

REYNALDO C. HONRADO, JR., PETITIONER, VS. COURT OF APPEALS AND JARDINE-MANILA FINANCE, INC., RESPONDENTS.

G.R. No. 83086. June 19, 1991

Ponente: FERNAN, C.J.

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FERNAN, C.J.:

In this petition for review on certiorari, petitioner Reynaldo C. Honrado, Jr. seeks the reversal of the decision of the Court of Appeals dated August 5, 1987[1] which affirmed the decision dated January 22, 1986 of the Regional Trial Court, Branch CXL at Makati, Metro Manila. The dispositive portion of the affirmed decision reads as follows:

"WHEREFORE, judgment is hereby rendered ordering defendant Reynaldo C. Honrado, Jr., to pay plaintiff MB Finance, formerly Jardine-Manila Finance Corporation, as follows:

"1. P81,325.05, of which P40,769.00 representing balance of the principal amount due shall earn interest of 14% per annum from January 1984;

"2. P4,076.00 as liquidated damages;

"3. P6,115.35 as attorney's fees; and

"4. The costs of suit."[2]

The factual background of this case as found by the trial court and affirmed by the Court of Appeals is as follows:

On August 21, 1978, Hadd Construction and Trading Corporation (HCTC for brevity) purchased on installment basis a Toyota Corolla Hardtop, 2-Door, 1978 Model with Engine No. 3K-7515608, Serial No. KE 35-915409, Plate No. B-YE-290 from Cressida Sales Corporation (Cressida for brevity), HCTC, represented by petitioner Reynaldo C. Honrado, Jr. as president, executed a promissory note in favor of Cressida, in the amount of P49,120,20, payable at the rate of P1,364.45 a month for thirty six (36) months beginning September 25, 1978 and every 25th day of the month thereafter until full payment. In said promissory note, HCTC agreed to a waiver of formal demand and presentment as well as notices of protest and dishonor, among others. Petitioner Honrado signed the promissory note a second time as co-maker of HCTC.[3] A chattel mortgage on the motor vehicle was also executed by HCTC in favor of Cressida.

On September 4, 1978, Cressida executed a deed of assignment of the promissory note with warranty of soundness in favor of Jardine-Manila Finance, Inc. for and in consideration of P30,985.54. This was executed with HCTC's conformity, represented again by petitioner as its president. Petitioner Honrado likewise signed this deed of assignment as co-maker.[4]

For failure of HCTC to pay the monthly amortization as stipulated in the promissory note, private respondent Jardine-Manila Finance, Inc. filed on May 22, 1979 an action for replevin and damages with the Regional Trial Court of Makati, Branch CXL, docketed as Civil Case No. 2096, praying for the seizure and delivery of the

questioned motor vehicle to private respondent, with alternative prayer, that in the event the normal delivery of the motor vehicle cannot be effected, judgment be rendered ordering HCTC to pay P41,011.34 with 14% interest per annum from the date the obligation became due and demandable until fully paid. Private respondent impleaded petitioner Reynaldo Honrado, Jr. as party-defendant on the contention that he signed the documents as co-maker.

After an answer with compulsory counterclaim was filed on November 7, 1981 by herein petitioner as defendant therein, the case was thereafter set for pre-trial conference.

On September 14, 1983, private respondent informed the trial court that it was waiving the recovery of the motor vehicle and chose to pursue instead its alternative prayer considering that since the filing of the complaint, it has not been able to recover said motor vehicle, and that even if recovered, its current value would not allegedly be commensurate to the amount of P41,011.34.

On the same day, private respondent moved to dismiss the case against HCTC without prejudice on the ground that summons could not be served on said defendant corporation since it was no longer holding office at its given address and its present address could not be ascertained. This motion was granted by the trial court on October 3, 1983.

In due time, the trial court rendered the assailed decision against petitioner who seasonably appealed to the Court of Appeals. On August 5, 1987, the Court of Appeals promulgated its decision affirming that of the trial court.

Hence the present recourse of petitioner.

To support his prayer for reversal of the appellate court's decision, petitioner argues that he signed the promissory note and deed of chattel mortgage in his official capacity as president of HCTC only. He never intended to sign these documents as co-maker. Thus, petitioner in his Memorandum raises the following issues:

"1) WAS PRIVATE RESPONDENT CORRECT IN ITS CONTENTION THAT PETITIONER WAS A CO-MAKER OF HCTC IN THE EXECUTION OF THE PROMISSORY NOTE AND DEED OF CHATTEL MORTGAGE IN QUESTION?

2) WAS THE COURT OF APPEALS CORRECT IN ITS INTERPRETATION OF SUBJECT PROMISSORY NOTE AND DEED OF CHATTEL MORTGAGE IN FAVOR OF PRIVATE RESPONDENT AND AGAINST PETITIONER?"[5]

On the first issue, petitioner Honrado vehemently denies any liability as co-maker of HCTC on the ground that the body of documents in question, namely, the promissory note and deed of chattel mortgage, indicates that the contract was between HCTC and Cressida only. In addition, petitioner cites the testimony of Mr. George Caruncho, the sales agent of Cressida, who stated that petitioner was asked to sign these documents in his official capacity as president of HCTC.

We find no merit in the above contention. Petitioner Honrado cannot plead that he signed these documents in his official capacity only as president of HCTC and not as co-maker with HCTC. The documents in question, including the deed of assignment which contains petitioner's signature as co-maker, whose genuineness and due execution were admitted by petitioner, clearly indicate otherwise. As stated by respondent Court of Appeals:

"The promissory note (Exhibit "A") clearly shows on its face that the appellant signed the same in his capacity as President of the Hadd Construction & Trading Corp. and again as co-maker in his private capacity (Exhibits "A-2" & "A-3"). Appellant also signed the Deed of Chattel Mortgage and the Affidavit of Good Faith four (4) times; twice as President and twice as co-maker (Exhibit "B"). And the appellant lastly signed his conformity to the Deed of Assignment (Exhibit "C") as president and again as co-maker."

From the above facts, petitioner, by signing these documents several times as co-maker, is presumed to be aware of the consequences of his actions. Considering that petitioner Honrado is of age and a businessman, holding the highest position in Hadd Construction Trading Corporation, he is presumed to have acted with due care, and to have signed the documents in question with full knowledge of its contents as well as the attendant obligations and responsibilities. As aptly observed by the trial court:

"x x x defendant Honrado is presumed to have intended the ordinary consequences of his voluntary act and taken ordinary care of his concerns. When defendant signed eight times on three documents, and always as president and as co-maker, it is presumed that he had exercised care in verifying his involvement in the transaction, considering his age, business life, intelligence and the fact that he occupied the highest office in the corporation."[6]

Furthermore, there is no evidence of fraud. Petitioner on cross-examination testified as follows:

"Q - At the left handmargin of the promisso-ry note there appears a signature over the name Reynaldo C. Honrado Jr., President, Hadd Construction and Trading Corp. Will you kindly tell us if this is your signature?

A - Yes, sir.

x x x

Q - Also, at the right hand margin of the promissory note there appears a signature above the typewritten name Reynaldo C. Honrado, Jr., co-maker, is this your signature?

A - Yes, sir, that is my signature."[7]

Since petitioner Honrado did not question and in fact admit- ted the genuineness and due execution of these documents, includ- ing the genuineness of his signatures, then these documents must be given legal effects.

The testimony of the sales agent, Mr. Caruncho, can not change the legal effect of these documents. Granting that he told petitioner to sign these documents in his official capacity as president of HCTC, the mere fact that petitioner also signed voluntarily as co-maker proves his participation in the transactions as a co-maker. Furthermore, Mr. Caruncho testified that when petitioner signed these documents, all the type-written words already appeared therein.

On the matter of interpretation of contracts, it is basic and fundamental that if the terms of the contract are clear, the literal meaning of the stipulation shall control.[8] The intention of the parties to a contract must be determined from the contract itself. When petitioner Honrado signed several times on these documents as president of HCTC and as co-maker, there is no other interpretation but to conclusively presume that he bound himself also as co-maker. He can not therefore renege on the obligations and liabilities attached to a co-maker. When the terms of a contract are clear and do not leave room for doubt as to the intention of the contracting parties, it is not necessary to interpret the same, the literal meaning of its clauses should be followed.[9]

The promissory note clearly stipulates a solidary obligation as shown by the following clause "For value received I/We jointly and severally promised to pay Cressida Motor Sales Corp. x x x. Signed: Hadd Construction & Trading Corporation by Reynaldo C. Honrado, Jr., President and Reynaldo C. Honrado, Jr., Co-maker". In the case of Parot vs. Gemora,[10] this Court had occasion to state:

"Where a promissory note is signed by two or more persons promising to pay the amount of the said note juntos o separadamente, such comakers are individually liable for the payment of the full amount of the obligation of such contract."

Therefore, petitioner Honrado is solidarily liable to pay the full amount of the obligation as stipulated in the

promissory note to which private respondent is entitled.

However, the award of P81,325.00 based on the Statement of Account as of December 10, 1983,[11] prepared by private respondent includes other charges aside from the principal obligation. These charges have not been satisfactorily proved during the trial. Moreover, a careful examination of the records of the case failed to support these charges. The records are bereft of any evidence to show how these charges were computed nor is there an adequate showing that private respondent is entitled thereto. A mere mention of the outstanding obligation of petitioner in the amount of P81,747.05 as of December 10, 1985 in the testimony of Alfonso Flores, private respondent's manager for collection,[12] is not sufficient without proof presented before the court of the expenses and other charges imputed to petitioner. Thus, in the interest of justice and equity, petitioner should be liable only for the outstanding balance based on the promissory note in the amount of P40,769.00. This is computed by deducting the total payments equivalent to four 4) monthly installments made by HCTC in the amount of P8,351.20 from the principal amount of the promissory note of P49,120.20. In addition, this amount of P40,769.00 shall earn interest at the rate of 14% per annum to be computed from March 10, 1979 when the total amount of the principal obligation became due and demandable[13] until actual payment. The award of 10% liquidated damages and 15% attorney's fees based on the principal obligation is found to be equitable.

WHEREFORE, the assailed decision is hereby **AFFIRMED**, with modification as indicated below, ordering petitioner Honrado to pay private respondent MB Finance, formerly Jardine-Manila Finance Corporation as follows:

- 1) P40,769.00 with 14% interest per annum from March 10, 1979 until actual payment;
- 2) P4,076.90 as liquidated damages;
- 3) P6,115.35 as attorney's fees; and
- 4) The costs of the suit.

SO ORDERED.

Gutierrez, Jr., Feliciano, Bidin, and Davide, Jr., JJ., concur.

[1] pp. 12-18, Rollo.

[2] p. 12, Rollo.

[3] Rollo, p. 44.

[4] Rollo, p. 48.

[5] Rollo, p. 63.

[6] Rollo, p. 16.

[7] T.S.N., May 13, 1985, pp. 6 & 7.

[8] Pangilinan vs. Ramos, G.R. No. 75304, January 23, 1990.

[9] Bilang vs. Erlanger & Galinger, Inc., G.R. No. 44931, November 29, 1938, 66 Phil. 627.

[10] G.R. No. 2242, December 1, 1906, 7 Phil. 94.

[11] Exhibit F, Original Record, p. 99.

[12] T.S.N., February 20, 1984, pp. 12-13.

[13] Exhibit E, Original Record, p. 98.

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