

SPS. IGNACIO AND AMPARO SUGAY, PETITIONERS, VS. COURT OF APPEALS AND ALTRIMA DEVELOPMENT CORPORATION, RESPONDENTS.*G.R. No. 89090. June 19, 1991*

Ponente: CRUZ, J.

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The petitioners are questioning the decision or the respondent court of Appeals sustaining the summary judgment rendered by the Regional Trial Court of Manila in favor of the private respondent. It is contended that Rule 34 of the Rules of Court is inapplicable because they had in their answer with counterclaim tendered genuine issues on material facts that called for a full-blown trial on the merits.

The case stemmed from an agreement of the spouses Ignacio and Amparo Sugay with Altrima Development Corporation under which they bought a lot from the latter on which the corporation would construct a house for them at an agreed price. It is admitted by both parties that the lot cost P50,400.00 as evidenced by a Deed of Absolute Sale dated September 2, 1982.[1] There is disagreement, however, on the total contract price (including the cost of the house), Altrima claiming it was P200,000.00 and the spouses insisting it was only P178,400.53

In its complaint, Altrima sought to recover the amount of P36,946.47, for which the defendants had signed a promissory note, copy of which was annexed. It was alleged that the debt had not been paid despite demand, forcing the plaintiff to litigate and incur the obligation to pay attorney's fees, for which the defendant should also be held liable. No mention was made of the contract for the house and lot.

In their answer, the defendants admitted the execution of the promissory note but averred that it did not reflect the true nature of the transaction and the intent of the parties. As affirmative and special defenses, they referred to the contract for the house and lot and claimed that the original cost of the house was reduced to P128,000.00 because the plaintiff's president, Raul Olegario, had secured for them a loan from the Development Bank of the Philippines of only P136,300.00 and not P160,000.00 as he had promised. As they had already paid the plaintiff P172,033.53 on the contract price, their balance was only P6,366.47. The defendants also counterclaimed for damages due to alleged construction defects amounting to P37,375.00, and attorney's fees.

Upon receipt of the answer, the plaintiff filed a motion for summary judgment on the ground that the defendants had not tendered any genuine issues of fact. Attached to the motion were an affidavit for summary judgment, two letters written by Ignacio Sugay pleading for time within which to pay his debt, a statement of account from the plaintiff, a reservation agreement made by Sugay, and a certificate of house acceptance also signed by him. The defendants filed an opposition, to which were attached an affidavit of Sugay denying the averments in the complaint, a letter from him remitting payment of P5,000.00 to the plaintiff, several receipts from Altrima, and a list of the claimed construction defects. The plaintiff submitted a reply, to which the defendant filed a rejoinder.

On June 14, 1985, Judge Manuel T. Reyes granted the motion and rendered a summary judgment disposing as follows:

WHEREFORE, Judgment is hereby rendered ordering defendants to pay the sums of P31,946.47 plus interest at 12% per annum from date of filing of the instant complaint until fully paid; P2,000.00 as attorney's fees and costs.

SO ORDERED.

The trial court found from the pleadings and evidence submitted by the parties that there was "no genuine issue as to any material fact, thereby justifying the plaintiff's prayer for summary judgment." It held that the correct contract price was P200,000.00, to which was added the amount of P3,580.00 for extra work on the house. Of the total indebtedness, the defendants paid the sum of P166,633.53, leaving a balance of P36,946.47, the face value of the promissory note signed by the defendants on February 1, 1983. This amount was reduced later when the defendants made the additional payment of P5,000.00 on May 30, 1983, which was the reason for the award of only P31,946.47.

On appeal, the summary judgment was affirmed in toto by the respondent court,[2] prompting the defendants to file this petition for review under Rule 45 of the Rules of Court.

The petitioners urge that the summary judgment be reversed, insisting that the exact amount of the debt was controverted, besides the fact that they had filed a counterclaim for an amount exceeding the plaintiff's claim. They also question the award of P31,946.47, which did not tally with the claim of either of the parties, and of the attorney's fee despite the absence of proof of such expense.

The Court has considered the issues and the arguments of the parties and finds that the petition has no merit.

The test for the propriety of a motion for summary judgment is whether the pleadings, affidavits and exhibits in support of the motion are sufficient to overcome the opposing papers and to justify the finding that, as a matter of law, there is no defense to the action or the claim is clearly meritorious.[3]

In the first place, there is absolutely no proof that the contract price of P200,000.00 was reduced by the parties when the expected loan of P160,000.00 from the DBP was not fully obtained. The defendants offered only their self-serving averments in the letter of May 30, 1983, in which, significantly, Ignacio categorically stated, "I recognize that I should pay you the shortfall." [4] The deed of sale they invoke does not contain their alleged modification of the contract price. On the other hand, the plaintiff submitted the reservation agreement signed by Ignacio Sugay, where the contract price for the house and lot was clearly stated as P200,000.00. [5] Although demonstrably not signed by the plaintiff, it was at least prima facie evidence of the agreed price which has not been satisfactorily refuted by the petitioners.

In the second place, there is the promissory note, which was executed on February 1, 1983, after the parties learned that the DBP loan had been reduced and construction of the house was nevertheless continued (and completed). Despite such reduction the document still reflected the balance on the total contract price of P200,000.00 after deduction of the payments made by the defendants.

The said promissory note read in full as follows:

PROMISSORY NOTE

VALUE DATE : February 1, 1983

MATURITY DATE : Demand

P36,946.47

For value received, IGNACIO SUGAY & AMPARO SUGAY promise to pay ALTRIMA DEVELOPMENT

CORPORATION, or order the sum of PESOS: THIRTY SIX THOUSAND NINE HUNDRED FORTY SIX & 47/100 (P36,946.47), Philippine Currency, with an interest of 12% per annum.

In case it shall be necessary to collect the note by or through an attorney-at-law, IGNACIO SUGAY & AMPARO SUGAY, promise to pay 10% of the amount due on the note as attorney's fees and liquidated damages and agrees that the venue shall be the Municipal Court or the Court of First Instance of Manila, as the case may be.

NOTICE OF DEMAND AND DISHONOR WAIVED.

(Sgd.) IGNACIO SUGAY (Sgd.) AMPARO SUGAY

+7% S.C.

If it is true, as the petitioners now insist, that the promissory note did not correctly state the amount of their indebtedness, the natural thing for them to do was to make the correction, based on their claimed reduced contract price. Ignacio Sugay later said in his affidavit that he and his wife signed the promissory note "only to demonstrate to (Olegario) that we were sincere in our dealings with him even if we knew that we were not liable for the full amount of the note." [6] What he was saying was that he knew Olegario was trying to cheat them but they signed the note just the same to prove that they were "sincere."

The terms of the note also explain the award of P2,000.00 attorney's fees as part of the liquidated damages the defendants also promised to pay.

In the third place, there are the telling admissions made by Ignacio Sugay in his letters to the private respondent dated October 27, 1983, and February 4, 1984, where he acknowledged his indebtedness without questioning the amount thereof and begged for more time to pay it. The letters are reproduced in full as follows:

27 October 1983

Architect Raul J. Olegario

7 Cadena de Amor, Pilar Village

Almanza, Las Piñas, Metro Manila

Dear Raul,

When I received your letter last week, I felt a deep embarrassment and sadness even before I opened the envelop - embarrassment because to date I have been unable to find a way to settle this obligation and sadness because I understand your position.

I must confess, however, that as of now, I have no choice but to ask for more time. You would also understand that a lot of unexpected events really led to the predicament I am in right now, including those mentioned in my May 30th letter to you, plus the fact that PHILEC did not pay me the amount I was expecting. As a matter of fact, PHILEC has turned around and is asking me to pay a balance of P200,000.00 on the car I am using before they release the mortgage on the car.

I also had hoped to be able to start paying you even in installments starting last July because as you may remember, I mentioned in our last conversation that I was working on a project wherein I would be taken in as industrial partner with a salary for managing the project and a percentage of the profits as industrial partner. Unfortunately, the deal did not materialize and I now have to start looking again for a means or livelihood.

As it is now, I face the terrifying prospect of losing the house and lot since I have not been able to pay installments to DBP (which has first lien on the property) and to my wife's aunt (who has second lien).

Please believe that I want to settle my obligations to all concerned as soon as humanly possible because I look upon the property as the only thing I could leave to my children. So you can rest assured I am doing my best to find a source of income so I can pay my debts.

Sincerely,

(Sgd.) IGNACIO G. SUGAY, JR.

4 February 1984

Atty. William C. Arceño

De Santos, Balgos & Perez Law Offices

5th Floor, Corinthian Plaza

Paseo de Roxas, Makati, Metro Manila

Dear Atty. Arceño:

In reply to your letter dated January 4, 1984, we regret that we have no recourse but to ask for more time since I am still in the process of looking for a means of livelihood and I have at present no means of paying.

Please understand as I have pointed out to Mr. Olegario that this situation arose out of a combination of circumstances that we both did not want. I have been quite sincere in my dealings with Mr. Olegario from the start when I told him that all I could put up as equity in the purchase of the house and lot was the P50,000.00 I would borrow from my wife's aunt and this is the reason we agreed he would obtain a loan of P160,000.00 for me from the DBP under the Open Housing loan program. Records will show that I have paid this amount but unfortunately, Mr. Olegario was able to obtain only a P136,000.00 loan.

But again, as a show of good faith, when Mr. Olegario asked me to sign a promissory note for around P37,000.00 representing the balance resulting from the above-cited events, I signed without question, pointing out to him that it was an expression of my willingness and intent to pay the balance without questioning the legal technicalities of the situation. But at the same time I asked him for time to find a means of livelihood since unexpectedly, I lost my job last March as a result of the retrenchment of my employer.

What has happened is much against our wishes. As I have assured Mr. Olegario in my previous letters, I am exerting all efforts to find employment or business opportunities so as to be able to settle my obligations as soon as humanly possible.

I beg for your consideration.

Very truly yours,

(Sgd.) IGNACIO G. SUGAY, JR.

Already mentioned is the letter of May 30, 1983, where Ignacio Sugay admitted the obligation to pay "the shortfall."

It is true that a summary judgment may not be rendered if the counterclaim is for a sum larger than that demanded in the complaint,[7] but this rule applies only where the counterclaim is valid. It is not in the case before us. The counterclaim is based on alleged construction defects which were not earlier protested by the petitioners in any of their communications with the private respondent. They did not mention them in their certificate of house acceptance. Even if it be supposed that they were "hidden" defects, it is curious that they were discovered only on July 26, 1984, and by a professional construction company[8] hired by them precisely to look for such "defects" after the complaint was filed on February 18, 1984. The counterclaim was obviously only an afterthought

intended to put off the collection of the private respondent's legitimate claim.

The Court feels that a full-blown trial of the case would merely delay the proceedings to the prejudice of the parties and the speedy administration of justice. The time or the trial court is better spent in trying cases where genuine controversies on matters of fact are clearly shown and not where it is possible to render a summary judgment on the basis of the pleadings and the documents before it, as the case at bar. We find that Judge Reyes did not err in rendering such a judgment, and neither did the respondent court, in sustaining him.

WHEREFORE, the petition is DENIED, with costs against the petitioners. It is so ordered.

Narvasa, (Chairman), Griño-Aquino, and Medialdea, JJ., concur.

Gancayco, J., on leave.

[1] Rollo, p. 45.

[2] Decision penned by Justice Felipe B. Kalalo with Ejercito and Victor, JJ., concurring.

[3] Regalado, Remedial Law Compendium, Fifth Revised Edition (1988), vol. 1, p. 231.

[4] Rollo, p. 68.

[5] Ibid., p. 57.

[6] Id., p. 66.

[7] Aetna Lite Insurance Co. v. National Dry Dock and Repair Co., 230 App, Div. 486, 245 N.Y. Suppl. 365, cited in Francisco, The Revised Rules of Court in the Philippines, Vol. II, p. 429; 49 CJS 220.

[8] Rollo, pp. 71-73.

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