Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

RURAL BANK OF CANDELARIA (ZAMBALES), INC. represented by its Chairman-President, ANTONIO MANIKAN, Petitioner,	**G.R. No. 208254**
	Present:
	GESMUNDO, *C.J.*, *Chairperson*,
- versus -	CAGUIOA,
	INTING,
	GAERLAN, and
	DIMAAMPAO, *JJ.*
ROMULO BANLUTA (Deceased), substituted by his children, namely: ROMULO BANLUTA, JR., et al., Respondent.	Promulgated: MAR 23 2022

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DECISION

GAERLAN, *J.*:

This resolves the Petition for Review on *Certiorari*[1] under Rule 45 of the Rules of Court seeking to reverse and set aside the February 28, 2013 Amended Decision[2] and June 25, 2013 Resolution[3] of the Court of Appeals (CA) in CA-G.R. CV No. 95777, which affirmed with modification the July 5, 2010 Decision[4] of the Regional Trial Court (RTC), Branch 69, Iba, Zambales in Civil Case No. 1988-I.

THE FACTS

The present case stemmed from a Complaint for Annulment of Application for Foreclosure of Real Estate Mortgage, Notice of Extrajudicial

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1 *Rollo*, pp. 9-20.
2 Id. at 25-34; penned by Associate Justice Magdangal M. De Leon with Associate Justices Francisco P. Acosta and Angelita A. Gacutan, concurring.
3 Id. at 36-38.
4 CA *rollo*, pp. 82-96; penned by Judge Josefina D. Farrales.

Sale, Sheriff's Certificate of Sale with a Prayer for the Issuance of a Writ of Prohibitory Injunction, Accounting, Recovery of Possession with Damages[5] filed by Romulo Banluta (respondent) against the Rural Bank of Candelaria, Zambales, Inc. (petitioner), represented by its Chairperson and President, Antonio Manikan (Manikan) and Sheriff Romeo J. Enriquez.

In gist, respondent alleged that on June 11, 1993, he and his wife, Nimfa Banluta (Nimfa), obtained a loan from petitioner in the amount of ₱683,000.00. Said loan was secured by a real estate mortgage over two parcels of land. On June 28, 1996, while the mortgage was subsisting, Nimfa died. Said loan was already fully paid by the respondent as shown by his payments in the following amounts: (a) ₱122,400.05, paid on August 5, 1995; (b) ₱20,000.00, paid on July 3, 1999; (c) ₱50,000.00, paid on July 9, 1999; and (d) ₱703,279.54, as full payment of the loan inclusive of penalties and interests. Respondent further alleged that he had the impression that the loan was fully paid but did not bother to secure a Release of the Mortgage. Respondent's possession of the subject lands was peaceful until the first part of January 2003, when armed persons of petitioner entered the property and forcibly harassed respondent's son and daughter-in-law, who were in control and actual possession of the lands. Upon verification with the Office of the Provincial Sheriff, respondent discovered that an Application for Foreclosure of Real Estate Mortgage was filed by petitioner. In fact, the sale in public auction of the subject properties was already conducted by the sheriff, as shown by the Notice of Extrajudicial Sale and the Sheriff's Certificate of Sale, without due notice to respondent.[6]

Respondent also averred that at the time of the constitution of the mortgage, only the tax declarations were used since the subject lands were not yet covered by a transfer certificate of title. When the certificates of title were issued in 1994, the area of the lands described therein became bigger compared to the area indicated in the tax declarations. Said certificates of title were the basis of petitioner's application for foreclosure of mortgage. Hence, assuming that the foreclosure was lawful and valid, such foreclosure should only be limited to the area originally mortgaged as indicated in the tax declarations. Also, petitioner had not registered the foreclosure with the Register of Deeds of Zambales. Consequently, respondent's right of redemption over the properties subsists and the one-year period therefor has not yet commenced. In any event, respondent asserted his willingness to pay the balance, if any, of the loan. Respondent ultimately prayed for the nullification of the foreclosure sale, an accounting of respondent's true monetary obligations, an award of attorney's fees, and damages.[7]

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5 Records, Vol. I, pp. 2-8.
6 Id. at 2-4.
7 Id. at 5-7.

Petitioner filed an Answer[8] and countered that respondent's original loan covered by the real estate mortgage was executed on January 23, 1984 and renewed on several occasions, the latest renewal being on September 15, 1999 for the amount of ₱683,000.00. Petitioner denied respondent's full payment of the latest loan and asserted that the alleged payments made by the respondent were not real payments but for the loan renewals. Respondent could not have possibly disregard the release of the mortgage if the loan was indeed already fully paid. For two (2) years since the last loan matured on March 14, 2000, and despite continuous demands from petitioner, respondent never coordinated or communicated with petitioner. It was only due to the pleas for extension made by respondent's son and daughter-in-law that petitioner deferred the foreclosure of the mortgage and the registration of the subsequent certificate of sale. Petitioner also averred that it had complied with all the legal requirements for foreclosure of mortgage. The certificate of sale has also been registered with the Register of Deeds of Zambales on June 29, 2001. Respondent did not redeem the property. Petitioner's consolidation of ownership was thus proper and in order. Anent the discrepancy in the area of the lands mortgaged, petitioner countered that what defines the value of the land is not the numerical figure indicated as area but the actual metes and bounds of the property. By way of counterclaims, petitioner sought for respondent's surrender of the certificates of title of the subject lands and the payment of attorney's fees and litigation expenses.[9]

THE RTC RULING

After trial, the RTC rendered a Decision,[10] the dispositive portion of which reads:

> **IN VIEW THEREOF**, judgment is rendered:
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> 1. Declaring as null and void the auction sale conducted by the Ex-Officio Provincial Sheriff of Zambales on 15 November 2000 and all proceedings connected therewith or related to the sale at public auction of Parcels I and II of the Complaint located at Uacon, Candelaria, Zambales.
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> 2. Ordering defendant Rural Bank of Candelaria (Zambales), Inc. to reconvey to the plaintiff the land property covered by Katibayan ng Orihinal na Titulo Blg. P-12284 and P-12623 upon finality of the Decision; and
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> 3. Ordering the plaintiff to pay forthwith defendant bank the sum of P4,228,955.98 representing the principal loan of P683,000.00 plus 20% compounded interest computed from 15 March 2000 up to 14 March

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8 Id. at 28-32.
9 Id.
10 CA *rollo*, 82-96.

2010 plus interest thereon until fully paid in accordance with the terms and conditions set forth in the promissory noted dated 15 September 1999.

SO ORDERED.[11]

The RTC held that the last loan obtained by the respondent was on September 15, 1999, which matured on March 14, 2000. In regard thereto, the RTC gave evidentiary weight to the Promissory Note[12] (PN) dated September 15, 1999 and disregarded the receipts and proofs of payment adduced by the respondent. According to the RTC, said payments were for the previous loans obtained by the respondent from petitioner. Also, there was no showing that the checks for the alleged payment were actually encashed and paid to petitioner and applied to respondent's loan obligations.[13] Per the RTC's computation, respondent's total obligation had reached ₱4,228,955.98 as of March 14, 2010.[14] The RTC further held that the September 15, 1999 loan of respondent was not secured by any real estate mortgage. First, petitioner presented mere photocopies of the deeds of real estate mortgage dated April 3, 1987 and June 11, 1993; hence, inadmissible in evidence. Second, assuming said photocopies are admissible, nonetheless, the RTC ruled that the said mortgages did not sufficiently describe the debt sought to be secured. Third, while the September 15, 1999 PN stated ₱683,000.00 as the amount of the loan obtained by the respondent, the subject real estate mortgages however indicated ₱10,000.00 and ₱50,000.00 as the loan amounts secured thereof. There being ambiguities between the real estate mortgages and the PN executed by the parties, such ambiguities must be construed against the petitioner, the party that drafted the contracts and caused the ambiguities. Consequently, there was no valid real estate mortgage to foreclose and the subsequent foreclosure proceedings including the auction sale are null and void.[15]

Both parties filed an appeal before the CA.[16]

THE CA RULING

On November 29, 2011, the CA rendered a Decision,[17] affirming the RTC Decision.

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11 Id. at 96.
12 Records, Vol. 2, p. 802.
13 CA *rollo*, pp. 92-95.
14 Id. at 93-94.
15 Id. at 94-95.
16 Records, Vol. 2, pp. 863-864 and 874.
17 CA *rollo*, pp. 140-150; penned by Associate Justice Magdangal M. De Leon with Associate Justices Francisco P. Acosta and Angelita A. Gacutan, concurring.

Only respondent moved for partial reconsideration.[18] Respondent argued that the CA and the RTC should not have admitted in evidence the PN dated September 15, 1999 because petitioner presented mere photocopies of said document. In fact, respondent had objected to the admission of said evidence for being violative of the Best Evidence Rule. Also, said PN deserves no evidentiary weight because of the material alteration thereof which was not sufficiently explained by petitioner. Specifically, respondent invited the attention of the CA on the ostensible alteration of the bold and typewritten words "Date Granted: September 15, 1999" and the Date Due: March 14, 2000." These and the fact that respondent never received the alleged ₱683,000.00 loan contracted on September 15, 1999 only show that respondent did not obtain said loan from petitioner.[19]

Petitioner filed a Comment[20] to respondent's motion for partial reconsideration, essentially adopting the findings and ruling of the RTC.

On February 28, 2013, the granted respondent's motion and promulgated the assailed Amended Decision,[21] *viz.*:

> **WHEREFORE**, the *motion for partial reconsideration* is **PARTIALLY GRANTED**. The *Decision* of the Regional Trial Court, Branch 69, Iba, Zambales dated July 5, 2010 is hereby **MODIFIED** by **DELETING** paragraph (3) thereof, which reads:
>
> "(3) Ordering the plaintiff to pay forthwith defendant bank the sum of P4,228,955.98 representing the principal loan of P683,000.00 plus 20% compounded interest computed from 15 March 2000 up to 14 March 2010 (sic) plus interest thereon until fully paid in accordance with the terms and conditions set forth in the promissory noted dated 15 September 1999."
>
> **SO ORDERED.**[22]

Albeit ruling that the PN dated September 15, 1999 is admissible in evidence because the document marked as Exhibit "1" is an original copy of said PN,[23] the CA nonetheless denied evidentiary value thereto insofar as establishing respondent's unpaid obligation is concerned. The CA gave credence to respondent's arguments in the motion for partial reconsideration and held that there was indeed material alteration of the September 15, 1999 PN. The CA observed:

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18 Id. at 151-171.
19 Id. at 153-162.
20 Id. at 197-200.
21 *Rollo*, pp. 25-34.
22 Id. at 33.
23 Id. at 29.

> x x x [W]hile [petitioner] properly offered in evidence the original the [PN] dated September 15, 1999, said instrument shows an unsigned alteration of the dates of issuance and maturity, casting doubts on the genuineness and due execution thereof.
>
> A close inspection of the [PN] marked as exhibit "1" reveals that in its upper right portion, an apparent erasure of the entries in the fields "Date Granted" and "Date Due" was made. The date "September 15, 1999" was typed over an erased entry in the "Date Granted" field while the date "March 14, 200" was superimposed on the partially erased entry in the "Date Due" field. Accordingly, in the schedule of payment located in the body of the promissory note, the entry under the "Date" heading also appears to have been erased and a new date typed over the same. It is worthy to note that the original entries reflecting the maturity date of the instrument seem to be some date starting with the letter "J."[24]

Citing Sections 124[25] and 125[26] of the Negotiable Instruments Law (NIL), the CA considered the subject PN as avoided. The CA ratiocinated that while there is no dispute on the authenticity of respondent's signature on the PN, nevertheless, the apparent and unexplained material alterations rendered said negotiable instrument as without any evidentiary value anent respondent's alleged unpaid loan obligation. Without the subject PN on which petitioner pegs its claim of non-payment, the evidence on record preponderates in favor of respondent, who had presented proofs of payment.[27]

This time, petitioner moved for reconsideration,[28] which was denied by the CA through the challenged June 25, 2013 Resolution.[29]

Hence, the present petition.

THE ISSUES

I.

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24 Id. at 29-30.

25 SEC. 124. *Alteration of instrument; effect of.* — Where a negotiable instrument is materially altered without the assent of all parties liable thereon, it is avoided, except as against a party who has himself made, authorized, or assented to the alteration, and subsequent indorsers.
But when an instrument has been materially altered and is in the hands of a holder in due course, not a party to the alteration, he may enforce payment thereof according to its original tenor.

26 SEC 125. *What constitutes a material alteration.* — Any alteration which changes —
(a) The date;
(b) The sum payable, either for principal or interest;
(c) The time or place of payment;
(d) The number or the relations of the parties;
(e) The medium or currency in which payment is to be made; or which adds a place of payment where no place of payment is specified, or any other change or addition which alters the effect of the instrument in any respect, is a material alteration.

27 *Rollo*, pp. 29-31.

28 CA *rollo*, pp. 230-231.

29 *Rollo*, pp. 36-38.

WHETHER OR NOT THE [CA] GRIEVOUSLY ERRED IN AFFIRMING PARAGRAPHS (1) AND (2) OF THE DECISION OF THE COURT A QUO DECLARING AS NULL AND VOID THE AUCTION SALE CONDUCTED BY THE EX-OFFICIO PROVINCIAL SHERIFF IN THE ABSENCE OF PROOF THAT [THE] SALE WAS LEGALLY FLAWED OR THAT THERE WAS FRAUD, OR THAT THE ACTION TO FORECLOSE HAS PRESCRIBED; OR THAT THERE WAS ABSENCE OF EXTRA-JUDICIAL DEMAND, ISSUES WHICH WERE NOT PROPERLY OR AMPLY VENTILATED IN THE COURT BELOW.

II.

GRANTING, WITHOUT ADMITTING, THAT THE AUCTION SALE WAS INVALID, WHETHER OR NOT THE [CA] GRIEVOUSLY ERRED AND DECIDED THE CASE NOT ACCORDING TO LAW WHEN IT FAILED TO CONSIDER THAT [PETITIONER], UNDER THE LAW, IS STILL ENTITLED TO THE PAYMENT OF THE LOAN BALANCE OR TO DECLARE RESPONDENTS [sic] STILL CONTRACTUALLY INDEBTED TO PETITIONER BANK.

III.

WHETHER OR NOT THE [CA] GRIEVOUSLY ERRED IN DELETING PARAGRAPH (3) OF THE DECISION OF THE COURT A QUO BY ADMITTING THE ISSUE OF MATERIAL ALTERATIONS IN THE [PN], THE MATTER OF ALTERATIONS HAVING BEEN RAISED ONLY FOR THE FIRST TIME ON APPEAL AND INSPITE OF [RESPONDENT'S] ADMISSION, NOT DENIAL UNDER OATH, OF THE SAID PROMISSORY NOTE IN THE COURT BELOW.[30]

THE COURT'S RULING

The petition is partly meritorious.

At the onset, respondent assails Manikan's authority to file the instant petition for and on behalf of petitioner because there was no board resolution attached to the petition. Neither was there a competent proof of Manikan's identity in the jurat of the verification/certification of the petition.[31] Petitioner counters that while the jurat did not state Manikan's proof of identity, nonetheless, copies of Manikan's valid identification cards were attached to the petition. Also, Manikan is the Chairperson and President of petitioner. Thus, he can validly sign the verification/certification even without a board resolution.[32]

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30 Id. at 13.
31 Id. at 82-85.
32 Id. at 120-121.

Petitioner's contentions are well-taken.

Records disclose that copies of Manikan's competent proof of identity were properly attached to the verification/certification of the petition.[33] Worthy also of note is the fact that it was respondent who impleaded Manikan in the complaint as the "Chairman-President" and representative of petitioner.[34] This was admitted by petitioner in its answer.[35] In any event, respondent does not deny nor dispute Manikan's authority as Chairperson and President of petitioner. In filing a suit, jurisprudence has allowed the president of a corporation to sign the verification and certification of non-forum shopping even without a board resolution as said officer is presumed to have sufficient knowledge to swear to the truth of the allegations in the complaint or petition.[36] Hence, as correctly argued by petitioner, Manikan can file the petition and sign the certification and verification thereof for and on behalf of petitioner without the need of a board resolution.

As regards the first issue, suffice it to state that the ruling of the RTC declaring the real estate mortgage and the subsequent foreclosure proceedings as null and void had already been sustained by the CA in its November 29, 2011 Decision, which initially affirmed in full the RTC findings and Decision. Notably, petitioner did not file a motion for reconsideration of said November 29, 2011 CA Decision. Respondent moved for partial reconsideration of the said CA Decision but **only insofar as the RTC ruling that respondent is still indebted to petitioner as evidenced by the PN dated September 15, 1999. This was the sole issue resolved in the CA's Amended Decision.** Consequently, the Court can no longer disturb the findings and conclusions of the RTC and the CA relative to the nullity of the mortgage and the foreclosure proceedings. These questions are factual, the resolution of which would ultimately call for a recalibration of the parties' evidence that were already reviewed by the CA. It is a long-standing policy of this Court that findings of facts of the RTC, which were adopted and affirmed by the CA, are generally deemed conclusive and binding and will not be disturbed by the Court, unless there are exceptional reasons to do so.[37]

The other two (2) issues raised in the petition are the crux of the present appeal, *i.e.*, whether the CA committed a reversible error in ruling that the September 15, 1999 PN was materially altered and has no evidentiary value insofar as respondent's alleged loan is concerned.

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33 Id. at 21.

34 Records, Vol. I, p. 2.

35 Id. at 28.

36 See *Colegio Medico Farmaceutico de Filipinas, Inc. v. Lim*, 834 Phil. 789, 796 (2018), citing *Hutama-RSEA/Supermax Phils., J.V. v. KCD Builders Corporation*, 628 Phil 52, 61 (2010).

37 *Rivera-Avante v. Rivera*, G.R. No. 224137, April 3, 2019.

The Court rules in the affirmative.

As a rule, issues that were not alleged or proved before the lower court cannot be decided for the first time on appeal. This rule ensures fairness in proceedings.[38]

In *Maxicare PCIB CIGNA Healthcare v. Contreras*,[39] the Court held:

> x x x [A] party who deliberately adopts a certain theory upon which the case is tried and decided by the lower court, will not be permitted to change theory on appeal. Points of law, theories, issues and arguments not brought to the attention of the lower court need not be, and ordinarily will not be, considered by a reviewing court, as these cannot be raised for the first time at such late stage. It would be unfair to the adverse party who would have no opportunity to present further evidence material to the new theory, which it could have done had it been aware of it at the time of the hearing before the trial court. x x x[40]

In this case, respondent neither alleged nor proved before the RTC that the PN dated September 15, 1999 was materially altered.

Understandably, respondent could not deny under oath the genuineness and due execution of the subject PN, for while petitioner averred in the answer that respondent obtained a loan on September 15, 1999, it did not however attach a copy of the subject PN or incorporate the contents thereof in said answer.[41] Nonetheless, records disclose that the existence of the September 15, 1999 PN was brought to respondent's attention as early as the pre-trial stage before the RTC.[42] In fact, respondent even marked said document as Exhibit "Q" during the preliminary conference.[43] Even so, material alteration was not among those issues presented by either petitioner or respondent in their respective pre-trial briefs.[44]

The issue of material alteration was likewise not raised during trial proper. Notably, respondent's testimony neither identified nor mentioned the September 15, 1999 PN.[45] The same is true with respect to the testimony of respondent's other witness, Victoria Banluta.[46] Respondent, in his testimony,

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38 *Chinatrust v. Turner*, 812 Phil. 1, 3 (2017).
39 702 Phil. 688 (2013).
40 Id. at 696.
41 Records Vol. 1, pp. 28-32.
42 Id. at. 40.
43 Records, Vol. 2, p. 557.
44 Id. at 554, Records, Vol. 1, pp. 40 and 100.
45 Records, Vol. 2, pp. 680-689.
46 Id. at 690-700.

merely insisted that he could not recall borrowing from petitioner on September 15, 1999 and that he never received the proceeds of the purported loan contracted on said date.[47] **Respondent nevertheless admitted that the signature appearing in the September 15, 1999 PN is his.**[48] Although respondent's counsel hinted that "*there was something x x x*" in the subject PN that should be examined by the National Bureau of Investigation (NBI),[49] there was no specific claim or allegation from respondent that the September 15, 1999 PN was forged or materially altered. Neither did respondent's counsel pursue the examination of the disputed document by the NBI. These notwithstanding, respondent still formally offered the subject PN (Exhibit "Q") to prove that it is "sham and highly questionable."[50] It was also only in the Formal Offer of Documentary Exhibits that respondent insinuated an irregularity in the aforesaid PN by stating that "*[t]he boldness of the typewritten words Date due: **March 14, 2000** of the promissory note is very different from the boldness of the print of the other entries in the promissory note.*"[51]

Respondent had another opportunity to properly question the authenticity of the September 15, 1999 PN when petitioner presented said document as its own evidence during trial. Still, respondent failed to do so.

Notably, the cross-examination of petitioner's witnesses primarily delved on the real estate mortgage and the circumstances surrounding the foreclosure proceedings.[52] In contrast, witness for and employee of petitioner, Marilyn Echon, categorically testified that: (1) she was familiar with respondent as a borrower of petitioner having been an employee thereof since 1987;[53] (2) she had been holding various positions therein such as savings clerk and loan clerk, among others;[54] (3) respondent, a valued client of petitioner, obtained several loans from the latter, for which he was required to execute PNs and real estate mortgages;[55] (4) **she saw respondent signed and affixed his thumbmark on the September 15, 1999 PN**;[56] (5) **she also witnessed Elsie Ebuenga and Arlene Ortaliza (cashier and loan officer, respectively of petitioner) signed said loan document**;[57] (6) what respondent paid on September 15, 1999 in the amount of Php703,279.54 was the loan contracted on September 10, 1998, which matured on March 1, 1999;[58] and (7) the last PN executed by respondent was the September 15, 1999 PN, which remained

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47 Id. at 601-603.
48 Id. at 601.
49 Id. at 603.
50 Id. at 634.
51 Id. Italics supplied.
52 Id. at 718-723 and 783-796.
53 Id. at 731-732.
54 Id. at 784.
55 Id. at 784-788.
56 Id. at 733-735.
57 Id. at 733-734.
58 Id. at 787.

unpaid.[59] Hence, contrary to respondent's stance, the due execution and authenticity of the September 15, 1999 PN had been duly established by petitioner.[60]

In fine, the defense of material alteration of the subject PN was not properly raised and adequately argued and proven before the RTC. Basic rules of fair play, justice, and due process require that arguments or issues not raised in the trial court may not be raised for the first time on appeal.[61] Verily, respondent cannot be allowed to raise the issue or defense of material alteration for the first time in the appeal with the CA.

Section 15, Rule 44 of the Rules of Court limits the questions that may be raised on appeal,[62] *viz.*:

> **Section 15.** *Questions that may be raised on appeal.* – Whether or not the appellant has filed a motion for new trial in the court below, he may include in his assignment of errors any question of law or fact **that has been raised in the court below and which is within the issues framed by the parties.** (Emphasis supplied)

To reiterate, the rule is that a change of theory cannot be allowed. An exception would be **when the factual bases of such change of theory would not require presentation of any further evidence by the adverse party in order to enable it to properly meet the issue raised in the new theory.**[63] The present case does not fall under said exception.

In rendering the challenged Amended Decision, the CA cited Section 124 of the Negotiable Instruments Law (NIL) and ruled that while there is no dispute that the signature appearing on the September 15, 1999 PN is that of the respondent, nonetheless, the alterations on the dates of issuance and maturity were not countersigned by the parties which effectively cast doubts on the authenticity of said document.

The Court does not agree.

First, the fact of material alteration of the subject PN was not sufficiently established before the RTC. Second, assuming *arguendo* that there was alteration of the dates of issue and maturity of the said PN, still, Section 124

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59 Id. at 787-788.

60 **SEC. 20.** *Proof of private document.* – Before any private document offered as authentic is received in evidence, its due execution 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.

61 *Chinatrust v. Turner*, supra note 38 at 16.

62 *Bote v. Sps. Veloso*, 700 Phil. 78, 87-88 (2012).

63 Id. at 88.

provides for a defense for the non-avoidance of a materially altered negotiable instrument. Thus:

> SEC. 124. *Alteration of instrument; effect of.* — Where a negotiable instrument is materially altered **without the assent of all parties liable thereon**, it is avoided, **except as against a party who has himself made, authorized, or assented to the alteration**, and subsequent indorsers.
>
> But when an instrument has been materially altered and is in the hands of a holder in due course, not a party to the alteration, he may enforce payment thereof according to its original tenor. (Emphasis supplied)

Applying the foregoing, petitioner could have presented evidence that respondent assented to or authorized the alterations (*i.e.*, the alterations were already made at the time respondent affixed his signature and thumbmark) in the September 15, 1999 PN, had respondent properly put in issue such material alterations before the trial court. Stated differently, in order to refute the theory of material alteration, it is necessary that petitioner present evidence to explain the purported alterations and show that they were done with the knowledge and consent of respondent.[64] Expectedly, petitioner was not able to do so because material alteration was not an issue before the RTC. Respondent's failure to properly put in issue the purported material alteration of the PN is bolstered by the fact that the RTC Decision did not mention or discuss the issue of such material alteration. It was an error for the CA to sweepingly conclude that the purported alterations in the PN were unauthorized simply because they were not countersigned by the parties, **more so in the light of respondent's admission that the signature and thumbmark appearing on the subject PN are genuine and his.**

Respondent's arguments that he did not receive any centavo from the purported September 15, 1999 loan and that it is illogical and contrary to human experience that a debtor who paid the full amount of the loan (including interests and penalties) will secure another loan on the same date deserve scant consideration for being self-serving and contrary to the evidence on record. The PN dated September 15, 1999, which respondent admittedly signed, clearly stated "x x x for value received x x x."[65]

All told, the CA erred in rendering the Amended Decision and deciding the issue of material alteration for the first time on appeal. Consequently, as aptly held by the RTC, the terms and conditions of the September 15, 1999 PN, including the stipulated interest of 20% *per annum*, are valid and binding as to respondent. Said stipulated interest shall be imposed on the total principal due from March 4, 2000, the maturity date of the subject PN, until finality of this

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64 Id.

65 Records, Vol. 2, p. 802.

Decision. In addition, the total amount due to petitioner shall earn legal interest at the rate of 6% *per annum* from the finality of this Decision until full payment.[66]

WHEREFORE, premises considered, the petition is **PARTLY GRANTED**. The February 28, 2013 Amended Decision and the June 25, 2013 Resolution of the Court of Appeals in CA-G.R. CV No. 95777 are **REVERSED and SET ASIDE**. The July 5, 2010 Decision of the Regional Trial Court, Branch 69, Iba, Zambales in Civil Case No. 1988-I is **AFFIRMED with MODIFICATIONS** in that the interest rate stipulated in the September 15, 1999 Promissory Note shall be imposed up to the date of finality of this Decision. From such finality until full satisfaction of the obligation, the total amount due shall earn legal interest at the rate of 6% *per annum*.

SO ORDERED.

SAMUEL H. GAERLAN
Associate Justice

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66 See *Nacar v. Gallery Frames*, 716 Phil. 267 (2013).

WE CONCUR:

ALEXANDER G. GESMUNDO
Chief Justice
Chairperson

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

HENRI JEAN PAUL B. INTING
Associate Justice

JAPAR B. DIMAAMPAO
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.

ALEXANDER G. GESMUNDO
Chief Justice