

**SANTOS GUINSATAO AND PACITA GUINSATAO, PETITIONERS, VS.
THE HON. COURT OF APPEALS, BATAAN DEVELOPMENT BANK,
JEREMIAS DELA CRUZ, AND ANTONIO PEREZ, RESPONDENTS.**

G.R. No. 95083, February 09, 1993

Ponente: GRIÑO-AQUINO, J.

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GRIÑO-AQUINO, J.:

This petition assails the decision dated June 14, 1990 of respondent Court of Appeals in CA-G.R. CV No. 148336 reversing the decision of the Regional Trial Court of Quezon City, Branch XIX, in favor of the plain-tiffs now petitioners in Civil Case No. Q-41225 (except the part dismissing their counterclaims).

The following are the facts stated in the decision of the Court of Appeals:

On March 9, 1982, the plain-tiffs spouses Santos and Pacita Guinsatao, the latter acting for herself and as attorney-in-fact of the defendant Hospicio Framo, applied with the defendant bank for a loan of P225,000.00 to be used as working capital in a general market-ing business. The loan was approved by the board of directors of the bank.

On March 29, 1982, the plain-tiffs-spouses (petitioners herein), for themselves and the plaintiff Pacita Guinsatao as attorney-in-fact of the defendant Hospicio Framo, executed a real estate mortgage in favor of the defendant bank on the house and lot located at No. 122 Aramis St., Project 7, Quezon City, covered by TCT No. 205830, issued in the name of the defendant Framo, to secure the payment of the obligation.

On April 14, 1982, Jeremias Dela Cruz, Chairman of the Board of Directors of the Bataan Development Bank, informed petitioners of the approval of the loan. A demand draft in the amount of P207,138.82 bearing No. 1217, dated April 14, 1982, was issued to Pacita Guinsatao upon her written request. She indorsed it by affixing her signature at the dorsal side thereof and returned it to Dela Cruz, who indorsed and deposited it in his personal account. Receipt of the bank draft was acknowledged by the plaintiff, Pacita Guinsatao, below the discount statement on the dorsal side of which the amount of the loan, its term, manner of payment, amortization, and interest rate are written.

On February 16, 1984, Atty. Salvador B. F. Aquino, in behalf of the plaintiffs spouses, wrote the bank demanding the return of their mortgage transfer certificate of title and the cancellation of the encumbrance thereon, inasmuch as the proceeds of the loan were allegedly not released to the borrowers (Exhibit W).

The bank replied that the loan had been approved and the proceeds released to, and received by, the plaintiff, Pacita Guinsatao, and the corresponding promissory note had been duly signed by her and her spouse (Exhibit Y).

The plaintiffs spouses claimed that the signatures in the promissory note (Exhibit C) were not theirs and, therefore, forged. They reiterated their demand for the return of the title to their house and lot and for the cancellation of the mortgage thereon.

On February 28, 1985, after examination by Senior Document Examiner Rhoda B. Flores of the National

Bureau of Investigation, upon referral by the Court, it was found that the plaintiffs spouses' signatures on the promissory note (Exhibit C) were not theirs, hence, forged.

On January 20, 1987, the trial court rendered a decision in favor of the plaintiffs (herein petitioners), the dispositive portion of which reads :

"ACCORDINGLY, judgment is hereby rendered as follows:

"1. Declaring the promissory note, Exhibit C, and the mortgage contract, Exhibit D, to be null and void;

"2. Ordering the Register of Deeds of Quezon City to cancel the annotations of said mortgage at the back of TCT No. 145218 in the name of Santos Guinsatao, and TCT No. 205830 in the name of Hospicio Framo, both in the copies on file in the said register of deeds as well as on the owner's duplicate copies thereof;

"3. Ordering the Register of Deeds of Quezon City to return to the plaintiffs-spouses Santos Guinsatao and Pacita Guinsatao, TCT Nos. 145218 and 205830, free from all liens and encumbrances;

"4. Ordering defendant Jeremias dela Cruz to pay to the plaintiffs-spouses: P130,000.00, in moral damages; P15,000.00, in exemplary damages; and, P10,000.00, in reasonable attorney's fees;

"5. The temporary injunction issued on June 29, 1984, enjoining defendant bank and the Ex-officio (sic) Sheriff of Quezon City, particularly Sr. Deputy Sheriff Marino V. Cachero, their agents, representatives and all those acting for and in their behalves, from selling at public auction plaintiffs-spouses' properties mentioned in the Notice of Extrajudicial Sale dated May 8, 1984, is made permanent;

"6. The counterclaims of the defendants are dismissed.

"With costs against defendant Jeremias dela Cruz." (pp. 43-44, Rollo.)

The bank appealed to the Court of Appeals. On June 14, 1990, the Court of Appeals rendered judgment reversing the decision of the Regional Trial Court of Quezon City and dismissing the complaint.

Hence, this petition for review by the spouses Guinsatao assigning errors against the decision of the appellate court, which boil down to whether or not the loan of P225,000.00 secured by a real estate mortgage on the properties of the petitioners and Framo, had been received by the petitioners.

In finding that the loan was received by the petitioners notwithstanding the absence of a promissory note duly signed by them (for the promissory note in the records, is fake), the Court of Appeals made the following observations:

"While it is true that the appellees spouses' signatures to the promissory note (Exhibit C) are not theirs, hence forged, yet they cannot avoid payment of their obligation to the appellant bank.

"The appellees spouses Santos and Pacita Guinsatao, the latter acting for herself and as attorney-in-fact of the defendant Framo, applied for a loan of P225,000.00 with the appellant bank, said amount to be used as working capital in a general marketing business (Exhibit N-1, pp. 22-23, rec., Exhibit O). Said loan applied for was approved by the board of directors of the appellant bank (Exhibit 10-dela Cruz). The proceeds thereof in the net amount of P207,138.82, after deducting the interest for three months, 3% bank charge for one year and insurance premium in the total amount of P17,861.18, was received by the appellee Pacita Guinsatao, as evidenced by the bank draft (Exhibits N-2 and N-3, pp. 25-A, 104, rec.; N-4, 3, 3-A-bank; p. 32, t.s.n., Dec. 6, 1985, Steno, Guiam), to which she affixed her signature to indorse it (Exhibit N-4, dorsal side). And on the dorsal side of the discount statement, to which the appellee Pacita Guinsatao affixed her signature to acknowledge receipt of the amount of P207,138.82, the amount of the loan (P225,000), term (three years), manner of payment (semi-annually), amortization (P35,834.88), interest rate (19% plus 3% bank charge), dates the amortizations were due, amounts of the interests and principals and balances were written (Exhibits I, I-1,

K-2, I-3). The appellees spouses cannot, therefore, correctly and validly deny their obligation and liability to the appellant bank just because their signatures to the promissory note (Exhibit C) had been forged. Without any promissory note duly signed by them, their obligation to the appellant bank has been established by their application for loan, the approval thereof and the receipt by them of the proceeds of the loan (Exhibits N-1, pp. 22-23, rec., x x x). Neither can they successfully assail the validity of the real estate mortgage contract that they have executed in favor of the appellant bank (Exhibits D, D-1; 2-Bank/Perez; 2-de la Cruz; 2-Framo), absent the promissory note that they have executed in its favor. For, in said real estate mortgage contract that they have executed in favor of the appellant bank, they expressly admit that the latter has approved in their favor a loan of P225,000, for and in consideration of which and as security for the payment of the promissory note executed in its favor, interest thereon 'and/or other obligations arising thereunder or hereunder, the Mortgagor does hereby transfer and convey, by way of first mortgage, unto the Mortgagee x x x' the houses and lots covered by TCT Nos. 145218 and 205830 (Exhibits D, D-1; 2--Bank/Perez; 2-de la Cruz; 2-Framo). Indeed, it is not only the payment of the promissory note that is secured by the mortgage but also of the appellees spouses' other obligations to the appellant bank. The appellees spouses' loan in the amount of P225,000 is among the obligations payment of which is secured by the real mortgage in question." (pp. 23-24, Rollo.)

These factual findings of the Court of Appeals, supported by substantial evidence in the record, are final and conclusive and may not be reviewed on appeal. (Bustamante vs. Court of Appeals, 193 SCRA 603.) While a promissory note is evidence of an indebtedness, it is not the only evidence, for, as in this case, the obligation of the plaintiffs was proven by a written memorandum thereof, admittedly signed by them.

Furthermore, a Manifestation and Motion was filed by the Bank on May 9, 1992 stating that on March 23, 1992, the petitioners executed a Deed of Absolute Sale with Assumption of Mortgage over the property in question in favor of their daughter, Nelia Guinsatao Laurel, who thereupon commenced negotiations to buy her parents' former property from the bank for P700,000.00, of which P300,000.00 would be paid immediately and the balance within one (1) year, with interest. This agreement was approved on March 28, 1992 by the Board of Directors of the bank which acquired the property as highest bidder at the extrajudicial foreclosure sale. The petitioners are therefore estopped to deny the Bank's title to the property.

WHEREFORE, the petition is DISMISSED for lack of merit, with costs against the petitioners.

SO ORDERED.

Cruz, (Chairman), Padilla, Bellosillo, and Quason, JJ., concur.

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