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FIRST DIVISION

[G.R. No. 168258. August 17, 2015]

RICARDO V. QUINTOS, *petitioner*, *vs.* **DEVELOPMENT BANK OF THE PHILIPPINES and PHILIPPINE NATIONAL BANK,** *respondents*.

SYLLABUS

1. REMEDIAL LAW; APPEALS; PETITION FOR REVIEW ON CERTIORARI; LIMITED TO REVIEWING ERRORS OF LAW, AND FINDINGS OF FACT OF THE COURT OF APPEALS ARE CONCLUSIVE UPON THE COURT SINCE IT IS NOT THE FUNCTION OF THE COURT TO ANALYZE AND WEIGH THE EVIDENCE ALL OVER AGAIN; EXCEPTIONS; PRESENT.— It is settled that the jurisdiction of the Court in cases brought before it from the appellate court via a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court is limited to reviewing errors of law, and findings of fact of the Court of Appeals are conclusive upon the Court since it is not the function of the Court to analyze and weigh the evidence all over again. Nevertheless, in several cases, the Court enumerated the exceptions to the rule that factual findings of the Court of Appeals are binding on the Court: (1) when the findings are grounded entirely on speculation, surmises, or conjectures; (2) when the inference made is manifestly mistaken, absurd, or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on misapprehension of facts; (5) when the findings of fact are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to that of the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (11) when the Court of Appeals manifestly overlooked certain

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relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion. The seventh exception clearly applies in this case.

2. ID.; EVIDENCE; BURDEN OF PROOF; IN CIVIL CASES, THE REQUIRED BURDEN OF PROOF IS PREPONDERANCE OF EVIDENCE; PREPONDERANCE OF EVIDENCE, DEFINED.— Burden of proof is the duty of a party to present evidence on the facts in issue necessary to establish his claim or defense by the amount of evidence required by law. In civil cases, the required burden of proof is preponderance of evidence. Preponderance of evidence has been defined as follows: Preponderance of evidence is the weight, credit, and value of the aggregate evidence on either side and is usually considered to be synonymous with the term "greater weight of evidence" or "greater weight of the credible evidence." Preponderance of evidence is a phrase which, in the last analysis, means probability to truth. It is evidence which is more convincing to the court as worthier of belief than that which is offered in opposition thereto.

3. ID.; ID.; DISPUTABLE PRESUMPTIONS; THE LOAN TRANSACTIONS ENJOYS THE DISPUTABLE PRESUMPTIONS THAT THE SAME IS FAIR AND REGULAR, THE OBSERVANCE OF THE ORDINARY COURSE OF BUSINESS AND THE SUFFICIENCY OF THE CONSIDERATION.— The loan transactions evidenced by the x x x documents already enjoy several presumptions from the very beginning under Rule 131 of the Revised Rules of Court, specifically: Section 3. *Disputable presumptions*. – The following presumptions are satisfactory if uncontradicted, but may be contradicted and overcome by other evidence: x x x (p) That private transactions have been fair and regular; (q) That the ordinary course of business has been followed; (r) That there was a sufficient consideration for a contract[.] Related to Rule 131, Section 3, paragraph (r) of the Revised Rules of Court, Article 1354 of the Civil Code also provides that "[a]lthough the cause is not stated in the contract, it is presumed that it exists and is lawful, unless the debtor proves the contrary."

4. ID.; ID.; ID.; NOTARIZED DOCUMENTS CARRY THE EVIDENTIARY WEIGHT CONFERRED UPON WITH

RESPECT TO THEIR DUE EXECUTION, AND HAVE IN THEIR FAVOR THE PRESUMPTION OF REGULARITY; HENCE THEY ARE ADMISSIBLE IN EVIDENCE WITHOUT PROOF OF THEIR AUTHENTICITY, AND ARE ENTITLED TO FULL FAITH AND CREDIT ON THEIR FACE.— In addition, under Rule 132, Section 30 of the Revised Rules of Court, "[e]very instrument duly acknowledged or proved and certified as provided by law, may be presented in evidence without further proof, the certificate of acknowledgment being *prima facie* evidence of the execution of the instrument or document involved." The loan and collateral contracts, as well as the loan applications and Secretary's Certificates herein, are notarized, meaning, they had been acknowledged before a notary public. Notarized documents carry the evidentiary weight conferred upon them with respect to their due execution, and have in their favor the presumption of regularity. Hence, they are admissible in evidence without further proof of their authenticity, and are entitled to full faith and credit on their face. To rebut their authenticity and genuineness, the contrary evidence must be **clear, convincing, and more than merely preponderant**; otherwise, the loan and collateral contracts, loan applications, and Secretary's Certificates should be upheld.

5. ID.; APPEALS; THE SUPREME COURT IS NOT BOUND BY THE FACTUAL FINDINGS OF THE TRIAL COURT WHICH ARE CONTRADICTED BY EVIDENCE.— A perusal of the RTC Decision herein reveals that it substantially relied on Quintos's testimony. Verily, there is no question that the findings of the trial court on the issue of credibility of witnesses and their testimonies are entitled to great respect and accorded the highest consideration by appellate courts and that credibility is a matter that is peculiarly within the province of the trial judge, who had the first hand opportunity to watch and observe the demeanor and behavior of witnesses both for the prosecution and the defense at the time of their testimony. But this rule is not without exception. It does not apply where the trial court overlooked certain facts of substance and value that if considered, would affect the result of the case. The Supreme Court is not bound by factual findings of the trial court which are contradicted by the evidence.

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6. ID.; EVIDENCE; UNCORROBORATED TESTIMONY OF AN INTERESTED PARTY SHOULD NOT BE ACCEPTED HOOK, LINE AND SINKER , BUT THE SAME SHOULD BE ASSESSED WITH EXTREME CARE.— Upon scrutiny, Quintos's fundamental allegations – particularly, that it was Romualdez who negotiated with NIDC and DBP for the grant of the loans; that Quintos signed the loan and collateral agreements because of the intimidation exerted upon his person by Romualdez; that despite being warned by Quintos, NIDC and DBP still released the proceeds of the loans to Romualdez; that Romualdez did not turnover to or infuse the loan proceeds into GCFI but used the entire amount for personal purposes; that even former First Lady Imelda and Gen. Ver confronted and threatened Quintos; that there were no actual stockholders' and board of directors' meetings held to approve the loans; and that Quintos was only forced and intimidated by Romualdez and Atty. De Joya into signing the Secretary's Certificates and other corporate documents on the supposed stockholders' and board of directors' meetings approving said loans long after the release of the loan proceeds – were essentially based on Quintos's own testimony. Quintos, however, is an interested party, not only was he a signatory to the loan and collateral documents, but he stands to benefit the most from the declaration of nullity of the loans and collateral contracts being the majority stockholder of GCFI and a surety for the loans. Uncorroborated testimony of an interested party should not be accepted hook, line, and sinker. It should be assessed with extreme care.

7. CIVIL LAW; OBLIGATIONS AND CONTRACTS; CONTRACTS; SIMULATED CONTRACTS; NOT REALLY DESIRED OR INTENDED TO PRODUCE LEGAL EFFECTS OR DOES NOT IN ANY WAY ALTER THE JURIDICAL SITUATION OF THE PARTIES; NATURE OF A SIMULATED CONTRACT; LOAN AND COLLATERAL CONTRACTS IN CASE AT BAR NOT MERELY SIMULATED.— The basic characteristic of a simulated contract is that it is not really desired or intended to produce legal effects or does not in any way alter the juridical situation of the parties. In *Velasquez v. Court of Appeals*, the Court expounds on the nature of a simulated contract thus: The real nature of a contract may be determined from the express terms of the agreement and from the contemporaneous and subsequent acts of the parties thereto. When the parties do

not intend to be bound at all by the purported contract, it is called an absolutely simulated contract which under the law is void and the parties may recover what they gave under the simulated contract. If, on the other hand, the parties state a false cause in the contract to conceal their real agreement, the contract is relatively simulated and the parties' real agreement may be held binding between them. Based on the contemporaneous and subsequent acts of the parties herein, it cannot be said that the loan and collateral contracts were merely simulated.

8. ID.; DOCTRINE OF ESTOPPEL; WHERE A PARTY, BY HIS OR HER DEED OR CONDUCT, HAS INDUCED ANOTHER TO ACT IN A PARTICULAR MANNER, ESTOPPEL EFFECTIVELY BARS THE FORMER FROM ADOPTING AN INCONSISTENT POSITION, ATTITUDE OR COURSE OF CONDUCT THAT CAUSES LOSS OR INJURY TO THE LATTER; PETITIONER HELD IN ESTOPPEL IN CASE AT BAR.— Quintos can be held in estoppel on the basis of his acts contemporaneous and subsequent to the execution of the loan and collateral contracts. "Where a party, by his or her deed or conduct, has induced another to act in a particular manner, estoppel effectively bars the former from adopting an inconsistent position, attitude or course of conduct that causes loss or injury to the latter. The doctrine of estoppel is based upon the grounds of public policy, fair dealing, good faith and justice, and its purpose is to forbid one to speak against his own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon." After consistently recognizing NIDC/PNB and DBP as mortgage creditors of GCFI, Quintos is now estopped from adopting a contrary position which denies the same.

9. REMEDIAL LAW; EVIDENCE; ALLEGATIONS OF BAD FAITH AND FRAUD MUST BE PROVED BY CLEAR AND CONVINCING EVIDENCE.— Quintos attributed bad faith on the part of NIDC and DBP when he averred that NIDC and DBP knew of Romualdez's scheme and acted in connivance with Romualdez by still approving and releasing the loans to GCFI. It is a basic principle that good faith is presumed and the burden of proving bad faith rests on the one alleging it. Allegations of bad faith and fraud must be proved by clear

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and convincing evidence. Quintos's testimony hardly constituted clear and convincing evidence of bad faith, not only because it was unsubstantiated, but it also lacked pertinent details. Quintos testified that he warned the "creditors" of GCFI of Romualdez's fraudulent scheme but did not identify which creditors, and if such creditors were corporations, who among the officers or employees of such corporations did he warn as to bind the corporations. Quintos likewise did not describe the manner by which he gave his warning. The fact that NIDC and DBP were warned and had knowledge of Romualdez's plan to divert the loan proceeds to his personal use needed to be established clearly and convincingly for it is determinative of the bad faith of NIDC and DBP if NIDC and DBP still released the loan proceeds despite said warning/knowledge.

10. ID.; ID.; AUTHENTICATION AND PROOF OF DOCUMENTS; WITHOUT PROPER AUTHENTICATION, AND ABSENT ANY SHOWING THAT THE SAME FELL UNDER ANY OF THE RECOGNIZED EXCEPTIONS, AN UNNOTARIZED AFFIDAVIT IS INADMISSIBLE IN EVIDENCE AND SHOULD NOT BE CONSIDERED AT ALL.— The purported corroborating evidence considered by the RTC in its Decision dated June 13, 2002 did not actually substantiate the material points in Quintos's testimony. The Affidavit of Mario M. Labadan (Labadan), who served as Consultant and later on as Vice President for Operations of GCFI, was not notarized and as a private document, it needed to be authenticated in the manner prescribed by the Revised Rules of Court, with only four specific exceptions. Labadan did not appear as witness before the RTC to authenticate his Affidavit and/or personally testify under oath and subject himself to cross-examination on the contents thereof. Without proper authentication, and there being no showing that it fell under any of the recognized exceptions, Labadan's Affidavit was inadmissible in evidence and should not have been considered at all by the RTC.

11. ID.; ID.; BURDEN OF PROOF; THE BURDEN OF EVIDENCE IS UPON THE PETITIONER TO OVERCOME THE PRESUMPTIONS OF REGULARITY, OBSERVANCE OF THE ORDINARY COURSE OF BUSINESS AND SUFFICIENT CONSIDERATION ACCORDED THE LOAN TRANSACTIONS AND OF

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AUTHENTICITY, GENUINENESS, AND REGULAR EXECUTION ENJOYED BY THE NOTARIZED DOCUMENTS.— The RTC erred in saying that "[t]he defendant banks x x x failed to rebut plaintiff Quintos's testimony that such funds 'did not go to the corporation' and that he was just 'coerced and forced to sign long after the loan was consummated.'" The burden of evidence was upon Quintos to overcome the presumptions of regularity, observance of the ordinary course of business, and sufficient consideration accorded the loan transactions and of authenticity, genuineness, and regular execution enjoyed by the notarized documents, and since he failed to present sufficient evidence to discharge such burden, the burden of evidence did not even shift to PNB and DBP.

12. POLITICAL LAW; CONSTITUTIONAL LAW; PHILIPPINE COMMISSION ON GOOD GOVERNMENT; POWERS; RESOLUTION THEREOF IN CIVIL CASE WHERE THE ISSUE DOES NOT INVOLVE RECOVERY OF PROPERTY ALLEGED TO BE ILL-GOTTEN DOES NOT BIND THE COURT.— The PCGG Resolution dated September 8, 1997 in I.S. No. 01 granting Quintos full immunity from civil and criminal prosecution in relation to the acquisition by the Marcoses and their cronies of ill-gotten wealth and excluding him as defendant from Civil Case No. 0019 before the Sandiganbayan does not bind the Court in this case. The PCGG is a unique legal creature with a unique mandate. Executive Order No. 1 dated February 28, 1986 created the PCGG and charged it with the task of assisting the President in the "recovery of all ill-gotten wealth" accumulated by former President Marcos, his relatives, and cronies. The powers and authority of PCGG were defined in several succeeding issuances, namely, Executive Order No. 1 dated February 28, 1986, Executive Order No. 2 dated March 12, 1986, and Executive Order No. 14 dated May 7, 1986, as amended by Executive Order No. 14-A dated August 18, 1986. Executive Order No. 14 dated May 7, 1986, as amended x x x.

APPEARANCES OF COUNSEL

Romulo S. De Grano and Larry M. Barcelo for petitioner.
Office of the Chief legal Counsel (PNB) for PNB.
Office of the Chief Legal Counsel (DBP) for DBP.

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D E C I S I O N

LEONARDO-DE CASTRO, *J.*:

Before the Court is a Petition for Review on *Certiorari* filed by petitioner Ricardo V. Quintos (Quintos) under Rule 45 of the Rules of Court, seeking the reversal and setting aside of: (1) the Decision[1] dated November 30, 2004 of the Court of Appeals in CA-G.R. CV No. 78201, which, in turn, reversed and set aside the Decision[2] dated June 13, 2002 of the Regional Trial Court (RTC) of Makati City, Branch 134 in Civil Case No. 88-508; and (2) the Resolution[3] dated May 27, 2005 of the appellate court in the same case denying Quintos's Motion for Reconsideration. The Court of Appeals upheld the validity of the contracts of loan, real estate mortgage, pledge, and surety executed between Golden Country Farms, Inc. (GCFI) and Quintos, on one hand, and the National Investment and Development Corporation (NIDC)/Philippine National Bank (PNB) and Development Bank of the Philippines (DBP), on the other hand; and dismissed the complaint for annulment of contracts and damages instituted by Quintos before the RTC.

I
THE ANTECEDENTS

The undisputed antecedents

GCFI, formerly known as Alta Tierra Agri-Business, Inc., is a corporation existing under Philippine laws, primarily engaged in livestock production and agri-business. Quintos is the majority stockholder of GCFI, with 74,233 shares of stock, covered by Stock Certificate Nos. 001, 002, 003, and 004 in his name, representing about 74% of all GCFI shares issued, outstanding,

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[1] *Rollo*, pp. 37-56; penned by Associate Justice Mariano C. del Castillo (now a member of this Court) with Associate Justices Romeo A. Brawner and Magdangal M. de Leon, concurring.

[2] *Id*. at 58-82; penned by Presiding Judge Ignacio M. Capulong.

[3] *Id*. at 57.

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and entitled to vote. Quintos had served as President of GCFI from 1975 to 1977, as Director from 1977 to 1982, and again as President from 1986 to 1987.

In 1975, the NIDC approved an application for financial assistance of GCFI in the amount of $5,700,000.00, or its estimated equivalent of ₱43,000,000.00. According to the application of GCFI, the loan proceeds would be used for the integration and expansion of the poultry farm of GCFI in Mamburao, Occidental Mindoro, particularly for: (a) restructuring of existing liabilities of GCFI; (b) construction of breeder and broiler houses; and (c) acquisition of machinery and equipment for an integrated poultry operation. To secure the loan, mortgage and pledge were constituted on real and personal property owned by GCFI and Quintos personally, including all of Quintos's shares of stock in GCFI and the machinery and equipment which GCFI would acquire using the loan proceeds. Quintos also bound himself as surety for the obligations of GCFI to NIDC for the said loan.

The following year, in 1976, GCFI applied for and was granted by DBP an agricultural loan amounting to ₱57,000,000.00 for the acquisition of machinery and equipment and construction of broiler houses.

NIDC and DBP agreed to share on a *pari passu* basis the same securities earlier given by GCFI and Quintos for the NIDC loan, and the contracts of mortgage and pledge were amended accordingly adding DBP as party and the amount of loan extended by DBP as consideration.

The proceeds of both NIDC and DBP loans were released. Thereafter, Armando T. Romualdez (Romualdez) took over management of GCFI as President, but Quintos continued to serve as Director of the corporation.

By the end of the 1970s, GCFI was suffering from financial problems due to poor sales, low production, and weak liquidity problems. Of its loan obligations to NIDC and DBP, GCFI was only able to pay ₱2,200,000.00. On August 1, 1980, NIDC and DBP took over management of GCFI.

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The EDSA People Power Revolution took place in February 1986, which resulted in the ouster of former President Ferdinand E. Marcos and the assumption to power of former President Corazon C. Aquino.

As of June 30, 1986, the loan obligations of GCFI to NIDC and DBP totaled ₱364,938,010.00.

Upon Quintos's initiative, Terms of Reference (TOR)[4] were drawn up allowing him to assume the positions of Director and President of GCFI for 90 days, subject to several conditions. Quintos signed his *conforme* to the TOR.

With the planned dissolution of NIDC on November 30, 1986, a Deed of Transfer[5] was executed on November 28, 1986 by which NIDC assigned, transferred, and conveyed all its rights, title, and interests in and to all of its assets to PNB. The account of GCFI was listed as an investment of NIDC.

Proclamation No. 50 dated December 8, 1986 and its amendment by Proclamation No. 50-A dated December 15, 1986 then created the Asset Privatization Trust (APT) to take over title to and possession of, conserve, provisionally manage, and dispose of the non-performing assets of the National Government. Administrative Order No. 14 dated February 3, 1987 approved the identification of and transfer to the National Government of certain assets and liabilities of PNB and DBP. Through separate Deeds of Transfer[6] executed on February 27, 1987, PNB and DBP assigned, transferred, and conveyed in favor of the National Government all their rights, titles, and interests in and to certain assets, in consideration of the assumption by the National Government of certain liabilities of the said banks. The loans of GCFI were among the non-performing assets of PNB and DBP transferred to the National Government. A Trust Agreement was executed on February 28, 1987 whereby the

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[4] Records, Vol. 3, pp. 1869-1870.

[5] *Id*. at 1981-1992.

[6] *Id*. at 1871-1875 and 2121-2145.

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National Government constituted APT as its trustee over the Trust Properties, which included the loans to GCFI.

On July 27, 1987, the Presidential Commission on Good Government (PCGG) issued a Writ of Sequestration[7] in I.S. No. 01, with the following directive:

> [A]ll assets, properties, records and documents, including all the shareholdings, rights and interests therein, of the following stockholders in GOLDEN COUNTRY FARMS, INC. are hereby sequestered:
>
> 1. RICARDO V. QUINTOS
> 2. ARMANDO T. ROMUALDEZ
> 3. VILMA A. ROMUALDEZ
> 4. ALFREDO T. ROMUALDEZ
> 5. NELIA T. GONZALEZ
>
> it appearing from the evidence at hand that all the foregoing assets, properties and stockholdings are ill-gotten, the same having been acquired by the foregoing stockholders directly or indirectly thru fraudulent and illegal means, and therefore fall within the purview of said Executive Orders 1 and 2.
>
> You are hereby directed to cease and desist from doing and performing any act, directly or indirectly which may cause the sale, transfer, conveyance and encumbrance of the aforementioned assets, properties, records and documents, and shareholdings pending further order from this Commission.

Just a few days later, on August 7, 1987, PNB, DBP, and APT jointly filed a Petition for Extrajudicial Foreclosure Sale[8] requesting the Clerk of Court and *Ex-Officio* Sheriff of the RTC of Occidental Mindoro to take possession of the mortgaged properties of GCFI and Quintos, consisting of real properties and chattel, and to sell the same at a public auction to satisfy the indebtedness of GCFI to PNB and DBP in the amounts of ₱233,255,249.43 and ₱322,272,538.51, respectively, or in the total amount of ₱555,527,787.94, as of June 30, 1987. The

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[7] Records, Vol. 1, p. 49.

[8] Records, Vol. 3, pp. 1876-1878.

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public auction sale of the mortgaged properties was scheduled on April 7, 1988.[9]

As countermeasure, Quintos filed on April 4, 1988 with the RTC of Makati City, Branch 134 a Complaint[10] for the annulment of the loan and mortgage contracts with prayer for the issuance of a writ of preliminary injunction, which was docketed as Civil Case No. 88-508. The RTC issued on April 5, 1988 a Temporary Restraining Order[11] enjoining PNB, DBP, and the Provincial Sheriff of Mamburao, Occidental Mindoro and/or his deputies from proceeding with the scheduled extrajudicial foreclosure sale of the mortgaged properties of GCFI and Quintos. After hearing, the RTC issued an Order[12] dated April 27, 1988 granting Quintos's prayer for issuance of a writ of preliminary injunction conditioned upon his filing of a bond in the amount of ₱3,000,000.00. Upon Quintos's compliance with the bond requirement, the RTC issued the Writ of Preliminary Injunction[13] on May 2, 1988 ordering PNB, DBP, and the Provincial Sheriff of Mamburao, Occidental Mindoro to refrain from proceeding with the extrajudicial foreclosure on the mortgages until further orders from the court. In an Order[14] dated October 17, 1988, the RTC denied the Motion to Dissolve Writ of Preliminary Injunction filed by PNB and DBP.

Quintos filed a Motion to Admit Amended Complaint, together with the Amended Complaint.[15] Despite the opposition[16] of PNB, the RTC issued an Order[17] dated September 6, 1988 admitting the Amended Complaint.

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[9] Records, Vol. 1, pp. 50-73.

[10] *Id*. at 1-12.

[11] *Id*. at 83; penned by Judge Ignacio M. Capulong.

[12] *Id*. at 457-459.

[13] *Id*. at 475.

[14] *Id*. at 600-601.

[15] *Id*. at 560-573.

[16] *Id*. at 596-599.

[17] *Id*. at 584.

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While Civil Case No. 88-508 was pending before the RTC, the National Government, through APT, and Quintos entered into a Memorandum of Agreement (MOA)[18] dated February 26, 1992 which authorized Quintos to take possession, preserve, and protect the mortgaged properties, subject to certain conditions on Quintos's part, such as his submission of a program of conservation and protection of the said properties; submission of reports as may be required by APT on the status of the properties; assuming the expenses incurred in connection with the preservation and protection of the properties; posting of a performance bond of ₱5,000,000.00; and the detailing of security guards at the premises to secure the properties during the effectivity of the Agreement on his own account. The MOA was approved by the RTC in an Order[19] dated March 13, 1992. Two years later, however, APT, through a Notice of Rescission[20] dated July 12, 1994, informed Quintos that the APT Board of Trustees decided to rescind the MOA due to Quintos's failure to submit a program of conservation and protection of the properties and to reimburse APT for the expenses it incurred for the detail of security guards at the premises.

In the meantime, PNB filed with the RTC a Motion to Implead[21] APT in Civil Case No. 88-508, which the RTC denied in an Order[22] dated July 22, 1992. The subsequent Manifestation and Motion for Reconsideration[23] of PNB was likewise denied by the RTC in its Order[24] dated October 12, 1992. PNB and DBP then elevated the said RTC Orders to the Court of Appeals through a joint Petition for *Certiorari*, docketed as CA-G.R.

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[18] *Id*. at 746-750.

[19] *Id*. at 752-755.

[20] Records, Vol. 2, pp. 1293-1294.

[21] Records, Vol. 1, pp. 760-763.

[22] *Id*. at 779.

[23] Records, Vol. 2, pp. 965-968.

[24] *Id*. at 975.

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SP No. 29627. The Court of Appeals, in a Decision[25] dated March 10, 1993, dismissed the said Petition taking into account that APT was never a party or privy to any of the contracts sought to be annulled; and APT, by presenting the MOA it executed with Quintos for approval by the RTC, already voluntarily submitted itself to the jurisdiction of the trial court and agreed to be bound by whatever judgment the court *a quo* may render in Civil Case No. 88-508. The appellate court further mused that the interest of APT in the mortgaged properties was, at best, only temporary and might not even last until the termination of the case. The Court of Appeals denied the Motion for Reconsideration of PNB and DBP in a Resolution[26] dated July 15, 1993. To assail the judgment of the Court of Appeals in CA-G.R. SP No. 29027, PNB and DBP filed before the Court a Petition for Review on *Certiorari*, docketed as G.R. No. 111152. The Court denied the said Petition in a Resolution dated January 29, 1996, which became final and executory on April 1, 1996.[27] After the lapse of several years and the rescission by APT of the MOA with Quintos, APT itself filed before the RTC a Motion for Intervention[28] in Civil Case No. 88-508. In Resolutions dated December 18, 1997[29] and April 20, 1998,[30] the RTC denied the Motion for Intervention and Motion for Reconsideration of APT, respectively.

Quintos's position: The loan and collateral contracts are void ab initio.

Quintos alleged that the loan and collateral documents are void *ab initio* because he only executed the same under duress

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[25] Records, Vol. 2-A, pp. 1603-1613; penned by Associate Justice Cancio C. Garcia with Associate Justices Santiago M. Kapunan and Alfredo M. Marigomen, concurring.

[26] *Id*. at 1615.

[27] Records, Vol. 2, p. 1066.

[28] *Id*. at 1097-1107.

[29] *Id*. at 1337-1338.

[30] *Id*. at 1361.

and said contracts are completely simulated for lack of consideration.

According to Quintos, sometime in 1973 or 1974, he was forced and coerced by Romualdez, the brother of then First Lady Imelda R. Marcos, into selling his shares of stock in GCFI to Romualdez. Quintos was left with no choice but to accede so he surrendered his certificates of shares of stock in GCFI to Romualdez but did not execute any transfer documents because he was not yet paid for the shares as promised. Romualdez then, without authority, negotiated loans on behalf of GCFI with NIDC and DBP, offering as security, together with the assets of GCFI, real property and the shares of stock in GCFI owned by Quintos. NIDC and DBP were sufficiently informed and fully aware of the foregoing facts, but in connivance with Romualdez, still approved the loans in the total amount of ₱100,000,000.00. The loan proceeds were released by NIDC and DBP in tranches to Romualdez but were not turned over to or infused into GCFI, and instead, were misspent and misappropriated by Romualdez for his personal use. Despite being the majority shareholder in GCFI, Quintos was not able to participate in the management of GCFI as Romualdez and his group were in control. Romualdez and his group mismanaged GCFI and wasted corporate assets, leaving the corporation bankrupt.

Quintos signed the loan and collateral documents and delivered the certificates of title to his real properties and certificates of shares of stock in GCFI only in 1977, long after the loan proceeds were already released to Romualdez, and against Quintos's free will because Romualdez constantly employed duress, threats, and intimidation on him. No board meeting or stockholders' meeting was ever held concerning the loans and the Secretary's Certificates and other corporate documents in support of the loan transactions were all simulated.

Romualdez never paid Quintos for the latter's shares of stock in GCFI, even when other persons had already interceded in Quintos's behalf to collect from Romualdez. No payments were also made to NIDC and DBP for the loans, yet DBP extended

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additional loans to GCFI in the amounts of ₱10,000,000.00 and ₱4,000,000.00 on August 14, 1980 and May 13, 1981, respectively. Quintos already cautioned the creditors of GCFI about Romualdez's illegal activities. Quintos also tried to seek the assistance of former President Marcos since Romualdez was the latter's brother-in-law. Former President Marcos promised to help, but his wife, former First Lady Imelda, made a telephone call to Quintos warning him not to spread ugly rumors against her brother Romualdez and saying that Romualdez would pay him. Two days after former First Lady Imelda's call, Quintos was picked up by members of the Philippine Constabulary Metropolitan Command (METROCOM) and brought before General Fabian C. Ver who advised Quintos not to complain anymore.

That NIDC and DBP gave Romualdez special treatment could be gleaned from the fact that said creditors never took action on the loans during the entire period of Martial Law, only foreclosing on the mortgage properties after the assumption of former President Aquino.

Even when the PCGG initially included Quintos among the respondents in I.S. No. 01 against whom it issued the Writ of Sequestration[31] dated July 27, 1987, the PCGG eventually issued a Resolution[32] dated September 8, 1987, pertinent portions of which are reproduced below:

NOW, THEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED THAT in the exercise of its power under Executive Order Nos. 1, 2, 14, 14-A, Series of 1986, the Commission hereby approves the grant of, as it hereby grants, to RICARDO V. QUINTOS full immunity from civil and criminal prosecution by virtue of his past association with the Marcoses and their cronies and his personal involvement in the acquisitions of ill-gotten wealth subject matter of his inquiry or investigation by the PCGG:

By virtue hereof, the Commission hereby further resolves:

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[31] Records, Vol. 1, p. 49.

[32] *Id*. at 140-142.

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1. To exclude Ricardo V. Quintos as defendant in Civil Case No. 0019 entitled Republic of the Philippines vs. Armando T. Romualdez, et al., pending before the Sandiganbayan and to release him from all civil liabilities with respect to all matters arising from his past association with the Marcoses and their cronies. The Legal Department is directed to coordinate with the Office of the Solicitor General to implement the foregoing resolution.

The aforequoted Resolution was based on the conclusion and recommendation of Atty. Norma M. Cardenas of the PCGG Legal Department that "Quintos had been a victim than a co-conspirator of Armando Romualdez, in the absence of any evidence to the contrary, and therefore should be dropped from the case."[33]

The position of PNB and DBP: The loan and collateral contracts are valid and binding.

PNB and DBP maintain that the loan and collateral contracts executed between GCFI, represented by its President, Quintos, on one hand, and NIDC and DBP, on the other hand, are valid and binding. NIDC and DBP dealt only with Quintos as regards the loans. Quintos was duly authorized by the GCFI Board of Directors and stockholders to secure the loans for the benefit of the corporation. The collateral contracts constituting mortgage or pledge on Quintos's properties even bear the marital consent of Quintos's wife, Agnes de la Torre (Agnes). The loan and collateral contracts were all notarized. The proceeds of the loans were delivered to, were utilized by, and benefitted GCFI.

Quintos voluntarily obligated himself as surety for the loans and when GCFI violated the terms of the loans, he alleged that intimidation and coercion were employed upon his person by Romualdez so as to evade payment of just and valid obligations and exculpate himself from personal liability as surety. Quintos and his business associate, Romualdez, together mismanaged the affairs and operations of GCFI during their tenure as President

[33] *Id*. at 142.

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and Chairman of the GCFI Board of Directors, respectively, resulting in great loss and damage to the corporation.

Quintos was estopped from repudiating the loan and collateral contracts after having benefitted from the loan proceeds as President, Director, and stockholder of GCFI. Quintos was likewise estopped from questioning the foreclosure proceedings initiated by PNB and DBP pursuant to the condition in his Letter dated September 11, 1986 and the TOR which allowed him to assume the positions of Director and President of GCFI after the EDSA People Power Revolution in 1986 but he waived any action on his part to obstruct, forestall, or delay in any manner the exercise by NIDC/PNB and DBP of their rights as mortgage creditors, including the right to foreclose on the mortgaged properties. In addition, the action had already prescribed for Quintos's failure to file the same within the four-year prescriptive period and his cause of action had been extinguished by reason of estoppel by laches because of his unreasonable delay in bringing the action.

The RTC accorded weight and credence to Quintos's testimony and ruled in his favor.

After trial on the merits, the RTC rendered its Decision on June 13, 2002, in Quintos's favor. The conclusions made by the RTC and the evidence on which these were based are extensively quoted below:

> After judicious review of the records of the case, the Court rules for plaintiff Quintos.
>
> Under Art. 1318 of the Civil Code, there is no contract unless the following requisites concur: 1.) consent of the contracting parties; 2.) object certain which is the subject matter of the contract; 3.) cause of the obligation which is established.
>
> The Court finds that the mortgage over the assets of the GCFI and [Quintos] was constituted to secure certain loan obligations, in the original sum of ₱57M (Exh 4-DBP), and additional loans of ₱10M (Exh-17 DBP) and ₱4M (Exh-18 DBP), the proceeds of which were not turned over or otherwise infused into the GCFI but made

use of by Mr. Armando T. Romualdez personally (TSN, pp. 5-6, June 28, 1991), viz.:

> "A. Yes sir, but they were not turned over or otherwise infused into the corporation but made use of by Mr. Romualdez personally." (TSN, p. 5, June 28, 1991.)

That the defendant banks did release the proceeds of the loan has been admitted by plaintiff Quintos. The defendant banks, however, failed to rebut plaintiff Quintos's testimony that such funds "did not go to the corporation" and that he was "just coerced and forced to sign long after the loan was consummated." (TSN, pp. 18-19, Oct. 13, 1992.) [Quintos] thus testified:

> "Q. You mentioned that in your previous testimony that the proceeds of the loan were released by DBP and PNB, you admit that?
>
> A. Yes, I know for a fact that it was released to Mr. Romualdez, unfortunately, the funds did not go to the corporation and this was testified to by no less than the Chief Accountant and the former Finance Officer.
>
> Q. And you admit that not a single centavo was paid by Golden Country Farm or [Quintos] to DBP and PNB?
>
> A. If I may say so your Honor, I was never part of the management and I did not ascend to that loan, and I would like to go back to the fact that I was just coerced and forced to sign long after the loan was consummated." (TSN, pp. 18-19, Oct. 13, 1992.)

It being an admitted fact that GCFI is a corporate entity, the law requires that the mortgage must be approved by the Board of Directors and the action of the Board of Directors must be authorized by the requisite number of votes of the stockholders representing 2/3 of the outstanding stocks. The authorization must be done at a stockholders' meeting duly called for that purpose after written notice (Sec. 40, Corporation Code). The Court determines from the evidence that at the time the proceeds of the loan were released to and made use of by Mr. Romualdez, the subject deeds, namely, the credit agreement (Exh AA), Deed of Mortgage (Exh. BB), Pledge Agreement (Exh. CC), and Amendment to the Pledge Agreement (Exh. DD), were not authorized by the Board of Directors of the GCFI or signed

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by [Quintos], in his capacity either as officer and majority stockholder of the GCFI. (TSN, pp. 18-19, Oct. 13, 1992.) The [Court] accords weight to the testimony of plaintiff Quintos that he was "x x x forced to sign some documents – the loan and mortgage documents – but this was AFTER THE RELEASE OF THE LOAN" and that the "x x x board resolutions and other corporate documents in support of the loan transaction were all SIMULATED as there were NO BOARD MEETINGS OR STOCKHOLDERS MEETINGS HELD." The witnesses presented by defendant DBP and the documentary evidence of defendant PNB failed to rebut the categorical testimony of plaintiff Quintos that "x x x These corporate documents were simply prepared and made to appear to have been properly signed to meet the requirements of the [creditor] banks." (TSN, pp. 8-9, June 28, 1991.) Quoted hereunder is the testimony of plaintiff Quintos:

> "Q. Did you sign any documents for these loans availed of by the corporation?
>
> A. I was forced to sign some documents – the loan and mortgage documents – but this was AFTER THE RELEASE OF THE LOAN. And as I said, the board resolutions and other corporate documents in support of the loan transaction were all SIMULATED, as there were NO BOARD MEETINGS OR STOCKHOLDERS MEETINGS HELD. These corporate documents were simply prepared and made to appear to have been properly signed to meet the requirements of the [creditor] banks.
>
> Q. Do you have any proof of this?
>
> A. I have here copies of the letters of Mr. Romualdez and his lawyer, Atty. ROGELIO DE JOYA dated May 7, 1977 asking me to sign the transfer of the shares with a promise of payment. You will note that the dates of these letters are later than the dates of the loan agreement and mortgage documents. x x x." (TSN, pp. 8-9, June 28, 1991.)

Even in the face of searching cross examination conducted by defendant PNB's lawyer, plaintiff Quintos stood his ground by maintaining that he was forced and coerced to sign the above described documents AFTER the loan was approved and released, as evidenced by the letters of Romualdez and De Joya. (Exh. FF and GG; TSN, pp. 4; 13-14; 18-19, Oct. 13, 1992.) On this score, plaintiff Quintos testified:

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> "A. x x x but they were signed AFTER the loan was approved and released, as evidenced by the letter of Mr. Romualdez and Atty. De Joya dated sometime in MAY 1977. In short they were asking me to sign in MAY when the loan was approved and released in 1974, long after the loan was released, this was done on the premise that would be paid." (TSN, p. 4, Oct. 13, 1992.)

In answer to the question of the Court, plaintiff Quintos further explained –

> "Q. Actually, who forced you?
>
> A. Well, there was a letter in MAY 1977, which I submitted to the Honorable Court, signed by no less than Mr. Romualdez accompanied by a handwritten note by his lawyer Atty. De Joya, asking me to sign all the documents in MAY 1977, LONG AFTER THE LOAN WAS APPROVED AND RELEASED, WITH THE PROMISE THAT UPON SIGNING I WILL BE PAID. x x x. (TSN, pp. 13-14, Oct. 13, 1992.)

The contents of the aforementioned letter of Armando T. Romualdez (Exh. FF) are quoted hereunder:

> "THE GOLDEN COUNTRY FARMS INC.
> 2316 Aurora Blvd., Pasay City
> Tel. No. 52-29-44; 55; 63
>
> "March 28, 1977
>
> "Mr. Ricardo [V]. Quintos
> Mababang Parang
> Binangonan, Rizal
>
> "Dear Ding:
>
> "The NIDC and DBP have been breathing on our necks to have all the real estate we have mortgaged to them transferred in the corporation's name.
>
> "I have caused Atty. De Joya to prepare the attached document for yours and Mrs. Quintos's signatures. By this document, we hope the Register of Deeds would effect the required transfer. This way, we shall not be required to pay an enormous amount for documentary and science stamps had the document prepared were a deed of sale. As a matter of fact, all the real estates

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covered by the attached document are assets of the corporation since its incorporation.

"As soon as said document has been signed by you and your wife, we will submit it to the Register of Deeds of Mamburao to effect the transfer.

"Please give my best regards to Mrs. Quintos.

Sincerely yours,

(Sgd) ARMANDO T. ROMUALDEZ"

That [Quintos] was pressured to sign documents long after the release of the proceeds of the loan has been exposed to the open by the letter of Atty. Rogelio de Joya (Exh. GG). In his letter, Atty. Rogelio de Joya did ask plaintiff Quintos to "x x x sign the attached Directors/Stockholders Certificate pending transfer of your shares to Mr. Romualdez as to his assignee", with the warning that Mr. Romualdez required him to "x x x sign the above document because we have to meet the submission deadline. x x x" The full text of Atty. De Joya's letter (Exh. GG) is quoted hereunder:

"May 7, 1977

"Mr. Quintos

"Please sign the attached Directors/Stockholders Certificate pending transfer of your shares to Mr. Romualdez as to his assignee.

"I have already conveyed to Mr. Romualdez reminder of his original proposal to you as payment for your investment in GCFI. He suggested that you sign the above document because we have to meet the submission deadline.

"Sincerely

(Sgd) ROGELIO DE JOYA"

The Affidavit of MARIO M. LABADAN (Exh. EE) is corroborative in nature. Evidence shows that Labadan was "hired on the year of 1967 as Consultant by the then Quintos Farm, and later the Aimperial Livestock, Incorporated, the same corporation being the origin of the now GOLDEN COUNTRY FARMS, INCORPORATED (GCFI), owned by Mr. Ricardo V. Quintos" and "from December 1976 to February 1978, Vice President for Operations (of GCFI). According to witness Labadan, through his Affidavit (Exh. EE) –

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"x x x x x x x x x

"4. I am aware of the fact that Mr. Ricardo V. Quintos, is the majority stockholder of the GCFI;

[M]oreover, Mr. Armando T. Romualdez took over the management of the GCFI as Chairman of the Board, President and General Manager replacing Mr. Quintos who was the former President of the Corporation being the majority stockholder of the same;

"5. It was also at this point, that I remember that Mr. Ricardo Quintos notwithstanding his majority shareholdings in the GCFI could not participate in the management and corporate affairs of the corporation. This went on up to the time when the Development Bank of the Philippines (DBP) took over and my subsequent resignation from the GCFI in 1978.

"6. I know for a fact that Mr. Quintos was not paid for his shareholdings as I even interceded in his behalf in trying to collect from Mr. Romualdez and to my knowledge up to the time I left the Corporation, no payment was made to him;

"7. Notwithstanding such representations I made, no payment was made; x x x."

The testimony of Alejandro Cruz Herrera Jr., financial officer of GCFI likewise strengthen [Quintos's] evidence that there were no stockholders or directors' meeting of GCFI in relation to the subject loans, viz.:

"x x x x x x x x x

Q. Was [Quintos] a party to the loan obligations?

A. He was not, but I can recall that he was made to sign some corporate documents in support of the bank loan transactions.

Q. How did you know that?

A. You see the then Corporate Secretary, Atty. Rogelio de Joya, who was Corporate Secretary from 1974 to 1977, is a good friend of mine. He, de Joya used to prepare some corporate documents, certificates and minutes of so-called stockholders and directors' meetings when in truth there were no such meetings held. I personally knew these things because I used

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to see him prepare the documents and then ask the people to sign upon instructions of Mr. Romualdez.

Q. During your stay with the corporation, did Mr. Quintos participate in the management?

A. I can recall that from the time the loan negotiations with the creditor banks started, he was no longer being consulted by management and up to 1975, during my last days with the corporation, the Romualdez group were already dictating all things about the corporation.

Q. Did the Romualdez group already own the corporation in 1975?

A. That was the saddest part of it, they were already acting as owners while Mr. Quintos still owned the majority shares." (TSN, pp. 15-16, June 28, 1991.)

The Court finds that [Quintos] was compelled to affix his signature on the above described documents on account of a reasonable and well grounded fear of an imminent and grave evil upon his person or property (Art. 1335, 2nd para, Civil Code). The Court accords weight to the testimony of plaintiff Quintos when he described the "atmosphere prevailing" under Martial Law, thus –

"A. Well your Honor, to share my feelings during that time, the atmosphere prevailing during that time, I was scared for my life, and I have as a matter of fact leave the country and only to come back and was coerced to sign it with the promise that I will be paid, as I mentioned, mine is not the only isolated case. I was already a common joke if you recall, during the martial law regime about the mining industry that our First Lady was involved in, where she just point and consider EVERYTHING MINE, THIS IS MINE, THAT IS MINE." (TSN, p. 22, Oct. 13, 1992.)

The courage that plaintiff Quintos mustered to seek assistance from President Marcos in the face of the illegal activities of his brother-in-law, Armando T. Romualdez was, to say the least, an exercise in futility. On this score, plaintiff Quintos testified that –

"A. I tried to warn the creditors and inform them of the situation. I then went to President Marcos who promised to help but what I got was a call from the former First Lady

> warning me not to spread ugly rumors against [her] brother Armando and told me that Armando would pay me. Two days later, I was picked up by the METROCOM and brought before Gen. Fabian Ver who advised me not to complain anymore for my health and just wait for the payment from Armando. I have not been paid to date because, from the start, it was all part of a fraudulent scheme of Armando Romualdez to take over my corporation, to get my shares and ease me out of the corporation without them giving anything in return." (TSN, pp. 6-7, June 28, 1991.)
>
> x x x x x x x x x

On cross examination of defendant DBP's counsel, plaintiff Quintos clarified that:

> "A. Well, while I was talking to the President to… and it was the First Lady who told me, it was still ringing in my ears now, I can never forget that, because she was shouting at me and she was saying that, I should stop seeing the President about [her] brother and I should give him a chance because he will pay me. And I should stop spreading any dirty rumors against them. After which, as I have mentioned, two (2) days after, I was picked up by the METROCOM and brought to General Ver, who again also told me the same. x x x." (TSN, p. 10, Oct. 13, 1992.)
>
> x x x x x x x x x

Defendant DBP presented only two (2) witnesses, namely Messers. Soliman and Dangilan, who, by their own admission, were not present or did not see plaintiff Quintos execute the questioned documents. Soliman, being first employed with DBP only on May 16, 1979, admitted that he was not conversant to the transactions prior to that date (TSN, p. 19, Jan. 5, 2000). Soliman explained that he had no participation in the preparation of the documents presented by DBP, x x x. Thus, Soliman, on recross examination (TSN, 25 January 2000), clarified that he had no occasion in seeing plaintiff Quintos actually sign any of the documents on file with the DBP; that he [had] no occasion to confirm personally from plaintiff Quintos whether or not the signatures appearing on DBP file were actually his (Quintos) signature (TSN, p. 16, Ibid.). Neither did the testimony of Verden Dangilan bolster the DBP cause. Being the President and Chairman of GCFI when the additional loans (₱10M and ₱4M)

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were granted, Dangilan displayed his incompetence in operating or managing the corporate affairs. Significantly, Dangilan admitted that prior to his ascendancy as President and Chairman of GCFI, Mr. [Armando] Romualdez was the presiding officer (TSN, pp. 4-5, August 8, 2000). Even Dangilan testified that Exh 1 (Loan Application) was not signed in his presence (TSN, p. 3, August 8, 2000). Admitting that GCFI was delinquent in its loan payment, Dangilan did not give cogent reason justifying the grant of additional loans, namely (₱10M, Exh. 17 and ₱4M, Exh. 18), without any collaterals.

Viewed in this light, the Court determines that there was no consent either from the GCFI, as a corporate being, through its Board of Directors, or from [Quintos], the majority stockholder, on the subject deeds, at the time of the grant of the subject loan accommodations up to and including the time Mr. Romualdez received the proceeds thereof. The all important consent is absent which essentially consists of the conformity of the parties on the terms of the contract, the acceptance by one of the offer made by the other; it is the concurrence of the minds of the parties on the object and the cause which shall constitute the contract. The area of agreement must extend to all points that the parties deem material or there is no consent (Tolentino, vol IV, p. 447). In answer to the cross examination question of defendant DBP's counsel, [Quintos] testified that Romualdez was the one who completely controlled the corporation together with some of the members of the creditor banks, viz:

> "Q. You mentioned that the Chief Accountant and the Finance Officer, at that time that you mentioned that you were not allegedly a part of management, do you happen to know if you know that he was still a part of …?
>
> A. Yes sir, he was a part, I was being informed by him and the record shows that there was no board meeting and if ever there was one, I was never present. And all the management report submitted, I was never present in any of their meetings and it is also on record that Mr. Romualdez was the one in complete control together with some of the members of the creditor banks. x x x."

No one may contract in the name of another without being authorized by the latter, or unless, he has a right to represent him. (Art. 1317, Civil Code). Evidence shows that the defendant banks were aware of inherent defect of the status or personality of Armando

T. Romualdez, given the fact that at the time of said loans and mortgages, he (Romualdez) was never a stockholder, much less an officer of Golden Country Farms Inc. Disregarding such inherent defect, the defendant banks still went on to recognize Armando T. Romualdez as one acting for and behalf of GCFI and eventually released to him the proceeds of the loans. Armando T. Romualdez had complete control of the corporation together with some of the members of the creditor banks (TSN, p. 20, Oct. 13, 1992). The defendant banks, throwing away well entrenched banking and commercial law and practice went on to accord special and preferential treatment to the said Armando T. Romualdez and his wife by allowing him to sign on the subject deeds, knowing full well that he is at best a stranger to the corporation. As [Quintos] testified –

> "he (Romualdez) is not a holder of even a single stock in the corporation, the bank recognized him." (TSN, p. 17, Oct. 13, 1992)

On this score, the testimony of plaintiff Quintos, on cross examination, is enlightening –

> "Q. Did you not communicate to them?
>
> A. Well, long before that, I've tried already, I have even approached no less than the president, I informed the creditors about the anomalous transactions and I even gathered enough courage to approach the president to inform him about this but to no avail…" (TSN, p. 6, October 13, 1992)

Plaintiff Quintos also testified:

> "A. I was sure because Mr. Romualdez took it from me and presented to the DBP. If I may qualify further, you will note that all the documents you mentioned where my name appeared Mr. Romualdez signature together with his wife also appears, inspite of the fact that he is not even a holder of even a single stock in the corporation, the bank recognized him." (TSN, p. 17, Oct 13, 1992).

The court finds that the subject deeds had no cause or consideration. The proceeds of the loan were not received by GCFI or [Quintos]. Contracts without cause produce no effect whatever. (Art. 1352, Civil Code.) The subject deeds were merely simulated and is therefore null and void. As the deeds (Exhs. AA, BB, CC and DD) are void or inexistent contracts they have no force and effect from the very

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beginning, as they had never been entered into, and which cannot be validated either by time or by ratification. A void or inexistent contract is equivalent to nothing, it is absolutely wanting in civil effects. (Civil Code, annotated, vol. IV, Tolentino, p. 629). Inexistent contract implies that there is no contract but only the appearance of one, and it produces no effect even if not set aside by a direct action (8 Manresa, 789, cited Tolentino, p. 631). Under Art. 1409 of the Civil Code, the following contracts, among others, are inexistent and void: those whose cause, object or purpose is contrary to law, morals, good customs, public order or public policy, those which are absolutely simulated or fictitious; and those whose cause or object did not exist at the time of the transaction. The defect of [inexistence] of a contract is permanent and incurable, hence, it cannot be cured either by ratification or by prescription (*Baranda vs. Baranda*, 150 SCRA 59; *Teja vs. IAC*, 148 SCRA 347).

Relative to the facts obtaining in the case, the Court takes cognizance of the fact that the very first Executive Order issued by President Corazon C. Aquino, after her assumption of office and the ouster of President Ferdinand Marcos on February 25, 1986, was Executive Order No. 1 issued on February 28, 1986 creating the Presidential Commission on Good Government (PCGG) charging it with the task of assisting the President in regard to the recovery of all ill-gotten wealth accumulated by former President Marcos, his immediate family, relatives, subordinates and close associates. (*PCGG vs. Pena*, 159 SCRA 556). In the exercise of its functions, the PCGG, through a memorandum, made the definitive declaration that x x x "Quintos had been a victim than a co-conspirator of Armando Romualdez" (TSN, pp. 10-12, June 28, 1991; Exh LL), which finding paved the way for Quintos's exclusion from Civil Case No. 0019 before the Sandiganbayan. x x x.

x x x x x x x x x

The present case represents plaintiff Quintos's continuing action to recover the properties illegally mortgaged to the defendant banks.

Consequently, the annulment of the subject documents are in order. The action for the declaration of the inexistence of a contract does not prescribe (Art. 1410, Civil Code). The nullity of these [deeds] is definite and cannot be cured by ratification. (*Guiang vs. Kintanar*, 106 SCRA 49, *Teja vs. IAC*, 148 SCRA 347; *Baranda vs. Baranda*, 150 SCRA 59). As a legal consequence, there is necessity to make the injunctive writ permanent given the evidence that

[Quintos] has substantial interest in the assets which are sought to be foreclosed by defendant banks, on account of the fraudulent acts of Armando T. Romualdez and the previous nominees of [defendant] banks in the operation and management of GCFI. The properties therefore subject of the mortgage are hereby decreed to be recovered from the [defendant] banks and the mortgage inscriptions on the corresponding transfer certificates of title be cancelled considering that the same have been constituted as a result of or due to the void or inexistent contract. The above described credit agreement (Exh. AA), deed of mortgage (Exh. BB), pledge agreement (Exh. CC), and amendment to the pledge agreement (Exh. DD) and any and all the loan agreements and promissory notes entered into by and between GCFI and the defendants PNB and DBP, including the transfer of the assets of GCFI and/or [Quintos] to the Assets Privatization Trust, are hereby declared null and void. Any and all the mortgage inscriptions on the transfer certificates of title of GCFI, more particularly listed in the NOTICE OF EXTRAJUDICIAL SALE (Exh. DD) are likewise declared null and void and consistent with such finding the Office of the Registry of Deeds of Mamburao, Occidental Mindoro is ordered to cause the cancellation of said mortgage inscriptions. The defendants PNB and DBP are required to return to the GCFI, through [Quintos], any and all the securities or transfer certificates of titles which were made to secure the above described loan accommodations and the same defendant banks are ordered to return to [Quintos] the GCFI stock certificates nos. 001, 002, 003, and 004, in the name or owned by the latter, free from any lien. Considering that [Quintos] was forced to engage the services of counsel to assert his claim against the [defendant] banks, and pursue the same for the last eleven (11) years, the latter, jointly and severally, are held liable to the former in the amount of ₱200,000, as attorney's fees. The court further finds the [defendant] banks, jointly and severally, liable for the payment of the cost of suit.[34]

In the end, the RTC decreed:

WHEREFORE, judgment is hereby rendered in favor of plaintiff Ricardo V. Quintos and against the defendants PHILIPPINE NATIONAL BANK (PNB) and the DEVELOPMENT BANK OF THE PHILIPPINES (DBP) as follows:

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[34] *Rollo*, pp. 68-81.

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1. declaring null and void the credit agreement (Exh. AA), deed of mortgage (Exh. BB), pledge agreement (Exh. CC), and amendment to the pledge agreement (Exh. DD), as well as promissory notes (Exh. 4-DBP, 17-DBP, and 18-DBP) and any and all the loan agreements and deeds of mortgages entered into by and between Golden Country Farms Inc. and the defendants PNB and DBP, including the transfer of the assets of GCFI and/or plaintiff to the Assets Privatization Trust;

2. declaring null and void the any and all the mortgage inscriptions on the transfer certificates of title of GCFI, more particularly listed in the NOTICE OF EXTRAJUDICIAL SALE (Exh. DD), and ordering the Office of the Registry of Deeds of Mamburao, Occidental Mindoro to cause the cancellation of said mortgage inscriptions;

3. ordering the injunction earlier issued to be permanent and perpetual thereby enjoining and restraining the defendant banks and the Provincial Sheriff of Mamburao Occidental Mindoro and/or their officers, deputies or representatives from enforcing the extrajudicial foreclosure of the properties covered by the deed of mortgage;

4. ordering the defendants PNB and DBP to return to the GCFI, through [Quintos], any and all the securities or transfer certificates of titles which were made to secure the above described loan accommodations;

5. ordering the defendants PNB and DBP to return to [Quintos] the GCFI stock certificates nos. 001, 002, 003, and 004, in the name of or owned by the latter, free from all liens and encumbrances;

6. ordering the defendant banks, jointly and severally, to pay [Quintos] the amount of ₱200,000, as attorney's fees;

7. ordering the defendant banks, jointly and severally, to pay the cost of suit and other expenses of litigation.[35]

DBP filed a Motion for Reconsideration, but in a Resolution[36] dated December 27, 2002, the RTC remained steadfast in its aforequoted ruling:

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[35] *Id*. at 81-82.

[36] *Id*. at 83; penned by Pairing Judge Rebecca R. Mariano.

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The lack of consent of [Quintos] is manifest absent any proof that he concurred in the contractual transactions entered into with defendant DBP aside from his signatures appearing thereon which he himself sufficiently explained to be a product of fraudulent transactions manipulated by the then President Marcos' brother in-law, Mr. Armando Romualdez.

[Quintos] has satisfactorily explained to the Court that he never intended to be bound by the subject transactions of Mr. Romualdez as the subject loans and mortgages were unauthorized by the Golden Country Farms, Inc. where the former was the majority stockholder. Neither did the Board of Directors or stockholders approve the said loans and mortgages. Hence, the subject documents were absolutely simulated.

Considering that the facts established were supported by documents and testimonies of [Quintos's] witnesses which were uncontroverted to by [PNB and DBP], and consistent with the ruling of the Sandiganbayan in Civil Case No. 0019 declaring [Quintos] to have been a victim rather than a co-conspirator of Mr. Armando Romualdez, the documents subject of this present action shall produce no effect whatsoever. Absolutely simulated documents or contracts are inexistent and the same can be raised by any party at anytime since the said documents do not produce any effect (Article 1409, Civil Code of the Philippines). Thus, neither can the absolutely simulated contracts be ratified nor the party be estopped therefrom.

Finding no new and cogent reason for the modification and/or reversal of the Court's decision dated June 13, 2002, the same shall stay.

WHEREFORE, the motion for reconsideration is hereby DENIED for lack of merit.

The Court of Appeals reversed the RTC judgment and found for PNB and DBP.

Aggrieved, PNB and DBP appealed to the Court of Appeals, docketed as CA-G.R. CV No. 78201. In its Decision dated November 30, 2004, the appellate court appreciated the evidence on record far differently from the RTC, thus:

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The crucial issue to be resolved before Us is whether Mr. Quintos's consent was vitiated, in this case, by intimidation, *i.e.*, moral force or compulsion. Under the Civil Code, a contract where consent is given through mistake, violence, intimidation, undue influence, or fraud is voidable.

Defect or lack of valid consent, in order to make the contract voidable, must be established by full, clear, and convincing evidence, and not merely by a preponderance thereof. In the case at bar, Mr. Quintos has the burden to overcome the presumptions that private transactions have been fair and regular and that the ordinary course of business has been followed, more so when all these assailed documents are undeniably duly notarized, hence clothed with the *prima facie* presumption of regularity and due execution.

Conflicting and contradictory evidence was adduced at the trial in an effort to sustain the respective contentions of the parties. After painstakingly examining the records and in weighing the circumstances, We opine that these documents are not subject to annulment as procured by intimidation.

Assuming that Mr. Quintos's claim that his consent was not freely given at the time of the execution of the subject agreements, he had four years to file an action for annulment from the time of the cessation of the defect of his consent, which he promptly did by filing the action in 1988, two years after the EDSA Revolution. However, voidable contracts can be ratified, and if this had been done, the action for annulment is extinguished.

For the court to determine whether the contract is truly vitiated, the conduct of the party (who was allegedly coerced) at the time of making the contract and subsequent thereto must be considered. In this case, two documents, particularly his letter addressed to the creditors dated September 11, 1986 and the Terms of Reference, both of which We emphasize that he did not ever question, and to which he conformed to unequivocally and without reluctance, reveal that he had given his confirmation, thus expressly validating all the contracts. The documents state:

"Gentlemen:

Further to my request to be allowed to oversee the operations of Golden Country Farms, Inc., I would like to make it clear that:

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1. I do not question the action of DBP and NIDC/PNB in taking over the management of GCFI in the exercise of their rights as pledgees of more than 67% of the voting rights in, and as major creditors of GCFI;

2. That if allowed to oversee the operations of GCFI, I shall try my best efforts to make the company operate profitably without additional funding from either DBP or NIDC/PNB, and that I shall not in any manner whatsoever obstruct nor take any steps as would tend to obstruct, prevent, or delay DBP and NIDC/PNB from exercising their legal rights as mortgage creditors of GCFI, including the right to foreclose should they deem it necessary to protect their interests;

3. I shall abide by the terms and conditions that DBP and NIDC/PNB may impose in consideration of their allowing me to oversee the operations of GCFI

Very truly yours,

Ricardo Quintos (sgd.)

x x x x x x x x x

7. It is understood that this arrangement with Mr. Ricardo V. Quintos assuming the positions of Director and President of GCFI for 90 days shall involve a waiver on his part to forestall any action of the DBP, NIDC in the event it be so decided by their respective Boards that a joint foreclosure be instituted against GCFI and/or that the GCFI facilities be disposed of either thru sale or lease to other parties following the joint foreclosure."

To Our minds, the aforementioned declarations as embodied in these documents recognize the rights of the GCFI creditors. As such, he has given efficacy to the contracts suffering from a vice of a curable nullity. He is likewise bound under the principle of estoppel. Whenever a party has, by his own declaration, act, or omission, intentionally and deliberately led another to believe a particular thing true, and to act upon such belief, he cannot, in any litigation

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arising out of such declaration, act, or omission, be permitted to falsify it.

He who does not forbid what he is able to prevent, is deemed to assent, and We cannot permit him to take advantage of his own wrong.[37] (Citations omitted.)

The dispositive portion of the Decision of the Court of Appeals reads:

WHEREFORE, finding reversible error therefrom, the decision now on appeal is hereby **REVERSED AND SET ASIDE**. The complaint filed below for annulment of contracts is hereby **DISMISSED**.[38]

The Court of Appeals denied Quintos's Motion for Reconsideration in a Resolution dated May 27, 2005, because the issues raised therein have already been passed upon and considered in the Decision.

II
THE PETITION AT BAR

As an exception to the general rule, the Court takes cognizance of the questions of fact raised in the instant Petition for Review under Rule 45 of the Revised Rules of Court.

Quintos is seeking recourse from this Court through the present Petition for Review on *Certiorari*, based on the following assignment of errors:

27. [Quintos] submits that: (a) The Honorable Court of Appeals committed a serious error of fact and law in not finding that the loan and mortgage documents were a nullity for want of consideration or being simulated; (b) The Honorable Court of Appeals committed serious error when it ignored facts central to the issue of vitiated consent as found by the trial court; and (c) [T]he Honorable Court

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[37] *Id*. at 52-55.

[38] *Id*. at 55.

of Appeals seriously erred in finding that the loan and mortgage documents were ratified by Quintos, contrary to established legal doctrines and contrary to the findings of the trial court.[39]

The conflicting judgments of the RTC and the Court of Appeals are ultimately rooted in their completely divergent findings of fact, *i.e.*, the RTC accorded weight and credence to Quintos's evidence, consisting mainly of his testimony, that the loan and collateral contracts lacked consent and consideration and were entirely simulated and, thus, null and void; while the appellate court deemed Quintos's evidence insufficient to overturn certain disputable and *prima facie* presumptions that the loan and collateral contracts were regularly executed, valid, and binding.

It is settled that the jurisdiction of the Court in cases brought before it from the appellate court via a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court is limited to reviewing errors of law, and findings of fact of the Court of Appeals are conclusive upon the Court since it is not the function of the Court to analyze and weigh the evidence all over again. Nevertheless, in several cases, the Court enumerated the exceptions to the rule that factual findings of the Court of Appeals are binding on the Court: (1) when the findings are grounded entirely on speculation, surmises, or conjectures; (2) when the inference made is manifestly mistaken, absurd, or impossible; (3) when there is grave abuse of discretion; (4) when the judgment is based on misapprehension of facts; (5) when the findings of fact are conflicting; (6) when in making its findings the Court of Appeals went beyond the issues of the case, or its findings are contrary to the admissions of both the appellant and the appellee; (7) when the findings are contrary to that of the trial court; (8) when the findings are conclusions without citation of specific evidence on which they are based; (9) when the facts set forth in the petition as well as in the petitioner's main and reply briefs are not disputed by the respondent; (10) when the findings of fact are premised on the supposed absence of evidence and contradicted by the evidence on record; or (11) when the

[39] *Id*. at 23.

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Court of Appeals manifestly overlooked certain relevant facts not disputed by the parties, which, if properly considered, would justify a different conclusion.[40] The seventh exception clearly applies in this case.

The loan transactions are accorded the disputable presumptions of regularity, observance of the ordinary course of business, and sufficient consideration; and the notarized loan and collateral contracts and other documents also enjoy the presumptions of regularity, authenticity, and genuineness which can only be overcome by clear and convincing evidence.

Burden of proof is the duty of a party to present evidence on the facts in issue necessary to establish his claim or defense by the amount of evidence required by law.[41] In civil cases, the required burden of proof is preponderance of evidence.[42] Preponderance of evidence has been defined as follows:

> Preponderance of evidence is the weight, credit, and value of the aggregate evidence on either side and is usually considered to be synonymous with the term "greater weight of evidence" or "greater weight of the credible evidence." Preponderance of evidence is a phrase which, in the last analysis, means probability to truth. It is evidence which is more convincing to the court as worthier of belief than that which is offered in opposition thereto.[43] (Citation omitted.)

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[40] *Development Bank of the Philippines v. Traders Royal Bank*, 642 Phil. 547, 556-557 (2010).

[41] REVISED RULES OF COURT, Rule 131, Section 1.

[42] REVISED RULES OF COURT, Rule 133, Section 1.

[43] *Magdiwang Realty Corp. v. The Manila Banking Corp.*, G.R. No. 195592, September 5, 2012, 680 SCRA 251, 265.

In this case, PNB and DBP have in their favor the loan and collateral contracts executed by Quintos as GCFI President or in his personal capacity, namely:

(a) Credit Agreement[44] dated December 19, 1975 executed between NIDC, represented by its Acting Senior Vice President and General Manager, Conrado S. Reyes; and GCFI, represented by its President, Quintos, whereby NIDC made available to GCFI a credit facility not exceeding $5,700,000.00;

(b) Deed of Mortgage[45] dated December 19, 1975 executed by GCFI, represented by its President, Quintos, as Mortgagor; together with Quintos, in his personal capacity (with Agnes's marital consent), as Accommodation Mortgagor, constituting in favor of NIDC, as Mortgagee, a mortgage on all the properties listed, which included parcels of land registered in Quintos's name, buildings and improvements, machinery and equipment, and several types of vehicles, as security for the faithful performance/compliance by GCFI of its obligations, covenants, and stipulations under the Credit Agreement;

(c) Pledge Agreement[46] dated December 19, 1975 executed by Quintos in his personal capacity and as stockholder of GCFI (with Agnes's marital consent), constituting in favor of NIDC a pledge on all his 74,233 shares of stock in GCFI to further secure the true and faithful compliance by GCFI of its covenants and stipulations under the Credit Agreement;

(d) Deed of Undertaking[47] dated December 19, 1975 whereby GCFI, represented by its President, Quintos; Quintos,

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[44] Records, Vol. 3, pp. 2009-2028.

[45] *Id*. at 2029-2061.

[46] *Id*. at 2062-2076.

[47] *Id*. at 2083-2090.

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in his personal capacity; spouses Armando and Vilma (Vilma) Romualdez; Alfredo T. Romualdez (Alfredo); Nelia T. Gonzalez (Gonzalez); and Alejandro G. Cruz-Herrera (Cruz-Herrera), as Obligors, committed or promised to NIDC, as Obligee, among other obligations: (i) to amend the articles of incorporation of GCFI increasing its authorized capital stock from ₱10,000,000.00 to ₱50,000,000.00; (ii) to subscribe and pay for at least ₱19,000,000.00 of the increase in capital stock of GCFI; (iii) to correspondingly increase the number of shares pledged to NIDC per the earlier Pledge Agreement; and (iv) to register the GCFI project with the Board of Investments as a preferred enterprise;

(e) Surety Agreement[48] dated December 19, 1975 executed by Quintos (with Agnes's marital consent) as Surety, with GCFI, represented by its President, Quintos, as Principal; and NIDC as Creditor, whereby Quintos jointly and severally with GCFI guaranteed and warranted to NIDC and the latter's successors or assigns the due and punctual performance of obligations under the Credit Agreement and all related documents to the extent of the amount of $5,700,000.00 or approximately ₱43,000,000.00; plus interests, fees, expenses, charges, penalties, and costs arising from the Credit Agreement and other complementary/supplementary agreements; future credit accommodations to be granted by NIDC to GCFI; and the cost of collection of all the obligations secured by said Surety Agreement;

(f) Promissory Note,[49] undated, whereby GCFI, represented by its President, Quintos; Quintos, in his personal capacity, and Spouses Armando and Vilma Romualdez, jointly and severally promised to pay DBP the amount of ₱57,000,000.00 on or before August 20, 1984, with interest at 14% per annum;

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[48] *Id*. at 2077-2082.

[49] *Id*. at 1776-1777.

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(g) Amendment to NIDC Deed of Mortgage Making DBP as Joint Mortgagee and Increasing the Consideration Thereof by Adding the Loan Granted by DBP[50] dated July 30, 1976 executed by GCFI, represented by its President, Quintos; together with Quintos, in his personal capacity (with Agnes's marital consent), in favor of NIDC, represented by its Vice President, Zosimo C. Malabanan (Malabanan); and DBP, represented by its Governor, Jose Tengco, Jr. (Tengco), constituting a *pari-passu* mortgage on the properties listed to likewise secure the loan extended by DBP to GCFI; and

(h) Amendment to Pledge Agreement (Creation of *Pari-Passu* Pledge in Favor of NIDC and DBP)[51] dated July 30, 1976 executed by Quintos (with Agnes's marital consent), with the *conforme* of GCFI, represented by its President, Quintos, constituting a pledge on a *pari-passu* basis in favor of NIDC, represented by its Vice President, Malabanan, and DBP, represented by its Governor, Tengco, on the same shares of stock in GCFI covered by the original Pledge Agreement dated December 19, 1975 so as to likewise secure the credit extended by DBP to GCFI.

The following documents establish the procedure by which the loan applications of GCFI were approved by NIDC and DBP and ratified by GCFI:

(a) Notarized Application for Financial Assistance[52] dated August 15, 1975 signed by Quintos as President/General Manager of GCFI (then Alta Tierra Agri-Business, Inc.), filed with the NIDC, applying for a loan in the amount of ₱100,000,000.00 to be used for the restructuring of the company's existing liabilities, construction of breeder

[50] *Id*. at 2091-2101.

[51] *Id*. at 2102-2117.

[52] *Id*. at 1993-1999.

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and broiler houses, and acquisition of machinery and equipment;

(b) Resolution No. 196[53] whereby the NIDC Board of Directors approved during the meeting dated October 22, 1975 the loan application of GCFI for the amount of $5,700,000.00;

(c) Notarized Secretary's Certificate[54] dated November 20, 1975 signed by Quintos as President, Atty. Rogelio De Joya (De Joya) as Corporate Secretary, and Romualdez as Presiding Officer of the Board of Directors of GCFI, stating that the NIDC loan was ratified at the special stockholders' meeting held on November 18, 1975;

(d) Notarized Secretary's Certificate[55] dated November 20, 1975 signed by Atty. De Joya as Corporate Secretary and attested to by Romualdez as Presiding Officer of the Board of Directors of GCFI, stating that the Board of Directors of GCFI, at the special meeting held on November 18, 1975, approved and adopted several resolutions concerning the NIDC loans, to wit:

BE IT RESOLVED, AS IT IS HEREBY RESOLVED that all ALTA TIERRA'S (now THE GOLDEN COUNTRY FARMS, INC.) statements, representations and warranties as well as all undertakings in the accomplished and submitted Application for NIDC Financing Assistance, the checklist and all other certificates, documents and schedules appended thereto which are hereafter considered to be integral parts of the Credit Agreement between NIDC and the GOLDEN COUNTRY FARMS, INC., be reaffirmed, as they are hereby reaffirmed.

BE IT FURTHER RESOLVED, AS IT IS HEREBY RESOLVED, that after re-examination of the aforementioned statements, representations and warranties as of the date of the passage and adoption hereof, the same are still true as it was made on and with

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[53] *Id*. at 2000-2008.

[54] *Id*. at 2146.

[55] *Id*. at 2147-2148.

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respect to such date; and that all acts, things and conditions, approvals and consents required by applicable law, the Corporation's Articles of Incorporation, its by-laws, and/or by any covenant, indenture or agreement of or affecting the Corporation to authorize the borrowings and delivery of the Agreements and/or the Promissory Note/s have happened, occurred, been taken or obtained;

BE IT FURTHER RESOLVED, AS IT IS HEREBY RESOLVED, that the Corporation formally accept, as it hereby formally accepts all the terms and conditions specified in Clauses 1 through 16, inclusive, on pages 1 through 6 of the letter dated November 7, 1975, from Mr. Zosimo C. Malabanan, Vice President of NIDC, to ALTA TIERRA AGRI-BUSINESS, INC., (now THE GOLDEN COUNTRY FARMS, INC.) x x x

BE IT FINALLY RESOLVED, AS IT IS HEREBY RESOLVED, that Mr. RICARDO V. QUINTOS and Mr. ROGERIO A. DE JOYA, Corporate Secretary be designated and authorized, as they are hereby designated and authorized, jointly or individually, for and in representation of the corporation to sign and deliver all contracts, deeds and instruments necessary to effect implementation of the approval of the credit accom[m]odation by NIDC.

(e) Notarized Application for Agricultural Loan[56] dated January 6, 1976, signed by Quintos as President of GCFI, filed with DBP, applying for a loan in the amount of ₱57,000,000.00 to be used for the acquisition of machinery and equipment and construction of broiler houses;

(f) Resolution No. 120[57] passed by the DBP Board of Directors on May 5, 1976 approving the loan application of GCFI for ₱57,000,000.00;

(g) Minutes[58] prepared by Atty. De Joya as Corporate Secretary, and attested to by Romualdez as Presiding Officer; Quintos as President; Vilma as Treasurer; and Alfredo, Cruz-Herrera, and Gonzalez as Board Members

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[56] *Id*. at 1770-1771.

[57] *Id*. at 1805-1809.

[58] *Id*. at 1810-1813A.

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of GCFI; and notarized Secretary's Certificate[59] dated May 20, 1976 signed by Atty. De Joya as Corporate Secretary, stating that the Board of Directors of GCFI, at the special meeting held on May 19, 1976, unanimously approved the resolution that reads:

RESOLVED, AS IT IS HEREBY RESOLVED, that the President, Mr. Ricardo V. Quintos, be authorized to negotiate a loan of FIFTY-SEVEN MILLION (₱57,000,000.00) PESOS, Philippine Currency, from the DEVELOPMENT BANK OF THE PHILIPPINES, or such amount as may be approved by said institution, and for this purpose, Mr. Ricardo V. Quintos is hereby empowered to sign for and in behalf of THE GOLDEN COUNTRY FARMS, INC., a promissory note and the mortgage contract and such other documents as may be required by the DEVELOPMENT BANK OF THE PHILIPPINES for the granting of loan, Mr. Ricardo V. Quintos is hereby authorized to mortgage under such terms and conditions as the DEVELOPMENT BANK OF THE PHILIPPINES may require any or all the real estate and personal properties of the corporation as may be required by the DEVELOPMENT BANK OF THE PHILIPPINES as well as the properties and assets that may be acquired by the Corporation out of the proceeds of the loan, and those that may be acquired in connection with the business.

The loan transactions evidenced by the aforementioned documents already enjoy several presumptions from the very beginning under Rule 131 of the Revised Rules of Court, specifically:

Section 3. *Disputable presumptions*. – The following presumptions are satisfactory if uncontradicted, but may be contradicted and overcome by other evidence:

x x x x x x x x x

(p) That private transactions have been fair and regular;

(q) That the ordinary course of business has been followed;

(r) That there was a sufficient consideration for a contract[.]

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[59] *Id*. at 1774-1775.

Related to Rule 131, Section 3, paragraph (r) of the Revised Rules of Court, Article 1354 of the Civil Code also provides that "[a]lthough the cause is not stated in the contract, it is presumed that it exists and is lawful, unless the debtor proves the contrary."

In addition, under Rule 132, Section 30 of the Revised Rules of Court, "[e]very instrument duly acknowledged or proved and certified as provided by law, may be presented in evidence without further proof, the certificate of acknowledgment being *prima facie* evidence of the execution of the instrument or document involved." The loan and collateral contracts, as well as the loan applications and Secretary's Certificates herein, are notarized, meaning, they had been acknowledged before a notary public. Notarized documents carry the evidentiary weight conferred upon them with respect to their due execution, and have in their favor the presumption of regularity. Hence, they are admissible in evidence without further proof of their authenticity, and are entitled to full faith and credit on their face. To rebut their authenticity and genuineness, the contrary evidence must be **clear, convincing, and more than merely preponderant**; otherwise, the loan and collateral contracts, loan applications, and Secretary's Certificates should be upheld.[60]

Quintos failed to present satisfactory evidence to overcome the presumptions accorded by the Civil Code and Revised Rules of Court to the loan transactions and the notarized loan and collateral contracts.

A perusal of the RTC Decision herein reveals that it substantially relied on Quintos's testimony. Verily, there is no question that the findings of the trial court on the issue of credibility of witnesses and their testimonies are entitled to great

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[60] *Metropolitan Fabrics, Inc. v. Prosperity Credit Resources, Inc.,* G.R. No. 154390, March 17, 2014, 719 SCRA 260, 284-285.

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respect and accorded the highest consideration by appellate courts and that credibility is a matter that is peculiarly within the province of the trial judge, who had the first hand opportunity to watch and observe the demeanor and behavior of witnesses both for the prosecution and the defense at the time of their testimony. But this rule is not without exception. It does not apply where the trial court overlooked certain facts of substance and value that if considered, would affect the result of the case. The Supreme Court is not bound by factual findings of the trial court which are contradicted by the evidence.[61]

Indeed, in this case, the Court of Appeals already overturned the factual conclusions of the RTC, and the Court affirms. Quintos's evidence did not satisfy the preponderance of evidence requirement to dispute the presumptions of regularity, observance of the ordinary course of business, and sufficient consideration accorded the loan transactions under Rule 131, Section 3, paragraphs (p) to (r) of the Revised Rules of Court and Article 1354 of the Civil Code, much less the clear and convincing evidence necessary to overcome the *prima facie* presumptions of authenticity, genuineness, and regular execution of notarized documents under Rule 132, Section 30 of the Revised Rules of Court.

Upon scrutiny, Quintos's fundamental allegations – particularly, that it was Romualdez who negotiated with NIDC and DBP for the grant of the loans; that Quintos signed the loan and collateral agreements because of the intimidation exerted upon his person by Romualdez; that despite being warned by Quintos, NIDC and DBP still released the proceeds of the loans to Romualdez; that Romualdez did not turnover to or infuse the loan proceeds into GCFI but used the entire amount for personal purposes; that even former First Lady Imelda and Gen. Ver confronted and threatened Quintos; that there were no actual stockholders' and board of directors' meetings held to approve the loans; and that Quintos was only forced and intimidated by Romualdez and Atty. De Joya into signing the Secretary's

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[61] *People v. Salcedo*, 272-A Phil. 310, 315 (1991).

Certificates and other corporate documents on the supposed stockholders' and board of directors' meetings approving said loans long after the release of the loan proceeds – were essentially based on Quintos's own testimony. Quintos, however, is an interested party, not only was he a signatory to the loan and collateral documents, but he stands to benefit the most from the declaration of nullity of the loans and collateral contracts being the majority stockholder of GCFI and a surety for the loans. Uncorroborated testimony of an interested party should not be accepted hook, line, and sinker. It should be assessed with extreme care.[62]

Quintos generally alleged that he was merely "coerced" and "forced" by Romualdez into signing the loan and collateral contracts and the Secretary's Certificates on the stockholders' and board of directors' meetings approving the loans with NIDC and DBP which did not actually take place. Quintos, however, failed to provide any details as to how Romualdez precisely exercised said coercion and force upon him. What Quintos was able to narrate with some particularity were the incidents with former First Lady Imelda and Gen. Ver, but even then, according to Quintos, former First Lady Imelda and Gen. Ver referred to the sale of Quintos's shares of stock in GCFI to Romualdez and warned Quintos against speaking to others about Romualdez not having yet paid for said shares. Former First Lady Imelda and Gen. Ver made no mention at all of the loan transactions with NIDC and DBP. Neither can the Court give much weight to what the RTC described as the "atmosphere prevailing" under Martial Law absent proof of how it specifically affected Quintos and the loan transactions with NIDC and DBP. Under Article 1335 of the Civil Code:

> Article 1335. There is violence when in order to wrest consent, serious or irresistible force is employed.
>
> There is intimidation when one of the contracting parties is compelled by a reasonable and well-grounded fear of an imminent

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[62] *People v. Ciobal*, 263 Phil. 398, 405 (1990).

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and grave evil upon his person or property, or upon the person or property of his spouse, descendants or ascendants, to give his consent.

To determine the degree of the intimidation, the age, sex and condition of the person shall be borne in mind.

A threat to enforce one's claim through competent authority, if the claim is just or legal, does not vitiate consent.

Absent details on how Quintos was "coerced" and "forced" or even intimidated into signing the loan and collateral contracts, the Court has no way of determining, in accordance with the standards set forth in Article 1335 of the Civil Code, whether there was sufficient degree of violence or intimidation exercised upon Quintos that vitiated his consent to the loan and collateral contracts.

Quintos further argued that there was no consideration for the loan and collateral contracts as the loan proceeds were not infused into GCFI but were personally used by Romualdez. Without consideration, the loan and collateral contracts were simulated.

The Court is not persuaded.

Quintos, in fact, admitted that the loan proceeds were released by NIDC and DBP through checks payable to GCFI. The checks from DBP were even released to one Felixberto P. Buenaventura (Buenaventura) per the letter of authority[63] dated August 19, 1976 executed by Quintos as President of GCFI. Quintos did not clarify the identity or role of Buenaventura nor repudiate the letter of authority he issued in Buenaventura's favor. Evidently, there were sufficient considerations for both loans. NIDC and DBP had already released the loan proceeds to GCFI after completion of the documentary requirements and execution of the collateral contracts by GCFI. As far as NIDC and DBP were concerned, they had already fulfilled their obligations under the loan contracts. NIDC and DBP, at that point, had no authority to look into and interfere with the internal affairs of GCFI, including how the GCFI directors and officers actually spent

[63] Records, Vol. 3, p. 1858.

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the loan proceeds after receipt. Assuming that Romualdez did misappropriate the loan proceeds intended for GCFI for his personal purposes, then the remedy of Quintos and GCFI was not to invalidate the loan and collateral contracts but to hold Romualdez liable.

The basic characteristic of a simulated contract is that it is not really desired or intended to produce legal effects or does not in any way alter the juridical situation of the parties.[64] In *Velasquez v. Court of Appeals*,[65] the Court expounds on the nature of a simulated contract thus:

> The real nature of a contract may be determined from the express terms of the agreement and from the contemporaneous and subsequent acts of the parties thereto. When the parties do not intend to be bound at all by the purported contract, it is called an absolutely simulated contract which under the law is void and the parties may recover what they gave under the simulated contract. If, on the other hand, the parties state a false cause in the contract to conceal their real agreement, the contract is relatively simulated and the parties' real agreement may be held binding between them.

Based on the contemporaneous and subsequent acts of the parties herein, it cannot be said that the loan and collateral contracts were merely simulated. GCFI submitted loan applications with supporting documents to NIDC and DBP. GCFI and Quintos (as President of GCFI and in his personal capacity), on one hand, and NIDC and DBP, on the other hand, executed the necessary loan and collateral contracts and had them notarized. The Board of Directors of NIDC and DBP approved the loan applications of GCFI. NIDC and DBP insisted on the registration of the mortgages and pledges. NIDC and DBP wholly released to GCFI the loan proceeds as stated in the loan contracts. In a series of letters, Quintos wrote to NIDC/PNB and DBP explicitly acknowledging and/or expressing willful or voluntary compliance with the loan and collateral contracts, *viz.*:

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[64] *Payongayong v. Court of Appeals*, 474 Phil. 241, 252 (2004).

[65] 399 Phil. 193, 200 (2000).

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(a) Letter[66] dated July 6, 1976 of Quintos, as President of GCFI, to Verden Dangilan (Dangilan), Manager, Agricultural Loan Division, DBP, confirming his earlier verbal request for amendment of the provisions of the promissory note to be issued for the loan of GCFI;

(b) Letter[67] dated August 6, 1976 of Quintos, as President of GCFI, to the President of NIDC and Governor of DBP, informing said addressees that the NIDC Deed of Mortgage and Amendment to NIDC Deed of Mortgage had been registered with the appropriate Offices of the Register of Deeds as regards the mortgaged real properties, and with the Office of the Maritime Industry Authority and Civil Aeronautics Administration as regards the chattel mortgages;

(c) Letter[68] dated October 6, 1976 of Quintos, as President of GCFI, to The Manager, Agricultural Projects Department II, DBP, requesting a letter from DBP stating that GCFI had an approved loan for ₱57,000,000.00, of which ₱16,000,000.00 was already authorized for release, to be submitted to the banks where GCFI had pending requests for opening of letters of credit for the importation of its machineries and equipment;

(d) Letter[69] dated August 19, 1976 of Quintos, as President of GCFI, addressed to DBP, authorizing Buenaventura to receive checks to be released for and in behalf of GCFI;

(e) Letter[70] dated August 25, 1976 of Quintos, as President of GCFI, to the Manager, Agricultural Project Department II, DBP, requesting the appraisal of the

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[66] Records, Vol. 3, p. 1854.

[67] *Id*. at 1855-1856.

[68] *Id*. at 1857.

[69] *Id*. at 1858.

[70] *Id*. at 1863.

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broiler houses constructed and being constructed on the GCFI farm in Mamburao, Occidental Mindoro, using the first availment of the approved loan from DBP, so that such appraisal could be used as basis for the release of the second availment of said loan, and suggesting that arrangements be made for the visit by the appraisal team at the farm in the first week of September;

(f) Letter[71] dated November 15, 1976 of Quintos, as President of GCFI, to The Manager, Agricultural Department, DBP, requesting the immediate inspection of the building, machinery, and equipment of GCFI, as approved per the investment plan, and the release of the ₱16,000,000.00 balance of the loan proceeds because the purchases of some of the items listed therein were funded by GCFI from its own resources when it should have been financed by the loan proceeds from DBP;

(g) Notarized Affidavit of Ownership[72] dated December 7, 1976 executed by Quintos, stating under oath:

That The Golden Country Farms, Inc., is the sole owner of the machineries and equipment covered by invoices attached hereto as Annexes "A" through "R", inclusive, which are made integral and composite parts hereof by reference.

That said machineries and equipment are free and clear of any liens and/or encumbrances.

That said equipment and machineries were acquired by said corporation with part of the proceeds of both NIDC Credit and DBP Credit, and by the terms and conditions contained in paragraph 3 of the Amendment to NIDC Deed of Mortgage Making DBP As Joint Mortgagee and Increasing The Consideration Thereof By Adding The Loan Granted by DBP executed on July 30, 1976, in Makati, Rizal before Mr. Sulpicio C. Yling, Notary Public for and in the Province of Rizal, and entered in his notarial register as Doc. No. 1716, Page No. 3, Book No. XIV, Series of 1976, shall become

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[71] *Id*. at 1860.

[72] *Id*. at 1861-1862.

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automatically subject to the liens instituted by and the conditions contained in said instrument without any further need of executing a new or supplementary mortgage or other forms of conveyance.

That this affidavit is executed in compliance with the requirements of NIDC and DBP.

and

(h) Letter[73] dated September 11, 1986 of Quintos to DBP and PNB requesting to be allowed to oversee the operations of GCFI, subject to several conditions, that is:

1. I do not question the action of DBP and NIDC/PNB in taking over the management of GCFI in the exercise of their rights as pledgees of more than 67% of the voting rights in, and as major creditors of, GCFI;

2. That if allowed to oversee the operations of GCFI, I shall try my best efforts to make the company operate profitably without additional funding from either DBP or NIDC/PNB, and that I shall not in any manner whatsoever obstruct nor take any steps as would tend to obstruct, prevent or delay DBP and NIDC/PNB from exercising their legal rights as mortgage creditors of GCFI, including the right to foreclose should they deem it necessary to protect their interests; and

3. That I shall also abide by the terms and conditions that DBP and NIDC/PNB may impose in consideration of their allowing me to oversee the operations of GCFI.

It bears to mention that Quintos did not specifically repudiate or deny writing any of the aforementioned letters. PNB (the assignee of NIDC) and DBP then sought to collect payment on the loans by foreclosing on the mortgaged and pledged properties of GCFI and Quintos. Significantly, Quintos's letter dated September 11, 1986 was already after the ouster of former President Marcos during the EDSA People Power Revolution in February 1986 when Romualdez presumably could no longer coerce, force, or intimidate him and yet Quintos still recognized

[73] *Id*. at 1867.

NIDC/PNB and DBP as creditors, pledgees, and mortgage creditors of GCFI.

Based on the foregoing, it is apparent that the parties intended to be bound by the loan and collateral contracts, which were not simulated at all.

Furthermore, Quintos can be held in estoppel on the basis of his acts contemporaneous and subsequent to the execution of the loan and collateral contracts. "Where a party, by his or her deed or conduct, has induced another to act in a particular manner, estoppel effectively bars the former from adopting an inconsistent position, attitude or course of conduct that causes loss or injury to the latter. The doctrine of estoppel is based upon the grounds of public policy, fair dealing, good faith and justice, and its purpose is to forbid one to speak against his own act, representations, or commitments to the injury of one to whom they were directed and who reasonably relied thereon."[74] After consistently recognizing NIDC/PNB and DBP as mortgage creditors of GCFI, Quintos is now estopped from adopting a contrary position which denies the same.

Quintos attributed bad faith on the part of NIDC and DBP when he averred that NIDC and DBP knew of Romualdez's scheme and acted in connivance with Romualdez by still approving and releasing the loans to GCFI. It is a basic principle that good faith is presumed and the burden of proving bad faith rests on the one alleging it. Allegations of bad faith and fraud must be proved by clear and convincing evidence.[75] Quintos's testimony hardly constituted clear and convincing evidence of bad faith, not only because it was unsubstantiated, but it also lacked pertinent details. Quintos testified that he warned the "creditors" of GCFI of Romualdez's fraudulent scheme but did

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[74] *Genato v. Viola*, 625 Phil. 514, 527 (2010).

[75] *Aliling v. Feliciano*, G.R. No. 185829, April 25, 2012, 671 SCRA 186, 217, citing *Culili v. Eastern Telecommunications Philippines, Inc.*, 657 Phil. 342, 368 (2011) and *United Claimants Association of NEA (UNICAN) v. National Electrification Administration (NEA)*, 680 Phil. 506, 518-519 (2012).

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not identify which creditors, and if such creditors were corporations, who among the officers or employees of such corporations did he warn as to bind the corporations. Quintos likewise did not describe the manner by which he gave his warning. The fact that NIDC and DBP were warned and had knowledge of Romualdez's plan to divert the loan proceeds to his personal use needed to be established clearly and convincingly for it is determinative of the bad faith of NIDC and DBP if NIDC and DBP still released the loan proceeds despite said warning/ knowledge.

The purported corroborating evidence considered by the RTC in its Decision dated June 13, 2002 did not actually substantiate the material points in Quintos's testimony.

The Affidavit of Mario M. Labadan (Labadan),[76] who served as Consultant and later on as Vice President for Operations of GCFI, was not notarized and as a private document, it needed to be authenticated in the manner prescribed by the Revised Rules of Court,[77] with only four specific exceptions.[78] Labadan did not appear as witness before the RTC to authenticate his

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[76] Records, Vol. 1, p. 936.

[77] Rule 132, Section 20 reads:

Section 20. *Proof of private document*. – Before any private document offered as authentic is received in evidence, its due execution and authenticity must be proved either;

(a) By anyone who saw the document executed or written; or

(b) By evidence of the genuineness of the signature or handwriting of the maker.

Any other private document need only be identified as that which it is claimed to be.

[78] The requirement of authentication of a private document is excused only in four instances, *i.e.*, (a) when the document is an ancient one within the context of Rule 132, Section 21 of the Revised Rules of Court; (b) when the genuineness and authenticity of an actionable document have not been specifically denied under oath by the adverse party; (c) when the genuineness and authenticity of the document have been admitted; or (d) when the document is not being offered as genuine. (*Otero v. Tan*, 692 Phil. 714, 728 [2012].)

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Affidavit and/or personally testify under oath and subject himself to cross-examination on the contents thereof. Without proper authentication, and there being no showing that it fell under any of the recognized exceptions, Labadan's Affidavit was inadmissible in evidence and should not have been considered at all by the RTC.

Contrary to the declaration of the RTC, the testimony of Cruz-Herrera, Financial Officer of GCFI, did nothing to strengthen Quintos's claim that there were no actual stockholders' and board of directors' meetings held to approve the loans. Cruz-Herrera only testified that he personally saw Atty. De Joya, Corporate Secretary of GCFI, upon the instructions of Romualdez, prepare corporate documents, certificates, and minutes of so-called stockholders' and directors' meetings, when in truth, there were no such meetings held, and then ask people to sign said documents, certificates, and minutes. Notably, however, Cruz-Herrera did not expressly state personally seeing Atty. De Joya prepare the Secretary's Certificates and other corporate documents pertaining to the approval of the loans from NIDC and DBP and/or Quintos being forced or coerced to sign the same.

Romualdez's letter[79] dated March 28, 1977 and Atty. De Joya's letter[80] dated May 7, 1977 also did not prove that Quintos was merely forced or intimidated into signing the loan and collateral contracts, and the Secretary's Certificates and other corporate documents on the stockholders' and board of directors' meetings concerning the loans from NIDC and DBP long after the release of the loan proceeds. Romualdez's letter did not mention explicitly what was the attached document for the signatures of Quintos and his wife, Agnes. It can be garnered though from the rest of the letter that it was for the transfer of the registration of the real property mortgaged to the unnamed banks from the names of Quintos and Agnes to that of GCFI. While Atty. De Joya's letter asked Quintos to sign a "Directors/Stockholders[']s Certificate" pending the transfer of Quintos's shares of stock

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[79] Records, Vol. 1, p. 937.

[80] *Id*. at 938.

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to Romualdez, there was no mention therein what the said Certificate was about and it could cover various other corporate matters. More importantly, the Court could not perceive any threat on the face of both letters.

The RTC erred in saying that "[t]he defendant banks x x x failed to rebut plaintiff Quintos's testimony that such funds 'did not go to the corporation' and that he was just 'coerced and forced to sign long after the loan was consummated.'"[81] The burden of evidence was upon Quintos to overcome the presumptions of regularity, observance of the ordinary course of business, and sufficient consideration accorded the loan transactions and of authenticity, genuineness, and regular execution enjoyed by the notarized documents, and since he failed to present sufficient evidence to discharge such burden, the burden of evidence did not even shift to PNB and DBP.

The PCGG Resolution granting Quintos full immunity from civil and criminal prosecution in relation to the acquisition by the Marcoses and their cronies of ill-gotten wealth and excluding him as defendant from Civil Case No. 0019 before the Sandiganbayan does not bind the Court in this case.

The PCGG Resolution dated September 8, 1997 in I.S. No. 01 granting Quintos full immunity from civil and criminal prosecution in relation to the acquisition by the Marcoses and their cronies of ill-gotten wealth and excluding him as defendant from Civil Case No. 0019 before the Sandiganbayan does not bind the Court in this case.

The PCGG is a unique legal creature with a unique mandate. Executive Order No. 1 dated February 28, 1986 created the PCGG and charged it with the task of assisting the President in the "recovery of all ill-gotten wealth" accumulated by former

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[81] *Rollo*, p. 68.

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President Marcos, his relatives, and cronies.[82] The powers and authority of PCGG were defined in several succeeding issuances, namely, Executive Order No. 1 dated February 28, 1986, Executive Order No. 2 dated March 12, 1986, and Executive Order No. 14 dated May 7, 1986, as amended by Executive Order No. 14-A dated August 18, 1986. Executive Order No. 14 dated May 7, 1986, as amended, provides:

SECTION 1. Any provision of the law to the contrary notwithstanding, the Presidential Commission on Good Government, with the assistance of the Office of the Solicitor General and other government agencies, is hereby empowered to file and prosecute all cases investigated by it under Executive Order No. 1, dated February 28, 1986, and Executive Order No. 2, dated March 12, 1986, as may be warranted by its findings.

SECTION 2. The Presidential Commission on Good Government shall file all such cases, whether civil or criminal, with the Sandiganbayan, which shall have exclusive and original jurisdiction thereof.

SECTION 3. The civil suits to recover unlawfully acquired property under Republic Act No. 1379 or for restitution, reparation of damages, or indemnification for consequential and other damages or any other civil actions under the Civil Code or other existing laws filed with the Sandiganbayan against Ferdinand E. Marcos, Imelda R. Marcos, members of their immediate family, close relatives, subordinates, close and/or business associates, dummies, agents and nominees, may proceed independently of any criminal proceedings and may be proved by a preponderance of evidence.

SECTION 4. A witness may refuse on the basis of his privilege against self-incrimination, to testify or provide other information in a proceeding before the Sandiganbayan if the witness believes that such testimony or provision of information would tend to incriminate him or subject him to prosecution. Upon such refusal the Sandiganbayan may order the witness to testify or provide information.

The witness may not refuse to comply with the order on the basis of his privilege against self-incrimination; but no testimony or other information compelled under the order (or any information directly

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[82] *Elma v. Jacobi*, 689 Phil. 307, 355 (2012).

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or indirectly derived from such testimony, or other information) may be used against the witness in any criminal case, except a prosecution for perjury, giving a false statement, or otherwise failing to comply with the order.

SECTION 5. The Presidential Commission on Good Government is authorized to grant immunity from criminal prosecution to any person who provides information or testifies in any investigation conducted by such Commission to establish the unlawful manner in which any respondent, defendant or accused has acquired or accumulated the property or properties in question in any case where such information or testimony is necessary to ascertain or prove the latter's guilt or his civil liability. The immunity thereby granted shall be continued to protect the witness who repeats such testimony before the Sandiganbayan when required to do so by the latter or by the Commission.

It is pursuant to its aforequoted powers and authority that the PCGG issued its Resolution dated September 8, 1997 in I.S. No. 01. To stress, the PCGG is empowered to investigate and prosecute criminal and civil cases for the recovery of the ill-gotten wealth of former President Marcos, his relatives, and cronies.

The present case, however, is not a civil or criminal prosecution for recovery of ill-gotten wealth. Civil Case No. 88-508 is an action for annulment of loan and mortgage contracts instituted by Quintos himself before the RTC. The parties are Quintos as plaintiff and PNB and DBP as defendants; and none among former President Marcos, his relatives, or cronies is a party in the case. The loan and collateral contracts are between CGFI and Quintos, on one hand, and NIDC/PNB and DBP, on the other hand, and no property involved is alleged to be ill-gotten by either side. The PCGG has no power or authority over the parties or subject matter of Civil Case No. 88-508 and its Resolution No. 1 dated September 8, 1997 in I.S. No. 01 has no bearing in the case at bar.

In conclusion, the loan and collateral contracts executed by GCFI, represented by Quintos as its President/General Manager, and Quintos, in his personal capacity, in favor of NIDC/PNB and DBP are valid and binding.

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WHEREFORE, premises considered, the instant Petition is **DENIED**. The Decision dated November 30, 2004 and Resolution dated May 27, 2005 of the Court of Appeals in CA-G.R. CV No. 78201 is **AFFIRMED**. The Writ of Preliminary Injunction issued on May 2, 1988 by the RTC in Civil Case No. 88-508 is **LIFTED**.

SO ORDERED.

Sereno, C.J. (Chairperson), Bersamin, Perez, and *Perlas-Bernabe, JJ.,* concur.

SECOND DIVISION

[G.R. No. 181111. August 17, 2015]

JACKSON PADIERNOS *y* QUEJADA, JACKIE ROXAS *y* GERMAN and ROLANDO MESINA *y* JAVATE, *petitioners*, *vs*. **PEOPLE OF THE PHILIPPINES,** *respondent*.

SYLLABUS

1. REMEDIAL LAW; APPEALS; THE COURT IS NOT PRECLUDED FROM DETERMINING THE CORRECT CRIMINAL LIABILITY OF THE APPEALING ACCUSED, AND FROM IMPOSING THE CORRESPONDING PUNISHMENT IN ACCORDANCE WITH THE CHARGES IN THE INFORMATION AND THE CRIME PROVED DURING TRIAL.— We emphasize at the outset the well-settled doctrine that an appeal throws the whole case wide open for review. An appeal therefore empowers, and even obligates, the appellate court to correct errors as may be found in the appealed judgment even if these errors have not been raised. It is likewise settled that when an accused appeals, he opens the whole case for a new trial. The Court is therefore