

FAR EAST MARBLE (PHILS.), INC., LUIS R. TABUENA, JR. AND RAMON A. TABUENA, PETITIONERS, VS. HONORABLE COURT OF APPEALS AND BANK OF PHILIPPINE ISLANDS, RESPONDENTS.

G.R. No. 94093. August 10, 1993

Ponente: MELO, J.

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MELO, J.:

This has reference to a petition for review by certiorari seeking the reversal of the decision of the Court of Appeals dated June 26, 1990, in CA-G.R. CV No. 14404 (Bellosillo (P), Marigomen, Sempio-Diy, JJ.) which set aside the order of the Regional Trial Court of the National Capital Judicial Region (Manila, Branch XIV), dated June 1, 1987 and remanded the case to the court a quo for further proceedings on the grounds that the complaint for foreclosure of chattel mortgage with replevin had not prescribed and that, there being a cause of action, further proceedings, including the resolution of the motion for summary judgment may be pursued.

The antecedent facts of the case may be chronicled as follows:

On February 5, 1987, herein private respondent Bank of the Philippine Islands (BPI) filed a complaint for foreclosure of chattel mortgage with replevin against petitioner Far East Marble (Phils.), Inc. (Far East), Ramon A. Tabuena and Luis R. Tabuena, Jr. which was docketed as Civil Case No. 87-39345 of Branch XIV of the Regional Trial Court of the National Capital Judicial Region stationed in Manila.

The complaint pertinently alleged:

FIRST CAUSE OF ACTION AGAINST FAR EAST

2. That on various dates and for valuable consideration, the defendant Far East received from Commercial Bank and Trust Company ... now merged with and into the plaintiff Bank ... several loans evidenced by promissory notes executed by said Far East, photo copies of which are attached hereto and made integral parts hereof as Annexes A, B and C.

3. That said promissory notes ... have long matured but despite repeated requests and demands for payment thereof with interests and related charges due, Far East has failed and refused to pay. The account due on said promissory notes with interests and related charges as of 10 September 1986 is P4,471,854.32 itemized in a statement of account, copy of which is attached hereto and made a part hereof as Annex D.

4. That because of Far East's failure and refusal in bad faith to pay its long past due obligations under the promissory notes above alleged, plaintiff was constrained to file this suit . . .

SECOND CAUSE OF ACTION AGAINST FAR EAST

6. That on various dates and for valuable consideration, the defendant Far East received from and was extended by ... plaintiff Bank ... credit facilities in the form of Trust Receipts, photo copies of which are hereto attached and made integral parts hereof as Annexes E, F, G, H, I and J.

7. That said Trust Receipts ... have long matured and despite repeated requests and demands for payment thereof with interests and related charges due Far East has failed and refused to pay. The amount due on said Trust Receipts with interests and related charges as of 10 September 1986 is P2,170,476.62 as itemized in a statement of account, copy of which is attached hereto and made an integral part hereof as Annex K.

8. That because of Far East's failure and refusal to pay its long past due obligations under the Trust Receipts above alleged, plaintiff was constrained to file this suit ...

x x x

x x x

x x x

10. That in September 1976 Far East executed in favor of ... plaintiff Bank ... a Chattel Mortgage, photocopy of which is attached hereto and made an integral part hereof as Annex L, to secure the payment of its loan obligations including interests and related charges ...

x x x

x x x

x x x

CAUSE OF ACTION AGAINST INDIVIDUAL
DEFENDANTS RAMON A. TABUENA AND LUIS R.
TABUENA, JR.

13. That in September 1976, defendants Ramon A. Tabuena and Luis R. Tabuena, Jr. executed in favor of ... plaintiff Bank ... a "continuing guaranty" photocopy of which is attached hereto and made a part hereof as Annex M, whereby they bind themselves, jointly and severally, to answer for the loan obligations to the Bank of defendant Far East.

14. That despite requests and demands for their payment of Far East's long past due accounts, said defendants Ramon A. Tabuena and Luis R. Tabuena, Jr. have failed and refused to pay said Far East accounts and have already defaulted in their solidary obligation under said "continuing Guaranty."

15. That because of the failure and refusal of defendants Ramon A. Tabuena and Luis R. Tabuena, Jr. in bad faith to pay Far East's past due accounts under their solidary obligation stipulated in said "Continuing Guaranty," ... plaintiff has been constrained to file suit against them ...

(pp. 32-36, Rollo.)

On March 10, 1987, Far East filed an answer with compulsory counterclaim admitting the genuineness and due execution of the promissory notes attached as Annexes A, B, and C to the complaint, but alleging further that said notes became due and demandable on November 19, 1976, May 24, 1976, and November 19, 1976, respectively. On the basis of the maturity dates of the notes, Far East thereupon raised the affirmative defenses of prescription and lack of cause of action as it denied the allegation of the complaint that BPI had made previous repeated requests and demands for payment. Far East claimed that during the more than 10 years which elapsed from the dates of maturity of said obligations up to the time the action for foreclosure of the chattel mortgage securing said obligations was filed, it had not received from BPI or its predecessor any demand for payment and thus, it had "labored under the belief that they [the obligations] have already been written off" in the books of BPI. Moreover, Far East denied the genuineness and due execution of the trust receipts and of the Statement of Account (pp. 78-79, Rollo). A motion to hear affirmative defenses was attached to the answer.

On March 16, 1987, BPI filed an opposition to the motion to hear affirmative defenses, alleging that its causes of action against Far East have not prescribed, since within 10 years from the time its cause of action accrued, various written extrajudicial demands (attached thereto as Annexes "A" and "A-1") were sent by BPI and received by Far East. Moreover, BPI offered several written documents whereby Far East supposedly acknowledged its debt to BPI (Annexes "B" to "B-6"). Withal, BPI maintained, the ten-year prescriptive period to enforce its written contract had not only been interrupted, but was renewed.

On the same date, BPI filed a motion for summary judgment on the ground that since Far East had admitted the genuineness and due execution of the promissory notes and the deed of chattel mortgage annexed to its complaint, there was no genuine issue as to any material fact, thus entitling BPI to a favorable judgment as a matter of law in regard to its causes of action and on its right to foreclose the chattel mortgage.

On June 1, 1987, the trial court issued an order to the following effect:

WHEREFORE, the Court issues this Order:

- 1 - Dismissing the complaint against the defendant Far East Marble (Phils.) Inc. for lack of cause of action and on grounds of pre[s]cription;
- 2 - Denying for lack of merit the Motion for Summary Judgment and the Supplemental Motion for Summary Judgment;
- 3 - Striking off from the records the order of March 6, 1987 and recalling the writ of replevin issued by this Court, and dismissing all the contempt charges;
- 4 - Ordering the Sheriff to desist permanently from enforcing the writ of seizure and to return all the property seized by him under the Writ of Replevin, to the defendant Far East Marble (Phils.) Inc. immediately from receipt of a copy of this order, and in case of his failure to do so, the value thereof shall be charged against the replevin bond. (pp. 89-90, Rollo.)

An appeal therefrom was forthwith interposed by BPI, assailing the findings of the trial court with respect to its finding that BPI's cause of action has prescribed and the consequent denial of the motion for summary judgment.

On June 26, 1990, the Court of Appeals rendered a decision setting aside the June 1, 1987 order of the court of origin and remanding the case to said court for further proceedings, "including the resolution anew of plaintiff's motion for summary judgment . . . , reception of the evidence of the parties and, thereafter, to decide the case as the facts may warrant." (pp. 98-99, Rollo.)

Hence, the instant petition for review on certiorari filed by Far East, anchored on the following assigned errors:

I

THE COURT OF APPEALS ERRED WHEN IT DISREGARDED THE FINDINGS OF THE TRIAL COURT THAT PRESCRIPTION HAS SET IN OBLIVIOUS OF THE FACT THAT THIS FINDING WAS REACHED AFTER DUE HEARING.

II

THE COURT OF APPEALS GRAVELY ERRED IN RULING FOR A REOPENING OF THE TRIAL FOR THE RECEPTION OF EVIDENCE ON BOTH ISSUES OF PRESCRIPTION AND SUMMARY JUDGMENT WHEN THESE WERE ALREADY TRIED AND WEIGHED BY THE TRIAL COURT.

III

THE COURT OF APPEALS ERRED IN ASSUMING JURISDICTION OVER THE CASE CONSIDERING THAT THE ISSUES RAISED THEREIN INVOLVE PURE QUESTIONS OF LAW. (p. 14, Rollo.)

The issue of jurisdiction being basic, we shall endeavor to dispose of it ahead of the other topics raised by petitioners.

Petitioner Far East maintains the position that the Court of Appeals stepped beyond the limits of its authority when it assumed jurisdiction over the appeal filed by BPI inasmuch as said appeal raised only the pure questions of law of whether or not the trial court erred: (1) in dismissing BPI's complaint for lack of cause of action; (2) in finding that BPI's cause of action had prescribed; and (3) in ruling that BPI is not entitled to summary judgment on its causes of action against Far East. Consequently, Far East contends, BPI should have taken its case directly to this Court.

There is no dispute with respect to the fact that when an appeal raises only pure questions of law, it is only this Court which has jurisdiction to entertain the same (Article VIII, Section 5 (2) (e), 1987 Constitution; Rule 45, Rules of Court; see also Santos, Jr. vs. Court of Appeals, 152 SCRA 378 [1987]). On the other hand, appeals involving both questions of law and fact fall within the exclusive appellate jurisdiction of the Court of Appeals. At this point, there seems to be a need to distinguish a question of law from a question of fact.

It has been held in a number of cases (Medina vs. Asistio, Jr., 191 SCRA 218 [1990]; Gan vs. Licup Design Group, Inc., G.R. No. 94264, July 24, 1990, En Banc, Minute Resolution; Pilar Development Corp. vs. Intermediate Appellate Court, et al., 146 SCRA 215 [1986]; Ramos vs. Pepsi-Cola Bottling Co., 19 SCRA 289 [1967]; Consolidated Mines, Inc. vs. Court of Tax Appeals, et al., 58 SCRA 618 [1974], that there is a "question of law" when there is doubt or difference of opinion as to what the law is on certain state of facts and which does not call for an examination of the probative value of the evidence presented by the parties-litigants. On the other hand, there is a "question of fact" when the doubt or controversy arises as to the truth or falsity of the alleged facts. Simply put, when there is no dispute as to fact, the question of whether or not the conclusion drawn therefrom is correct is a question of law.

In the case at bar, BPI alleged in its complaint (Rollo, p. 42) that on various dates and for valuable consideration, it extended to Far East several loans, evidenced by promissory notes, and credit facilities in the form of trust receipts, and that despite repeated requests and demands for payment thereof, Far East had failed and refused to pay. Thus, BPI sought foreclosure of the chattel mortgage securing such indebtedness.

In its answer (Rollo, p. 78), Far East admitted the genuineness and due execution of the promissory notes involved in the case, but denied BPI's allegation that repeated demands for payment were made by BPI on it. Far East then raised the affirmative defenses of prescription and lack of cause of action, arguing that since the promissory notes matured in 1976 while BPI filed its action to foreclose the chattel mortgage only in 1987 (or more than 10 years from the time its cause of action accrued), and there being no demand for payment which would interrupt the period of prescription for instituting said action, BPI's claims have prescribed.

BPI, however, countered that its allegation of repeated demands on Far East for payment sufficiently stated a cause of action; that within ten years from the time its cause of action accrued in 1976, it sent written extrajudicial demands on Far East requesting payment of its due and outstanding obligations; that within that 10-year period, it received written acknowledgments of debt from Far East; and, that these demands for payment and acknowledgments of debt effectively interrupted and renewed the prescriptive period. Worth noting is the fact that the acknowledgment of debt and the demands for payment, including the affidavits of BPI's counsel who prepared

the demand letters and that of BPI's messenger who allegedly personally delivered said letters to Far East were duly annexed to BPI's pleadings.

From the foregoing exchange of pleadings, the conflicting allegations of fact by the contending parties sprung forth. It is thus quite obvious that the controversy centered on, and the doubt arose with respect to, the very existence of previous demands for payment allegedly made by BPI on petitioner Far East, receipt of which was denied by the latter. This dispute or controversy inevitably raised a question of fact. Such being the case, the appeal taken by BPI to the Court of Appeals was proper.

We now come to petitioner's first two assigned errors.

The trial court's finding that BPI's claims due to prescription, can no longer prosper, is inextricably connected with, and underpinned by, its other conclusion that BPI's allegation that it made "repeated requests and demands for payment" is not sufficient to state a cause of action. Moreover, in its questioned Order (Rollo, p. 88) dated June 1, 1987, the trial court held that:

Apart from the fact that the complaint failed to allege that the period of prescription was interrupted, the phrase "repeated requests and demands for payment" is vague and incomplete as to establish in the minds of the defendant, or to enable the Court to draw a conclusion, that demands or acknowledgment [of debt] were made that could have interrupted the period of prescription. (p. 88, Rollo.)

Seemingly, therefore, the trial court believed that the interruption of the prescriptive period to institute an action is an **ULTIMATE FACT** which had to be expressly and indispensably pleaded by BPI in its complaint, and that failure to so alleged such circumstance is fatal to BPI's cause of action.

We believe and hold otherwise.

Section 3 of Rule 6 states that a "complaint is a concise statement of the ultimate facts constituting the plaintiff's cause or causes of action." Further elaborating thereon, Section 1 of Rule 8 declares that every pleading, including, of course, a complaint, "shall contain in a methodical and logical form, a plain, concise and direct statement of the ultimate facts ... omitting the statement of mere evidentiary facts." "Ultimate facts" are the essential and substantial facts which either form the basis of the primary right and duty or which directly make up the wrongful acts or omissions of the defendant (*Tantuico, Jr. vs. Republic of the Phils., et al.*, 204 SCRA 428 [1991]), while "evidentiary facts" are those which tend to prove or establish said ultimate facts.

What then are the ultimate facts which BPI had to allege in its complaint so as to sufficiently establish its cause of action?

Basically, a cause of action consists of three elements, namely: (1) the legal right of the plaintiff; (2) the correlative obligation of the defendant; and (3) the act or omission of the defendant in violation of said legal right (*Nabus vs. Court of Appeals, et al.*, 193 SCRA 732 [1991]; *Rebollido vs. Court of Appeals, et al.*, 170 SCRA 800 [1989]). These elements are manifest in BPI's complaint, particularly when it was therein alleged that: (1) for valuable consideration, BPI granted several loans, evidenced by promissory notes, and extended credit facilities in the form of trust receipts to Far East (photocopies of said notes and receipts were duly attached to the Complaint); (2) said promissory notes and trust receipts had matured; and (3) despite repeated requests and demands for payment thereof, Far East had failed and refused to pay.

Clearly then, the general allegation of BPI that "despite repeated requests and demands for payment, Far East has failed to pay" is sufficient to establish BPI's cause of action. Besides, prescription is not a cause of action; it is a defense which, having been raised, should, as correctly ruled by the Court of Appeals (*DBP vs. Ozarraga*, 15 SCRA 48 [1965]), be supported by competent evidence. But even as Far East raised the defense of prescription,

BPI countered to the effect that the prescriptive period was interrupted and renewed by written extrajudicial demands for payment and acknowledgment by Far East of the debt.

A complaint is sufficient if it contains sufficient notice of the cause of action even though the allegation may be vague or indefinite, for in such case, the recourse of the defendant would be to file a motion for a bill of particulars (*Ramos vs. Condez*, 20 SCRA 1146 [1967]). It is indeed the better rule that, pleadings, as well as remedial laws, should be liberally construed so that the litigants may have ample opportunity to prove their respective claims so as to avoid possible denial of substantial justice due to legal technicalities (*Adamao, et al. vs. Intermediate Appellate Court, et al.*, 191 SCRA 195 [1990]).

In the case at bar, the circumstances of BPI extending loans and credits to Far East and the failure of the latter to pay and discharge the same upon maturity are the only ultimate facts which have to be pleaded, although the facts necessary to make the mortgage valid and enforceable must be proven during the trial (*Ortiz v. Garcia*, 15 Phil. 192 [1910]).

In fine, the finding of the trial court that prescription has set in is primarily premised on a misappreciation of the sufficiency of BPI's allegation as above discussed. The records will show that the hearing conducted by the trial court was merely pro forma and the trial judge did not sufficiently address the issue of whether or not a demand for payment was in fact made by BPI and duly received by herein petitioner Far East.

WHEREFORE, the instant petition is hereby DENIED and the decision of the Court of Appeals hereby AFFIRMED. No special pronouncement is made as to costs.

SO ORDERED.

Feliciano, (Chairman), Bidin, Romero, and Vitug, JJ., concur.

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