

PHILIPPINE SAVINGS BANK, PETITIONER, VS. AMELITA HIPOLITO, ALEX HIPOLITO, AND JOHN DOE, RESPONDENTS.*G.R. No. 200671. May 14, 2021*

Ponente: CARANDANG, J.

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In this Petition for Certiorari under Rule 45, petitioner Philippine Savings Banks (PSB) assails the Decision[1] dated June 27, 2011 and the Resolution[2] dated February 21, 2012 of the Court of Appeals (CA) denying reconsideration in CA-G.R. SP No. 94151. The CA reversed and set aside the Decision[3] dated March 16, 2006 of the Regional Trial Court (RTC) of Pasay City, which affirmed the Decision[4] dated April 29, 2005 of the Metropolitan Trial Court (MeTC) in Civil Case No. 51804 CFM finding respondents liable to pay penalties, liquidated damages, attorney's fees, and costs of suit.

Antecedents

On March 1, 2002, respondents executed in favor of Nissan Gallery - Ortigas (Dealer) a Promissory Note with Chattel Mortgage for P697,860.00 payable in 36 months with a monthly amortization of P19,385.00 to be paid beginning April 1, 2002 and the first day of every succeeding month thereafter. The said note was executed for the purchase of a 2002 Nissan Exalta sedan. It was also stipulated if the respondents should default on the payment of any installment or violate any of the other terms and conditions of the note, then unpaid balance at the time of such default would be immediately due and payable and entitle the Dealer to obtain the possession of the car.[5]

On March 5, 2002, the Dealer assigned all its rights and interest in the promissory note to PSB.[6]

Respondents failed to pay the monthly amortizations beginning February 10, 2004.[7] In a letter dated June 7, 2004,[8] petitioner demanded the payment of the outstanding balance of P251,431.09 or the surrender of the mortgaged vehicle for purposes of foreclosure to satisfy the obligation, but the respondents refused to do either. Thus, on August 6, 2004, PSB filed a complaint for replevin and damages with an application for a preliminary writ of replevin.[9] The verification and certificate of non-forum shopping was signed by Amelito Chavez (Chavez), one of petitioner's Senior Assistant Managers[10] and who was appointed as legal representative by PSB's Assistant Vice President, Florencio P. Soneja (Soneja), through a notarized Authorization dated July 28, 2004.[11]

After PSB posted a bond,[12] the MeTC issued a Writ of Replevin on August 10, 2004 ordering the sheriff to seize the mortgaged automobile.[13] Upon a perusal of the records, it does not appear that the writ was enforced.

In their Answer with Counterclaim,[14] respondents claimed that they were not in default; that they never received demand; and that the verification and certificate of non-forum shopping attached to the complaint failed to show that the person who executed it, Chavez, was authorized to do so by PSB. In their counterclaim, they argued that the complaint is a baseless suit which entitles them to payment of damages and attorney's fees. The

said pleading was not signed by any counsel but by herein respondent Amelita Hipolito.[15]

Pretrial was set on December 9, 2004 but was reset to February 10, 2005 as there was no return on the notice sent to defendants.[16] On that day, Amelita appeared without counsel. Thus, the MeTC rescheduled pretrial to March 10, 2005, upon Amelita's manifestation that she would engage the services of counsel.[17] On March 10, 2005, however, neither respondents nor their counsel appeared. Thus, the MeTC declared them in default and set a hearing for petitioner to present evidence ex parte.[18]

At 9:55 a.m. of April 5, 2005, five minutes before PSB was to present its evidence, counsel for respondent filed his entry of appearance with an urgent motion to cancel the presentation of evidence on the ground that his services had been engaged only the night before.[19] The following day, MeTC issued an Order denying the motion for: (1) lack of merit in the reason cited by counsel; (2) failing to attach Affidavit of Merit; and (3) violating the three-day notice rule. As such, the MeTC rendered judgment based on the evidence presented ex parte as follows:

WHEREFORE, judgment is hereby rendered in favor of the plaintiff [PSB] and against defendants Amelita Hipolito and Alex Hipolito, hereby ordering the said defendants to pay plaintiff, jointly and severally, as follows:

1. the amount of P251,431.09 plus late payment penalty charge of 5% per month from date due on February 10, 2004 until fully paid;
2. the amount equivalent to 20% of the total amount due as liquidated damages;
3. the amount equivalent to 25% of the total amount due as and for attorney's fees; and
4. the costs of suit.

SO ORDERED.[20]

Ruling of the Regional Trial Court

Respondents appealed to the RTC,[21] which affirmed the MeTC in toto in its Decision dated March 16, 2006.[22] The RTC held that Soneja and Chavez had implied authorization to file suit. Moreover, citing Our ruling in *BA Savings Bank v. Sia*,[23] the RTC was of the view that the requirement with regard to the certificate of non-forum shopping "must not be so interpreted with such absolute literalness as to subvert its own ultimate and legitimate objective or the good of all rules of procedures which is to achieve substantial justice as expeditiously as possible." [24]

Ruling of the Court of Appeals

Unsatisfied, respondents filed a petition for review with the CA, which found merit. Because PSB failed to cite any provision of the corporate charter or by-laws or a secretary's certificate from which it could be reasonably inferred that Soneja, in his capacity as assistant vice president, had been granted expressly or impliedly the power or authority to sue, the CA held as follows:

WHEREFORE, premises considered, the petition is GRANTED. The challenged decision of the Regional Trial Court of Pasay City, Branch 112, is REVERSED and SET ASIDE. The complaint of respondent Philippine Savings Bank against the petitioners is ordered DISMISSED.

SO ORDERED.[25]

Petitioner moved for reconsideration, arguing that the procedural requirements must yield to substantial justice in light of the fact that MeTC had found respondents to have violated the terms of the promissory note.[26] The CA

denied reconsideration because the issues and arguments stated therein had already been judiciously resolved in the Decision.[27]

In this petition, PSB now asks that We reverse the CA, praying for a lenient application of the rules on verification and certificate of non-forum shopping in the interest of substantial justice considering that the MeTC had already decided the case on the merits. In addition, attached to the petition is a certified true copy of a Secretary's Certificate that on October 27, 2011, the board of PSB included the assistant vice president in the list of officers authorized to sue in behalf of the bank and to do sign documents as may be necessary.[28]

Citing a slew of jurisprudence, respondents maintain in their Comment[29] that petitioner must have shown that either Soneja or Chavez were authorized by the corporate by-laws or by specific acts of the board of directors.[30] They assert that Soneja, in his position as assistant vice president, had not been proven to have had implied, incidental, or apparent authority that he could then delegate to Chavez. They argue that petitioner's failure to present evidence of such authorization, even mere photocopies, justified the dismissal of the complaint.[31]

Issue

The sole issue for resolution is whether the defects of the verification and certificate of non-forum shopping justify the dismissal of PSB's complaint.

Ruling of the Court

The petition is meritorious.

Rules of procedure may be relaxed to relieve a part of an injustice not commensurate with the degree of non-compliance with the process required.[32] This court has preferred a judicial policy that encourages full adjudication of the merits of a case if strict adherence to technical procedure will defeat the interest of substantial justice.[33] In line with this policy, We affirmed in *Shipside Inc., v. Court of Appeals*[34] the long-standing doctrine that the verification is a formal - not jurisdictional - requirement of a pleading. We said:

Non-compliance with which does not necessarily render the pleading fatally defective, because verification is simply intended to secure an assurance that the allegations in the pleadings are true and correct and not products of imagination or matters of speculation, and that the pleading is filed in good faith. The court may still act on the pleading if strict compliance with the rules may be dispensed with in order that the ends of justice may be served.[35]

As for the certificate of non-forum shopping, the general rule is that it must be executed by an officer or member of the board of directors or by one who is duly authorized by a resolution of the board of directors;[36] otherwise, the complaint is not deemed filed, produces no legal effect, and will be dismissed.[37] As an exception, the complaint may not be dismissed if proof of the signatory's preexisting authority is subsequently submitted.[38] In *Abaya Investments Corporation v. Merit Philippines*,[39] We held that another exception exists when the trial court had already decided on the merits of the case and to apply the general rule would only result in re-litigation of the case and further delay the administration of justice. We hold that this exception applies to this case.

The MeTC has already decided on the merits of the case and had disposed of it all the way back in 2005. In their appeal to the RTC and then in their petition for review with the CA, the respondents did not bother question the correctness of MeTC's application of the law on the substantive merits. The court ought not insist on technicalities when it has been proven that respondents have defaulted on their obligations under the promissory note. In *Mediserv Inc. v. Court of Appeals*,[40] We held that the merits of the case should be considered special circumstances or compelling reasons that justify tempering the requirement in regard to the certificate of non-forum shopping. Such requirements must not be interpreted too literally when it would defeat the objective of

preventing the undesirable practice of forum-shopping of de-clogging the court dockets. The granting of substantial justice is an even more urgent ideal.[41] In all likelihood, a dismissal of the complaint will only cause re-litigation of the same issues that the MeTC has already passed upon, resulting in further delay in the administration of justice. This will unnecessarily drain the resources of the parties and clog the court dockets, the very scenario that the certificate seeks to avoid.

As a final note, We see no error in the MeTC's order allowing PSB to submit evidence ex parte. Although said order is characterized by the parties and the lower courts as a "default order," We clarified in *Philippine Steel Coating Corp. v. Quinones*[42] the phrase "as in default" has been deleted from the Rules, the purpose of which is "one of semantical propriety or terminological accuracy as there were criticisms on the use of the word default in the former provision since that term is identified with the failure to file a required answer, not appearance in court." However, while the order of default no longer obtains, its effects were nevertheless retained. For the MeTC to lift said order, respondents ought to have given an adequate explanation for their absence at pretrial. It is clear that they did not and from that, the court may reasonably infer that perhaps they never had any good defense to begin with. In *Momarco Import Company, Inc. v. Villamena*[43] We explained why this is so, citing Justice Narvasa's discourse in *Gochangco v. CFI Negros Occidental*[44] viz.:

The underlying philosophy of the doctrine of default is that the defendant's failure to answer the complaint x x x is attributable to one of two causes: either (a) to his realization that he has no defenses to the plaintiffs cause and hence resolves not to oppose the complaint, or, (b) having good defenses to the suit, to fraud, accident, mistake or excusable negligence which prevented him from seasonably filing an answer setting forth those defenses.

x x x if he did have good defenses, it would be unnatural for him not to set them up properly and timely, and if he did not in fact set them up, it must be presumed that some insuperable cause prevented him from doing so: fraud, accident, mistake, excusable negligence. In this event, the law will grant him relief; and the law is in truth quite liberal in the reliefs made available to him: a motion to set aside the order of default prior to judgment, a motion for new trial to set aside the default judgment; an appeal from the judgment by default even if no motion to set aside the order of default or motion for new trial had been previously presented; a special civil action for certiorari impugning the court's jurisdiction.[45] (Emphasis and underscoring supplied)

In light of respondents' consistent failure to diligently attend to the case before PSB presented evidence ex parte, their belated motion to lift the "default order," and their heavy reliance on technicalities as their only defense, the court is of the mind that perhaps they never had a good substantive defense to begin with. They have made no manifestation indicating otherwise. In fact, they were not able to prove that fraud, accident, mistake, or excusable negligence prevented them from lodging any substantive defense. As such, We affirm the MeTC's prerogative to proceed with deciding the case on the merits based on PSB's evidence. There being no reversible error in said decision, the same must be reinstated.

WHEREFORE, the petition is GRANTED. The Decision dated June 27, 2011 and the Resolution dated February 21, 2012 of the Court of Appeals in CA-GR. SP No. 94151 are hereby REVERSED and SET ASIDE. The Decision dated April 29, 2005 in Civil Case No. 518-04 CFM of the Metropolitan Trial Court, affirmed by the Regional Trial Court of Pasay City, is hereby REINSTATED.

SO ORDERED.

Gesmundo, C. J., Caguioa, Gaerlan, and J. Lopez,[*] JJ., concur.

[*] Designated additional Member per Raffle dated March 15, 2021 vice Associate Justice Rodil V. Zalameda.

[1] Penned by Associate Justice Amelita G. Tolentino, with the concurrence of Associate Justices Normandie B. Pizarro and Rodil V. Zalameda (now a Member of this Court); rollo, pp. 26-34.

[2] Id. at 35-36.

[3] Penned by Judge Jesus B. Mupas; id. at 39-41.

[4] Penned by Judge Estrellita M. Paas; id. at 37-38.

[5] CA rollo, pp. 55-56.

[6] Id.

[7] Id.

[8] Id. at 37.

[9] Id. at 25-36.

[10] Id. at 30.

[11] Id. at 38.

[12] Id. at 39.

[13] Id. at 40.

[14] Id. at 41-43.

[15] Id.

[16] Id. at 48

[17] Id. at 49.

[18] Id. at 50.

[19] Id. at 51-43.

[20] Rollo, p. 38.

[21] CA rollo, p. 57.

[22] Id. at 68-70.

[23] 391 Phil. 370 (2000).

[24] CA rollo, p. 70.

[25] Rollo, p. 33.

[26] Id. at 42-47.

[27] Id. at 35-36.

[28] Id. at 48-50.

[29] Id. at 60-64.

[30] Id. at 62, citing *Firme v. Bukal Enterprises and Development Corporation*, 460 Phil. 321 (2003); *BPI Leasing Corporation v. Corporate Appeals*, 461 Phil. 451 (2003); and *Gonzales v. Climax Mining Ltd.*, 492 Phil. 682 (2005).

[31] Id. at p. 61.

[32] *Novelty Philippines, Inc. v. Court of Appeals*, 458 Phil. 36, 44 (2003) citing, *Piglas-Kamao (Sari-Sari Chapter) v. NLRC*, 409 Phil. 735 (2001).

[33] Id.

[34] 404 Phil. 981 (2001).

[35] Id. at 995.

[36] *Cosco Philippines Shipping, Inc. v. Kemper Insurance Company*, 686 Phil. 327 (2012).

[37] Id., citing *Tamondong v. Court of Appeals*, 486 Phil. 730 (2004).

[38] *China Banking Corporation v. Mondragon International Philippines, Inc.*, 511 Phil. 760 (2005), citing *Shipside Incorporated v. Court of Appeals*, 404 Phil. 981 (2001); *Ateneo de Naga University v. Manalo*, 497 Phil. 635 (2005); *Pascual & Santos Inc. v. Tramo Wakas Neighborhood Association*, 485 Phil. 113 (2004).

[39] 574 Phil. 769 (2008).

[40] 631 Phil. 282 (2010).

[41] Id. at 293.

[42] 809 Phil. 136 (2017).

[43] 791 Phil. 457 (2016).

[44] 241 Phil 48 (1988).

[45] Id. at 66-67.

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