

BANK OF COMMERCE, PETITIONER, VS. GOODMAN FIELDER INTERNATIONAL PHILIPPINES, INC. RESPONDENT.

G.R. No. 191561. March 07, 2011

Ponente: CARPIO MORALES, J.

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CARPIO MORALES, J.:

Goodman Fielder International Philippines, Inc. (respondent), a corporation duly registered and existing under the laws of the Republic of the Philippines, is engaged in marketing of fats and oil shortening.[1]

Keraj Marketing Company (Keraj), represented by its purported owner Sunil K. Amarnani (Amarnani), sought a distributorship agreement from respondent. As a pre-requisite to respondent's consent, a credit line/bank guaranty in the amount of P500,000.00 was required from Keraj. Amarnani thus applied for a credit line/bank guaranty with the Bacolod branch of Bank of Commerce (petitioner).

Pending submission of the required documents for processing and approval of the credit line, Amarnani, by letter of August 21, 2000,[2] requested the issuance of a conditional certification from petitioner's branch manager Eli Aragon (Aragon) in this wise:

Earlier I mentioned that one of my big suppliers is Goodman Fielder International where I get my baking supplies.

They are requiring from me a certification issued by my bank that I am arranging for a credit line with my bank to be used if I cannot pay them. Please tell me the requirements for the credit line so I can apply. All I need is a conditional certification that I am arranging for a credit line from our bank. I will prepare the necessary documents you mentioned to me in your letter.

I can offer you a property here in Bacolod as collateral for said credit line application.

Please advi[s]e. (emphasis, italics and underscoring supplied)

Replying to Amarnani's request, Aragon sent respondent a letter of August 23, 2000[3] reading:

Gentlemen:

At the request of our client, KERAJ MARKETING COMPANY with postal address at Door No. 2 Goldenfields Commercial Complex, Singcang, Bacolod City, we are pleased to inform you that said Corporation has arranged for a credit line in the amount of FIVE HUNDRED THOUSAND PESOS ONLY (P500,000.00), subject to the compliance by said client of the policies, terms and conditions imposed by the bank on said credit line. The said credit line will be used exclusively for settling any obligations of our client, KERAJ MARKETING COMPANY (sic), against your company.

This certification is issued at the request of the client for whatever legal purpose it may serve them best. (emphasis and underscoring supplied)

On October 2, 2000, respondent and Keraj entered into a Distributorship Agreement.

Aragon subsequently issued a similar letter (dated October 18, 2000[4]) in favor of Bacolod RK Distributors and Co., (Bacolod RK), an entity also allegedly owned by Amarnani, attesting to the arrangement by Keraj for a credit line in the amount of P2,000,000.00, to be utilized for the settlement of Keraj's accounts with respondent.

Both letters of Aragon contain a "check write" on the left side indicating the amount applied for as credit line. Keraj and Bacolod RK did not pursue their application for a credit line, however, despite follow-up advice from petitioner.

A year later, respondent informed petitioner, by letter of October 24, 2001,[5] its intent to claim against the bank guaranty issued to settle Keraj and Bacolod RK's unpaid accounts. By another letter dated November 20, 2001,[6] respondent advised petitioner its intent to collect the amount of P1,817,691.30 representing Keraj and Bacolod RK's unpaid obligations.

Negotiations for the settlement of Keraj and Bacolod RK's obligations having failed, respondent filed a complaint for collection of sum of money against Keraj, Amarnani, Bacolod RK, and petitioner and its manager Aragon before the Regional Trial Court (RTC) of Pasig.

In defense, petitioner and Aragon claimed that the letters merely certified that Keraj and Bacolod RK applied for the issuance of a bank guaranty, but no actual bank guaranty was approved, both companies having failed to present the required documents for processing the application.

Bacolod RK, on the other hand, denied any involvement in the transaction between Keraj and respondent.

Only petitioner presented evidence.

By Decision of July 20, 2007, Branch 268 of the Pasig RTC absolved Bacolod RK from liability, but faulted Keraj, Amarnani, Aragon and petitioner, disposing as follows:

WHEREFORE, foregoing premises considered, judgment is hereby rendered in favor of the plaintiff [respondent herein] and against defendants SUNIL AMARNANI, KERAJ MARKETING CO., ELI ARAGON and BANK OF COMMERCE, ordering the latter, jointly and severally, to pay the former the following sums:

- Php1,700,250.66 as actual damages plus interest at the legal rate from the date of extrajudicial demand and satisfaction of judgment;
- The sum equivalent to 25% of the total amount due as and by way of attorney's fees, and;
- The cost of suits.

SO ORDERED.[7] (capitalization in the original)

In holding petitioner jointly and severally liable with Amarnani, Keraj and Aragon, the trial court held:

From the evidence adduced by the plaintiff [Goodman], defendant bank is estopped from denying its liability relative to the subject bank guarantees. Defendant Bank of Commerce failed to sufficiently prove the foregoing defenses. Plaintiff relied on the apparent authority of its branch manager in issuing the subject documents. Defendant Bank is bound by the acts of its branch manager. The Supreme Court ruled: "What transpires in the corporate board room is entirely an internal matter. Hence, petitioner may not impute negligence on the part of respondent's representative in failing to find out the scope of authority of petitioner's Branch Manager. Indeed, the public has the right to rely on the trustworthiness of bank managers and their acts. Obviously, confidence in the banking system, which necessarily includes reliance on bank managers, is vital in the economic life of our society." (BPI Family Savings Bank, Inc. versus First Metro Investment Corporation, G.R. No. 132390, May 21, 2004).[8] (italics in the original; emphasis supplied)

The Court of Appeals, by the assailed Decision of June 17, 2009,[9] opined that Aragon's letters clearly showed approval by petitioner of the application for a credit line:

The word "guaranty" is not strictly required to appear in the said document to be able to say that it is as such. If the words of the contract appear to be contrary to the evident intention of the parties, the latter shall prevail over the former. In the case at bench, it was clearly shown that the intention of the document was to guarantee the obligations that would be incurred by [herein petitioner's] clients, defendants Keraj and Becolod (sic) RK. Such intention was expressed in the last phrase of the first paragraph and its limitations were specifically limited to Php500,000.00 and 2,000,000.00 respectively. There is nothing more left to doubt the intention of the parties included in the said bank guaranty.[10] (underscoring supplied)

The appellate court accordingly affirmed the trial court's decision, with modification by deleting the award of attorney's fees.

Petitioner's motion for reconsideration having been denied by Resolution of March 8, 2010, it filed the present petition for review, faulting the appellate court as follows:

I.

THE COURT OF APPEALS ERRONEOUSLY INTERPRETED THE NOTICE/CERTIFICATION ISSUED BY DEFENDANT ARAGON AS A BANK GUARANTEE AND NOT MERELY AS A LETTER-CERTIFICATION OF A PENDING CREDIT LINE APPLICATION;

II.

THE DOCTRINE OF APPARENT AUTHORITY DOES NOT APPLY IN THIS CASE;

III.

DEFENDANT BANCOMMERCE IS NOT ESTOPPED FROM DENYING LIABILITY ON THE PURPORTED BANK GUARANTEES. (underscoring supplied)

The resolution of the case hinges on what Aragon's statement in the letters sent to respondent that "... we are pleased to inform you that said Corporation has arranged for a credit line " conveys.

Section 13, Rule 130, Rules of Court on interpretation of an instrument provides:

SEC. 13. Interpretation according to circumstances - For the proper construction of an instrument, the circumstances under which it was made, including the situation of the subject thereof and of the parties to it, may be shown so that the judge may be placed in the position of those whose language he is to interpret. (underscoring supplied)

A consideration of the circumstances under which Aragon's letter-certifications were issued is thus in order.

Amarnani's letter-request of August 21, 2000 for a conditional certification from Aragon was granted two days later when Aragon issued the letter-certification addressed to respondent. Within that period, it could not have been possible for petitioner to even process the application, given that Amarnani had not even complied with the requirements as he, himself, indicated in his letter-request to Aragon to "please tell [him] the requirements for the credit line so [he] c[ould] apply."

The Distributorship Agreement between respondent and Keraj was forged on October 2, 2000 or 39 days after the issuance of the letter-certification, long enough for respondent to verify if indeed a bank guaranty was, to its impression, granted.

By respondent's finance manager Leonora Armi Salvador's testimony, upon receipt of the two

letter-certifications,[11] she concluded that they were bank guarantees considering their similarity with other bank guarantees in favor of respondent by other distributors; and she made inquiries with petitioner only after Keraj defaulted in the payment of its obligation to respondent.[12]

In light of the foregoing circumstances, petitioner could not have conveyed that it was issuing a bank guaranty in favor of Amarnani.

Respondent's reliance on Aragon's use of a "check writer," a machine used to input a numerical or written value impression in the "payment amount field" of a check that is very difficult to alter, on the left side of each letter-certification, was misplaced, what prevails being the wordings of the letter-certifications.[13]

WHEREFORE, the challenged Court of Appeals Decision of June 17, 2009 is REVERSED and SET ASIDE. The complaint of respondent, Goodman Fielder International Philippines, Inc. is, with respect to petitioner, Bank of Commerce, DISMISSED.

SO ORDERED.

Bersamin, Abad,[*] Villarama, Jr., and Sereno, JJ., concur.

[*] Designated member per Special Order No. 940 dated February 7, 2011 in lieu of Associate Justice Arturo D. Brion.

[1] Records, Vol. 3, TSN taken on March 3, 2004, p. 553.

[2] Rollo, p. 74.

[3] Id. at 75.

[4] Id. at 78.

[5] Id. at 79.

[6] Id. at 80.

[7] Id. at 121.

[8] Id. at 120.

[9] Penned by Associate Justice Jose L. Sabio, Jr., with the concurrence of Associate Justices Vicente S.E. Veloso and Ricardo R. Rosario, id. at 43-62.

[10] Id. at 54.

[11] Records, Vol. 3, TSN of March 3, 2004, pp. 583-584.

[12] Id. at 644.

[13] <http://en.wikipedia.org/wiki/Checkwriter> citing http://www.google.com/search?q=history+of+paymaster+ribbon+writer&hl=en&tbs=tl:1&tbo=u&ei=e1JkS665K46H8QaOstyaAw&sa=X&oi=timeline_result&ct=title&resnum=11&ved=0CDEQ5wIwCg (visited February 24, 2011).

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