



Republic of the Philippines
Supreme Court
 Manila

SUPREME COURT OF THE PHILIPPINES
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FIRST DIVISION

RAMON E. REYES and CLARA R. PASTOR

G. R. No. 190286

Petitioners,

Present:

- versus -

SERENO, *CJ*, Chairperson,
 LEONARDO-DE CASTRO,
 DEL CASTILLO,
 JARDELEZA, and
 GISMUNDO,* *JJ*.

BANCOM DEVELOPMENT CORP.
 Respondent.

Promulgated:

JAN 11 2018

X ----- X

DECISION

SERENO, *CJ*:

Before this Court is a Petition for Review on Certiorari¹ filed by Ramon E. Reyes and Clara R. Pastor seeking to reverse the Decision² and the Resolution³ of the Court of Appeals (CA) in CA-G.R. CV No. 45959. The CA affirmed the ruling of the Regional Trial Court (RTC) holding petitioners jointly and severally liable to respondent Bancom Development Corporation (Bancom) as guarantors of certain loans obtained by Marbella Realty, Inc. (Marbella).

FACTS

The dispute in this case originated from a Continuing Guaranty⁴ executed in favor of respondent Bancom by Angel E. Reyes, Sr., Florencio

* Designated additional member in lieu of Associate Justice Noel Gimenez Tijam, who concurred in the Court of Appeals Decision, per raffle dated 8 January 2018.

¹ *Rollo*, pp. 3-22; Petition for Review on Certiorari dated 27 November 2009 and filed under Rule 45 of the Rules of Court.

² *Id.* at 24-39; Decision dated 25 June 2009; penned by CA Associate Justice Arturo G. Tayag and concurred in by Associate Justices Noel G. Tijam (now a Member of this Court) and Normandie B. Pizzaro.

³ *Id.* at 41-42; Resolution dated 9 November 2009.

⁴ *Id.* at 107-110; Continuing Guaranty dated March 1979.

Reyes, Jr., Rosario R. Du, Olivia Arevalo, and the two petitioners herein, Ramon E. Reyes and Clara R. Pastor (the Reyes Group). In the instrument, the Reyes Group agreed to guarantee the full and due payment of obligations incurred by Marbella under an Underwriting Agreement with Bancom. These obligations included certain Promissory Notes⁵ issued by Marbella in favor of Bancom on 24 May 1979 for the aggregate amount of ₱2,828,140.32.

It appears from the records that Marbella was unable to pay back the notes at the time of their maturity. Consequently, it issued a set of replacement Promissory Notes⁶ on 22 August 1979, this time for the increased amount of ₱2,901,466.48. It again defaulted on the payment of this second set of notes, leading to the execution of a third set⁷ for the total amount of ₱3,002,333.84, and finally a fourth set⁸ for the same amount.

Because of Marbella's continued failure to pay back the loan despite repeated demands, Bancom filed a Complaint for Sum of Money with a prayer for damages before the RTC of Makati on 7 July 1981.⁹ The case, which sought payment of the total sum of ₱4,300,247.35, was instituted against (a) Marbella as principal debtor; and (b) the individuals comprising the Reyes Group as guarantors of the loan.

In their defense, Marbella and the Reyes Group argued that they had been forced to execute the Promissory Notes and the Continuing Guaranty against their will.¹⁰ They also alleged that the foregoing instruments should be interpreted in relation to earlier contracts pertaining to the development of a condominium project known as Marbella II.¹¹

The Marbella II contracts were entered into by Bancom; the Reyes Group, as owners of the parcel of land to be utilized for the condominium project along Roxas Boulevard; and Fereit Realty Development Corporation (Fereit), a sister company of Bancom, as the construction developer and project manager.¹² This venture, however, soon encountered financial difficulties. As a result, the Reyes Group was allegedly forced to enter into a Memorandum of Agreement to take on part of the loans obtained by Fereit from Bancom for the development of the project. Marbella, for its part, was supposedly compelled to assume Fereit's obligation to cause the release of ₱2.8 million in receivables then assigned to State Financing;¹³ and

⁵ Promissory Notes issued on 24 May 1979; *rollo*, pp. 83-89.

⁶ Promissory Notes issued on 22 August 1979; *rollo*, pp. 90-94.

⁷ Promissory Notes issued on 27 November 1979; *rollo*, pp. 95-100.

⁸ Promissory Notes issued on 28 February 1980; *rollo*, pp. 101-106.

⁹ CA Decision dated 25 June 2009, *supra* note 2, at 25.

¹⁰ *Id.* at 28.

¹¹ *Id.*

¹² See Memorandum of Agreement dated 16 August 1977; *rollo*, pp. 43-48; Amendment of Memorandum of Agreement; *rollo*, pp. 111-114.

¹³ CA Decision dated 25 June 2009, *supra* note 2, at 28.

subsequently to obtain additional financing from Bancom in the same amount for that purpose.¹⁴

The above developments were cited by Marbella and the Reyes group in support of the allegation that Bancom took advantage of their resultant financial distress. Bancom allegedly demanded the execution of Promissory Notes and the Continuing Guaranty from the Reyes Group,¹⁵ despite the fact that additional financing became necessary only because of the failure of Fereit (Bancom's sister company) to comply with its obligation.¹⁶

To bolster its claim that the promissory notes were issued in connection with Fereit's obligations, Marbella, together with the Reyes Group, also presented a document entitled Amendment of Memorandum of Agreement.¹⁷ In this instrument, Fereit undertook to reimburse Marbella for the ₱2.8 million the latter had paid, and for all penalties, fees, and charges incurred to obtain additional financing.

THE RTC RULING

In a Decision dated 8 April 1991, the RTC held Marbella and the Reyes Group solidarily liable to Bancom. The trial court ordered them to pay the amounts indicated on the Promissory Notes dated 28 February 1980 in the total amount of ₱4,300,247.35 plus interest computed from 19 May 1981, the date of demand; and to pay penalties and attorney's fees as well.¹⁸

PROCEEDINGS BEFORE THE CA

Marbella and the Reyes Group appealed the RTC ruling to the CA.¹⁹ They asserted that the trial court erred in disregarding the terms of the earlier agreements they had entered into with Bancom and Fereit.²⁰ The former also reiterated that the amounts covered by the Promissory Notes represented additional financing secured from Bancom to fulfill Fereit's obligations. Hence, they said they cannot be held liable for the payment of those amounts.²¹

In the course of the proceedings before the CA, Abella Concepcion Regala & Cruz moved to withdraw its appearance in the case as counsel for Bancom.²² The law firm asserted that it had "totally lost contact" with its client despite serious efforts on the part of the former to get in touch with its

¹⁴ Id. at 28-29.

¹⁵ Id.

¹⁶ Id.

¹⁷ *Rollo*, pp. 111-114; Amendment of Memorandum of Agreement dated 16 August 1997.

¹⁸ Id. at 29.

¹⁹ Id. at 24.

²⁰ Id. at 29.

²¹ Id. at 29-31.

²² Id. at 76-77; Compliance with Manifestation and Motion to Withdraw Appearance dated 12 March 2000.

officers.²³ The law firm also alleged that it had “received reports that the client has undergone a merger with another entity,” thereby making its authority to represent the corporation subject to doubt.²⁴

In a Resolution dated 1 June 2004,²⁵ the CA granted the motion after noting that the copy of a resolution sent to Bancom had been returned to the appellate court unclaimed. The CA held that this failure of service supported the claim of Abella Concepcion Regala & Cruz that the latter had lost all contact with its client.

THE CA RULING

In a Decision dated 25 June 2009,²⁶ the CA denied the appeal citing the undisputed fact that Marbella and the Reyes Group had failed to comply with their obligations under the Promissory Notes and the guaranty. The appellate court rejected the assertion that noncompliance was justified by the earlier agreements entered into by the parties. The CA explained:

In this case, it is worth to note that it is an undisputed fact that defendants-appellants failed to make good their alleged obligations under the Promissory Notes and Continuing Guaranty which they issued in favor of BAN[C]OM. [The instruments’] genuineness and due execution are likewise undisputed.

Defendants-appellants’ only defense rests on the allegation that their non-payment of such obligations is justified taking into consideration the terms of the Memorandum of Agreement entered into by and among the plaintiff-appellee and defendants-appellants herein particularly paragraph 13 thereof. Said the appellants in support hereof, since Bancom [which was in full control of the financial affairs of Fereit] failed to cause the release of the aforesaid receivables (P2,800,000) to State Financing by Fereit, Bancom should necessarily suffer the consequences thereof – not the defendants-appellants.

Apparently, the thrust of defendants-appellants’ defense points to Fereit’s non-compliance with paragraph 13 of the “Memorandum of Agreement.” However, records show that defendants-appellants did nothing to formally [assert] their rights against Fereit. Truly, this Court agrees with the trial court’s pronouncement that defendants-appellants’ failure to avail of the remedies provided by law, such as the filing of a third-party complaint against Fereit, necessarily indicates that they themselves did not seriously consider Fereit’s non-compliance as affecting their own liability to BANCUM. This can be done for after all, Fereit is still a different entity with distinct and separate corporate existence from that of BANCUM even granting that BANCUM is in full control of the financial affairs of Fereit.

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²³ Id. at 76.

²⁴ Id. at 76-77.

²⁵ Id. at 82; Resolution dated 1 June 2004.

²⁶ Decision dated 25 June 2009, supra note 2.

Besides, the terms of the promissory notes and “Continuing Guaranty” xxx are clear and unequivocal, leaving no room [for] interpretation. For not being contrary to law, morals, good customs, public order and public policy, defendants’ obligation has the force of law and should be complied with in good faith.²⁷

Of the individuals comprising the Reyes Group, only petitioners filed a Motion for Reconsideration of the CA Decision.²⁸ They reiterated their argument that the Promissory Notes were not meant to be binding, given that the funds released to Marbella by Bancom were not loans, but merely additional financing. Petitioners also contended that the action must be considered abated pursuant to Section 122 of the Corporation Code. They pointed out that the Certificate of Registration issued to Bancom had been revoked by the Securities and Exchange Commission (SEC) on 31 May 2004, and that no trustee or receiver had been appointed to continue the suit; in fact, even Bancom’s former counsel was compelled to withdraw its appearance from the case, as it could no longer contact the corporation.

On 23 July 2009, petitioners filed a Supplement to their Motion for Reconsideration.²⁹ In support of their argument on the abatement of the suit, they attached a Certificate of Corporate Filing/Information issued by the SEC. The latter confirmed that Bancom’s Certificate of Registration³⁰ had been revoked on 26 May 2003 for noncompliance with the SEC’s reportorial requirements.

In a Resolution³¹ dated 9 November 2009, the CA denied the Motion for Reconsideration, since the points raised therein had already been passed upon in its earlier ruling.

PROCEEDINGS BEFORE THIS COURT

On 27 November 2009, petitioners filed the instant Petition for Review. They assert that the CA committed a grievous error in refusing to declare the suit abated despite the obvious fact that Bancom no longer exists. They likewise contend that the appellate court had incorrectly relied upon the Promissory Notes and the Continuing Guaranty. It allegedly failed to take into account the parties’ earlier related agreements that showed that petitioners could not be held liable for the debt.

In a Resolution³² dated 17 February 2010, we ordered Bancom to comment on the Petition for Review. The copy of the Resolution served at Bancom’s address on record was, however, returned unserved with the postal

²⁷ Id. at 32-35.

²⁸ Id. at 49-62; Motion for Reconsideration dated 17 July 2009.

²⁹ Supplement [to the Motion for Reconsideration dated July 17, 2009]; *rollo*, pp. 64-66.

³⁰ Certificate of Corporate Filing/Information dated 14 July 2009; *rollo*, p. 67.

³¹ Resolution dated 9 November 2009, *supra* note 3.

³² *Rollo*, p. 268.

notation “RTS – non-existent address.”³³ For this reason, we deemed the filing of a comment waived.³⁴

ISSUES

The following issues are presented to the Court for resolution:

1. Whether the present suit should be deemed abated by the revocation by the SEC of the Certificate of Registration issued to Bancom
2. Whether the CA correctly ruled that petitioners are liable to Bancom for (a) the payment of the loan amounts indicated on the Promissory Notes issued by Marbella; and (b) attorney’s fees

OUR RULING

We **DENY** the Petition.

The revocation of Bancom’s Certificate of Registration does not justify the abatement of these proceedings.

Section 122³⁵ of the Corporation Code provides that a corporation whose charter is annulled, or whose corporate existence is otherwise terminated, may continue as a body corporate for a limited period of three years, but only for certain specific purposes enumerated by law. These include the prosecution and defense of suits by or against the corporation, and other objectives relating to the settlement and closure of corporate affairs.

Based on the provision, a defunct corporation loses the right to sue and be sued in its name upon the expiration of the three-year period provided

³³ Id. at 269.

³⁴ Resolution dated 19 January 2011; *rollo*, p. 276.

³⁵ Section 122 provides in relevant part:

Section 122. Corporate Liquidation. Every corporation whose charter expires by its own limitation or is annulled by forfeiture or otherwise, or whose corporate existence for other purposes is terminated in any other manner, shall nevertheless be continued as a body corporate for three (3) years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and to distribute its assets, but not for the purpose of continuing the business for which it was established.

At any time during said three (3) years, said corporation is authorized and empowered to convey all of its property to trustees for the benefit of stockholders, members, creditors, and other persons in interest. From and after any such conveyance by the corporation of its property in trust for the benefit of its stockholders, members, creditors and others in interests, all interests which the corporation had in the property terminates, the legal interest vests in the trustees, and the beneficial interest in the stockholders, members, creditors or other persons in interest.



by law.³⁶ Jurisprudence, however, has carved out an exception to this rule. In several cases, this Court has ruled that an appointed receiver,³⁷ an assignee,³⁸ or a trustee³⁹ may institute suits or continue pending actions on behalf of the corporation, even after the winding-up period. The rule was first enunciated in the 1939 case *Sumera v. Valencia*,⁴⁰ in which we declared:

[I]f the corporation carries out the liquidation of its assets through its own officers and continues and defends the actions brought by or against it, its existence shall terminate at the end of three years from the time of dissolution; but if a receiver or assignee is appointed, as has been done in the present case, with or without a transfer of its properties within three years, the legal interest passes to the assignee, the beneficial interest remaining in the members, stockholders, creditors and other interested persons; and said assignee may bring an action, prosecute that which has already been commenced for the benefit of the corporation, or defend the latter against any other action already instituted or which may be instituted even outside of the period of three years fixed for the officers of the corporation.

For the foregoing considerations, we are of the opinion and so hold that when a corporation is dissolved and the liquidation of its assets is placed in the hands of a receiver or assignee, the period of three years prescribed by section 77 of Act No. 1459 known as the Corporation Law is not applicable, and the assignee may institute all actions leading to the liquidation of the assets of the corporation even after the expiration of three years.

In subsequent cases, the Court further clarified that a receiver or an assignee need not even be appointed for the purpose of bringing suits or continuing those that are pending.⁴¹ In *Gelano v. Court of Appeals*,⁴² we declared that in the absence of a receiver or an assignee, suits may be instituted or continued by a trustee specifically designated for a particular matter, such as a lawyer representing the corporation in a certain case. We also ruled in *Clemente v. Court of Appeals*⁴³ that the board of directors of the corporation may be considered trustees by legal implication for the purpose of winding up its affairs.

Here, it appears that the SEC revoked the Certificate of Registration issued to Bancom on 26 May 2003.⁴⁴ Despite this revocation, however, Bancom does not seem to have conveyed its assets to trustees or to its stockholders and creditors. The corporation has also failed to appoint a new counsel after the law firm formerly representing it was allowed to withdraw its appearance on 1 June 2004. Citing these circumstances, petitioners assert that these proceedings should be considered abated.

³⁶ *Gelano v. Court of Appeals*, 190 Phil. 814 (1981) citing Fisher, 1929 ed., p. 386.

³⁷ See *Sumera v. Valencia*, 67 Phil. 721 (1939).

³⁸ *Id.*

³⁹ See *Gelano v. Court of Appeals*, supra note 36; *Clemente v. Court of Appeals*, 312 Phil. 823 (1995).

⁴⁰ *Supra* note 37, at 727.

⁴¹ *Reburiano v. Court of Appeals*, 361 Phil. 294 (1999).

⁴² *Supra* note 39.

⁴³ *Id.*

⁴⁴ See Certificate of Corporation Filing/Information dated 14 July 2009, supra note 30.

We disagree.

It is evident from the foregoing discussion of law and jurisprudence that the mere revocation of the charter of a corporation does not result in the abatement of proceedings. Since its directors are considered trustees by legal implication,⁴⁵ the fact that Bancom did not convey its assets to a receiver or assignee was of no consequence. It must also be emphasized that the dissolution of a creditor-corporation does not extinguish any right or remedy in its favor. Section 145 of the Corporation Code is explicit on this point:

Sec. 145. Amendment or repeal. - No right or remedy in favor of or against any corporation, its stockholders, members, directors, trustees, or officers, nor any liability incurred by any such corporation, stockholders, members, directors, trustees, or officers, shall be removed or impaired either by the subsequent dissolution of said corporation or by any subsequent amendment or repeal of this Code or of any part thereof. (Emphasis supplied)

As a necessary consequence of the above rule, the corresponding liability of the debtors of a dissolved corporation must also be deemed subsisting. To rule otherwise would be to sanction the unjust enrichment of the debtor at the expense of the corporation.⁴⁶

As guarantors of the loans of Marbella, petitioners are liable to Bancom.

On the merits of the claim, we affirm the finding of the CA on the liability of petitioners. Having executed a Continuing Guaranty in favor of Bancom, petitioners are solidarily liable with Marbella for the payment of the amounts indicated on the Promissory Notes.

As the appellate court observed,⁴⁷ petitioners did not challenge the genuineness and due execution of the promissory notes. Neither did they deny their nonpayment of Marbella's loans or the fact that these obligations were covered by the guaranty. Their sole defense was that the promissory notes in question were not binding, because the funds released to Marbella by Bancom were not loans but merely additional financing. This financial accommodation was supposedly meant to allow Marbella to rectify the failure of Fereit to cause the release of receivables assigned to another entity. In support of their allegations, petitioners cite certain provisions of the Memorandum of Agreement dated 16 August 1977⁴⁸ and its Amendment.⁴⁹

We reject these contentions.

⁴⁵ See *Clemente v. CA*, supra note 39.

⁴⁶ *Knecht v. United Cigarette Corp.*, 433 Phil. 380 (2002); *Gelano v. Court of Appeals*, supra note 36.

⁴⁷ Decision dated 25 June 2009, supra note 2, at 32.

⁴⁸ Memorandum of Agreement dated 16 August 1977, supra note 12;

⁴⁹ Amendment of Memorandum of Agreement, supra note 17.

The obligations of Marbella and the Reyes Group under the Promissory Notes and the Continuing Guaranty, respectively, are plain and unqualified. Under the notes, Marbella promised to pay Bancom the amounts stated on the maturity dates indicated.⁵⁰ The Reyes Group, on the other hand, agreed to become liable if any of Marbella's guaranteed obligations were not duly paid on the due date.⁵¹ There is absolutely no support for the assertion that these agreements were not meant to be binding.

We also note that even if the other agreements referred to by petitioners are taken into account, the result would be the same. They would still be deemed liable, since the two contracts they cited only establish the following premises: (a) Fereit took on the responsibility of causing the release of certain receivables from State Financing; (b) Marbella assumed the performance of the obligation of Fereit after the latter failed to fulfill its duty; (c) Bancom would grant Marbella additional financing for that purpose, with the obligation to be paid within three years; and (d) Fereit would reimburse Marbella for the expenses the latter would incur as a result of this assumption of the obligation. Specifically on the duty of Marbella to pay back the additional financing, the Amendment states:


1. Bancom hereby agrees to grant the additional financing requested by Marbella II in the principal amount of TWO MILLION EIGHT HUNDRED TWENTY EIGHT THOUSAND ONE HUNDRED FORTY & 32/100 (P2,828,140.32), Philippine Currency, payable by Marbella II within three (3) years, under such terms and conditions as may be mutually agreed upon by Bancom and Marbella II. The additional financing herein requested by Marbella II shall be payable by Marbella II irrespective of whether Marbella II realizes a net profit after tax on its Marbella II Condominium Project.
2. In lieu of the obligations of Fereit under Paragraph 9 and 13 of the Memorandum of Agreement, Fereit hereby agrees to reimburse Marbella II the principal sum of P2,828,140.32 plus interest, fees and other charges which Marbella II shall pay to Bancom in the settlement and/or liquidation of the additional financing. However, penalties, fees and other charges resulting from the default of Marbella II with respect to the additional financing shall be borne by Marbella II.

It is evident from the foregoing provisions that Bancom extended additional financing to Marbella on the condition that the loan would be paid upon maturity. It is equally clear that the latter obligated itself to pay the stated amount to Bancom without any condition. The unconditional tenor of the obligation of Marbella to pay Bancom for the loan amount, plus interest

⁵⁰ Supra notes 5, 6, 7, and 8.

⁵¹ Section 2 of the Continuing Guaranty (supra note 4, at 107) states:

Section 2. Liability of the Guarantor. -- If any of the Guaranteed Obligations is not fully or duly paid or performed on due date thereof (whether of a stated maturity, by acceleration or otherwise) the Guarantor shall, without need for any notice, demand or any act or deed, immediately become liable therefor, and the Guarantor shall, upon demand, fully and duly pay and perform the same, together with any and all interests, penalties and other fees and charges thereon then accrued and outstanding at the time of payment.



and penalties, is likewise reflected in the Promissory Notes issued in favor of the latter.⁵² Marbella, in turn, was granted the right to collect reimbursement from Fereit, an entirely distinct entity. While it was averred that Bancom had complete control of Fereit's assets and activities, we note that no sufficient evidence was presented in support of this assertion.

As to petitioners, the Continuing Guaranty evidently binds them to pay Bancom the amounts indicated on the original set of Promissory Notes, as well as any and all instruments issued upon the renewal, extension, amendment or novation thereof.⁵³ The Court notes that the final set of Promissory Notes issued by Marbella in this case reflect the total amount of ₱3,002,333.84.⁵⁴ The CA and the RTC thus ordered the payment of ₱4,300,247.35, which represents the principal amount and all interest and penalty charges as of 19 May 1981, or the date of demand.

We affirm this ruling with the modification that petitioners are liable to pay Bancom the following amounts: (a) ₱4,300,247.35; (b) interest accruing on the principal sum of ₱3,002,333.84 (and not the entire amount of ₱4,300,247.35), from 19 May 1981, the date of demand, at the rates identified below;⁵⁵ and (c) penalties accrued in relation thereto, with legal interest from maturity date until fully paid.

Needless to state, the clear terms of these agreements cannot be negated and deemed non-binding simply on the basis of the self-serving

⁵² The Promissory Notes dated 28 February 1980, executed by Marbella in favor of Bancom uniformly, state:

For value received in the amount of ..., ("Maker") promise[s] to pay to the order of Bancom Development Corporation ("Payee") the sum of... at its principal offices located at Pasay Road, Makati, Metro Manila on the maturity date stated above.

Demand and Dishonor waived. In case of default in the payment of this Note, **interest on the principal sum at the rate of TWELVE (12%) per annum** shall accrue from the date immediately following due date thereof. It is further agreed that if this Note is not paid within FORTY EIGHT (48) hours from maturity date, the Maker shall pay a **penalty equivalent to percent (20%)** of the unpaid balance of this Note and said penalty shall, in addition to the interest on the unpaid principal earn interest at the highest rate permitted by law from maturity date until fully paid.


If this Note is placed in the hands of an attorney for collection, the Maker shall pay as and for attorney's fees a sum equal to **TEN percent (10%) of the principal and interest then due thereon plus cost of collection in case of suit**. The Maker further agrees that any action accruing from this Note shall be instituted in the proper courts of the (sic). (Emphases supplied)

⁵³ The definition of "Guaranteed Obligations" under Section 1 of the Continuing Guaranty (*rollo*, p. 107) includes "[a]ll the obligations of the issuer under: (i) the Notes and the Agreement; (ii) any and all instruments or documents issued upon the renewal, extension, amendment or novation of the Notes and the Agreement, irrespective of whether such obligations as renewed, extended, amended or novated are in the nature of new, separate or additional obligations; (iii) any and all instruments or documents issued pursuant to the Notes and the Agreement;

⁵⁴ *Rollo*, pp. 101-106; Promissory Notes issued on 28 February 1980.

⁵⁵ Section 5 of the Continuing Guaranty states:

Section 5. When Guarantor is in Default. -- For purposes of this Guaranty, the Guarantor is in default, without need for any notice to or consent of the Guarantor for any other act or deed if the Issuer/Guarantor is in default within the meaning of the Agreement; and/or if the Guarantor fails, as required in Section 2 hereof, to fully and duly pay and perform any or all of the outstanding Guaranteed Obligations (together with any and all interests, penalties and other fees and charges thereon accrued and outstanding), upon demand on the Guarantor.



testimony of Angel Reyes, one of the guarantors of the loan. The CA therefore correctly rejected the attempt of petitioners to renege on their obligations. We also find the award of ₱500,000 for attorney's fees in order, pursuant to the stipulation in the Promissory Notes allowing the recovery thereof. Nevertheless, in the interest of equity and considering that petitioners are already liable for penalties, we deem it proper to modify the stipulated rate of interest to conform to the legal interest rates under prevailing jurisprudence.

WHEREFORE, the Petition for Review is hereby **DENIED**, and the Decision dated 25 June 2009 and the Resolution dated 9 November 2009 issued by the Court of Appeals in CA-G.R. CV No. 45959 are **AFFIRMED with MODIFICATION**.

Petitioners Ramon E. Reyes and Clara R. Pastor are jointly and severally liable with Marbella Manila Realty, Inc., Angel E. Reyes, Sr., Florencio Reyes, Jr., Rosario R. Du and Olivia Arevalo for the following amounts:

- (a) ₱4,300,247.35, representing the principal sum and all interest and penalty charges as of 19 May 1981;
- (b) legal interest on the principal sum of ₱3,002,333.84 at the rate of 12% per annum from 19 May 1981, the date of demand, until 30 June 2013, and at the rate of 6% per annum from 1 July 2013, until this Decision becomes final and executory;
- (c) penalties equivalent to 20% of the obligation;
- (d) legal interest on the penalty amount at the rate of 12% per annum from 19 May 1981, the date of demand, until 30 June 2013, and at the rate of 6% per annum from 1 July 2013, until this Decision becomes final and executory;
- (e) attorney's fees in the amount of ₱500,000; and
- (f) legal interest of 6% per annum on all the foregoing monetary awards from date of finality of this Decision until full payment thereof.

SO ORDERED.



MARIA LOURDES P. A. SERENO
Chief Justice, Chairperson

WE CONCUR:

Teresita Leonardo de Castro
TERESITA J. LEONARDO-DE CASTRO
Associate Justice

Mariano C. Del Castillo
MARIANO C. DEL CASTILLO
Associate Justice

Francis H. Jardeleza
FRANCIS H. JARDELEZA
Associate Justice

Alexander G. Gesmundo
ALEXANDER G. GESMUNDO
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, I certify that the conclusions in the above Decision had been reached in consultation before the case was assigned to the writer of the opinion of the Court's Division.

Maria Lourdes P. A. Sereno
MARIA LOURDES P. A. SERENO
Chief Justice