank effectively waived all its rights regarding MPC Nos. 0002 and 0004. This necessarily includes its right to assign under the Loan/Line Agreement.

Moreover, ACI and Land Bank entered into the Partial Compromise Agreement freely and voluntarily. And this Partial Compromise Agreement was approved by the RTC in its Partial Decision giving it more weight.

Furthermore, the Civil Code provides that obligations arising from contracts have the force of law between the contracting parties and should be complied with in good faith.[38]

In the case at bar, the payment made by ACI in the Partial Compromise Agreement was done in good faith. As culled from the facts, Siy did not remit the payments made by ACI to Land Bank. Upon recommendation of its legal counsel and despite the fact that it already paid, ACI, however, settled the loan and paid again. This substantial amount is the consideration for which ACI and Land Bank agreed to suspend all actions. Thus, just as ACI acted in good faith, Land Bank is also expected to act in good faith in following the covenants it entered into in the Partial Compromise Agreement.

On a final note, the sale or transfer of the MPCs to a third party, if declared as legal, would allow respondent Land Bank to circumvent its obligations found in the Partial Compromise Agreement and, in turn, diminish the rights of petitioners. Such a move cannot be countenanced. The principle of what cannot be done directly, cannot be done indirectly is applicable.

WHEREFORE, the appeal is GRANTED. The Decision and Resolution of the Court of Appeals in CA-G.R. SP No. 103717 dated October 16, 2008 and May 13, 2009, respectively are NULLIFIED and SET ASIDE. The Orders of the RTC dated February 29, 2008, March 17, 2008 and April 21, 2008, together with the March 5, 2008 Writ of Execution are REINSTATED.

No costs.

SO ORDERED.

Corona, (Chairperson), Nachura, Peralta, and Del Castillo,[*] JJ., concur.

[*] Additional member per Special Order No. 805 dated December 4, 2009.

[1] Rollo, pp. 47-62. Penned by Associate Justice Rebecca De Guia-Salvador and concurred in by Associate Justices Vicente S.E. Veloso and Ricardo R. Rosario.

[2] Id. at 64-67.

[3] Id. at 132-144.

[4] Id. at 145-182.

[5] Id. at 230-233.

[6] Id. at 232.

[7] Id. at 235-239.

[8] Id. at 241-248.

[9] Id. at 267-269.

[10] Id. at 270-271.

[11] Id. at 272-281.

[12] Id. at 282-284.

[13] Id. at 285-293.

[14] Id. at 294.

[15] Id. at 302-303.

[16] Id. at 304-347.

[17] Id. at 62.

[18] Id. at 418-435.

[19] Id. at 230-232.

[20] CIVIL CODE, Art. 2028.

[21] *Barreras v. Garcia*, G.R. Nos. 44715-16, January 26, 1989, 169 SCRA 401; *Rovero v. Amparo*, 91 Phil. 228 (1952).

[22] AMJUR Contracts §345; citing *Ryco Const., Inc. v. U.S.*, 55 Fed. Cl. 184 (2002); *Sprucewood Inv. Corp. v. Alaska Housing Finance Corp.*, 33 P.3d 1156 (Alaska 2001); *Liggatt v. Employers Mut. Cas. Co.*, 273 Kan. 915, 46 P.3d 1120 (2002); *Quality Products and Concepts Co. v. Nagel Precision, Inc.*, 469 Mich. 362, 666 N.W.2d 251 (2003); *In re Grievance of Verderber*, 173 Vt. 612, 795 A.2d 1157, 164 Ed. Law Rep. 350 (2002); *Flippo v. CSC Associates III, L.L.C.*, 262 Va. 48, 547 S.E.2d 216 (2001); *Rehnberg v. Hirshberg*, 2003 WY 21, 64 P.3d 115 (Wyo. 2003). See also *CIR v. Philippine Airlines, Inc.*, G.R. No. 160528, October 9, 2006, 504 SCRA 90; citing *Inding v. Sandiganbayan*, G.R. No. 143047, July 14, 2004, 434 SCRA 388 and *National Tobacco Administration v. Commission on Audit*, 370 Phil. 793 (1999).

[23] RULES OF COURT, Rule 130, Sec. 11.

[24] *Black's Law Dictionary* (8[th] ed., 2004).

[25] *Rollo*, p. 232.

[26] CIVIL CODE, Art. 1371; *Agro Conglomerates, Inc. v. Court of Appeals*, G.R. No. 117660, December 18, 2000, 348 SCRA 450, 459; *Matanguihan v. Court of Appeals*, G.R. No. 115033, July 11, 1997, 275 SCRA 380, 389.

[27] *Rollo*, pp. 56-57.

[28] *Buenz v. Frontline Transp. Co.*, 227 Ill.2d 302, 317 Ill. Dec. 645, 882 N.E.2d 525 (2008); *Powerine Oil Co., Inc. v. Superior Court*, 37 Cal. 4[th] 337, 33 Cal. Rptr. 3d 562, 118 P.3d 589 (2005).

[29] CIVIL CODE, Art. 1370; *In re Smith Trust*, 480 Mich. 19, 745 N.W.2d 754 (2008); *Amadora v. Court of Appeals*, No. L-47745, April 15, 1988, 160 SCRA 315.

[30] *Abad v. Goldloop Properties, Inc.*, G.R. No. 168108, April 13, 2007, 521 SCRA 131.

[31] *BLACK'S LAW DICTIONARY* (8[th] ed., 2004).

[32] Civil Code, Art. 2036.

[33] *Spouses Valenzuela v. Kalayaan Development & Industrial Corporation*, G.R. No. 163244, June 22, 2009; citing *Spouses Cornelio Joel I. Orden and Maria Nympha A. Orden, et al. v. Spouses Arturo and Melodia Aurea, et al.*, G.R. No. 172733, August 20, 2008.

[34] *Babst v. Court of Appeals*, G.R. No. 99398, January 26, 2001, 350 SCRA 341, 355-356; citing *Quinto v. People*, G.R. No. 126712, April 14, 1999, 305 SCRA 708, 714.

[35] *Agro Conglomerates, Inc. v. Court of Appeals*, *supra* note 26, at 458-459; *Security Bank and Trust Company, Inc. v. Cuenca*, G.R. No. 138544, October 3, 2000, 341 SCRA 781, 796; *Reyes v. Court of Appeals*, G.R. No.

120817, November 4, 1996, 264 SCRA 35, 43.

[36] *Spouses Bautista v. Pilar Development Corporation*, G.R. No. 135046, August 17, 1999, 312 SCRA 611, 618.

[37] *Molino v. Security Diners International Corporation*, G.R. No. 136780, August 16, 2001, 363 SCRA 358, 366; citing *Fortune Motors v. Court of Appeals*, G.R. No. 112191, February 7, 1997, 267 SCRA 653.

[38] CIVIL CODE, Art. 1159.

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