

FIRST DIVISION

[G.R. Nos. 206841-42. January 19, 2018.]

ARMANDO GO, *petitioner*, **vs. EAST OCEANIC LEASING and FINANCE CORPORATION**, *respondent*.

DECISION

DEL CASTILLO, J.:

We resolve the Petition for Review on *Certiorari* under Rule 45 of the Rules of Court, assailing the July 16, 2012 Decision **1** and the April 8, 2013 Order **2** of the Regional Trial Court (RTC), Branch 23, Cebu City in Civil Case Nos. CEB-18366 and CEB-21918.

The Antecedent Facts

On March 22, 1995, petitioner Armando Go (Go) obtained a loan from respondent East Oceanic Leasing and Finance Corporation (East Oceanic) in the amount of P4,062,888.00, **3** payable in monthly installments of P169,287.00 until fully paid, as evidenced by a Promissory Note **4** that Go executed on the same day.

Notably, Go's loan application was approved on the basis of the report and recommendation of Theodore Sy (Sy), then East Oceanic's Managing Director, which specified that the purpose of the loan was for the upgrading of the bus fleet and replacement of old units of Oriental Bus Lines, a bus company owned by Go. **5**

Go subsequently issued six post-dated checks in favor of East Oceanic, all drawn from his account at the Development Bank of the Philippines-Ormoc Branch (DBP): **6**

Check No.	Date	Amount
1273408 7	06/22/95	P169,287.00
1273409 8	07/22/95	P169,287.00
1273410 9	08/22/95	P169,287.00
1273412 10	10/22/95	P169,287.00
005794 11	10/02/95	P922,614.15
1273413 12	11/22/95	P169,287.00

Unfortunately, the checks were all dishonored by the DBP upon presentment for payment with the reason "Account Under Garnished" stamped at the back of the checks and as shown by the check return slips. **13** East Oceanic duly informed Go of the dishonor of said checks and demanded that he make good or pay the same, but the latter failed to do so. **14**

By reason of the dishonored checks, Go's loan became due and demandable

with an outstanding balance of P2,814,054.84, excluding interest and other charges, based on a Statement of Account ¹⁵ dated January 24, 1996. ¹⁶

Thus, on February 7, 1996, East Oceanic filed a Complaint ¹⁷ against Go before the RTC for collection of a sum of money with prayer for preliminary attachment. The case was docketed as Civil Case No. CEB-18366 (collection case).

In his Answer with Counterclaim, ¹⁸ Go argued that the Promissory Note is void, given that it had "failed to comply with the mandatory requirements set up by the *Bangko Sentral ng Pilipinas* and the decisions of the Supreme Court applying and interpreting the same. Hence, the interests and charges contained therein are null and void." ¹⁹ He thus requested for a proper accounting of his loan in order to determine the amount that he actually owed from East Oceanic. ²⁰

While the collection case was pending, East Oceanic filed a Complaint for Damages ²¹ dated April 14, 1998 with the RTC against Sy, alleging that the corporation suffered a loss in the amount of P3,000,000.00 due to the latter's false report and recommendation pertaining to the real purpose of Go's loan application, *i.e.*, to pay off an existing loan to Sto. Niño de Cebu Finance Corporation, as well as his financial status. ²² The case was docketed as Civil Case No. CEB-21918 (damages case). ²³

Upon East Oceanic's motion, ²⁴ and finding the evidence adduced in the collection case to be likewise pertinent to the damages case, the RTC ordered the cases to be consolidated. ²⁵

The Regional Trial Court Ruling

In its Decision dated July 16, 2012, the RTC rendered judgment as follows:

- 1) Ordering defendant Theodore Sy to pay plaintiff the following:
 - a) P3,000,000.00 as actual damages with 6% interest computed from the time of the filing of the case;
 - b) P300,000.00 as attorney's fees; and,
 - c) P30,000.00 as x x x litigation expenses.
- 2) Ordering defendant Armando Go to pay plaintiff the sum of P2,814,054.84 plus 6% interest to be computed from the time of the filing of the complaint.

So Ordered. ²⁶

Go moved for reconsideration, ²⁷ arguing that the RTC Decision is contrary to law because it failed to cite any factual and/or legal basis as to his civil liability to East Oceanic. ²⁸ The RTC, however, denied the motion in its Order dated April 8, 2013.

As a consequence, Go filed the present Petition for Review on *Certiorari* before the Court, assailing the RTC's July 16, 2012 Decision and April 8, 2013 Order.

Issue

Go raises the sole issue of *whether the assailed RTC Decision is void for having no basis in fact and in law as regards his civil liability to East Oceanic.*

The Court's Ruling

The Petition is impressed with merit.

The Constitution expressly provides that "[n]o decision shall be rendered by any court without expressing therein *clearly and distinctly the facts and the law on which*

it is based. No petition for review or motion for reconsideration of a decision of the court shall be refused due course or denied without stating the basis therefor." 29

This constitutional mandate is reflected in Section 1, Rule 36 of the Rules of Court which states that:

Sec. 1. Rendition of judgments and final orders. — A judgment or final order determining the merits of the case shall be in writing personally and directly prepared by the judge, **stating clearly and distinctly the facts and the law on which it is based**, signed by him, and filed with the clerk of court.

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The Court, too, issued Administrative Circular No. 1 dated January 28, 1988 which required all judges to make "complete findings of facts in their decisions, scrutinize closely the legal aspects of the case in the light of the evidence presented, and avoid the tendency to generalize and to form conclusions without detailing the facts from which such conclusions are deduced." 31

In *Yao v. Court of Appeals*, 32 the Court emphasized that "[t]he parties to a litigation should be informed of how it was decided, with an explanation of the **factual and legal reasons** that led to the conclusions of the court," 33 viz.:

Faithful adherence to the requirements of Section 14, Article VIII of the Constitution is indisputably a paramount component of due process and fair play. It is likewise demanded by the due process clause of the Constitution. The parties to a litigation should be informed of how it was decided, with an explanation of the factual and legal reasons that led to the conclusions of the court. **The court cannot simply say that judgment is rendered in favor of X and against Y and just leave it at that without any justification whatsoever for its action. The losing party is entitled to know why he lost, so he may appeal to the higher court, if permitted, should he believe that the decision should be reversed.** A decision that does not clearly and distinctly state the facts and the law on which it is based leaves the parties in the dark as to how it was reached and is precisely *prejudicial* to the losing party, who is unable to pinpoint the possible errors of the court for review by a higher tribunal. x x x 34

In this case, a review of the records shows that the RTC had failed to *clearly and distinctly* state the facts and the law on which it based its ruling insofar as Go's civil liability to East Oceanic is concerned. There is absolutely no discussion at all in the assailed Decision as to the RTC's ruling in the collection case, particularly, on how it arrived at its conclusion finding Go liable to pay East Oceanic "the sum of P2,814,054.86 plus 6% interest to be computed from the time of the filing of the complaint." 35

The RTC listed the issues to be resolved in the assailed Decision as follows:

As agreed by the parties in the pre-trial hearing, the issues to be resolved are:

1. Whether or not defendant Theodore Sy is liable to plaintiff for damages as contained in the complaint;
2. Whether or not plaintiff is liable to defendant for damages as contained in his counterclaim;
3. Whether or not plaintiff is guilty of forum shopping because it filed a separate case against defendant Armando Go seeking to recover

the same amount that it is seeking to recover from defendant Theodore Sy; and,

4. Whether or not plaintiff is liable to defendant Theodore Sy for the payment of the amount of P600,000.00 representing the cash dividend of defendant Theodore Sy as a stockholder of plaintiff. **36**

In its lengthy 42-page Decision, the RTC concluded that Sy "did not observe honesty and good faith and was therefore dishonest and in bad faith in the performance of his duties and is thus liable to plaintiff for damages." **37** It also ruled that: a) East Oceanic is not liable to Sy for damages as stated in his counterclaim; **38** b) East Oceanic is not guilty of forum shopping; **39** and c) East Oceanic is not liable to Sy for the payment of P600,000.00 representing the latter's cash dividend as a stockholder. **40**

To be sure, the RTC resolved all the issues that it had enumerated in the assailed Decision. The only problem is that the issues it resolved pertain *exclusively* to the damages case, when it was tasked to decide all the issues in *both* the damages case and the collection case. Simply put, the RTC failed to include in its listing (and to resolve) the issues relating to the collection case which are expressly provided in the Pre-Trial Order, **41** viz.:

At the pre-trial conference, the parties agreed on the following:

ISSUES:

xxx xxx xxx

2. Whether or not plaintiff is entitled to its claim against the defendant Armando Go as contained in the complaint in Civil Case No. CEB-18366;

Defendant Armando Go in CEB-18366:

1. Whether or not defendant Armando Go is liable to plaintiff for damages as contained in the complaint;
2. Whether or not plaintiff is entitled to the writ of attachment prayed for;
3. Whether or not plaintiff is liable to defendant Armando Go for damages as contained in his counterclaim; **42**

Given these circumstances, we find that **the assailed Decision is void insofar as the collection case is concerned**, as it contained neither an analysis of the evidence of East Oceanic and Go as regards the outstanding balance of the latter's loan obligation, nor a reference to any legal basis in reaching its conclusion as to Go's civil liability to East Oceanic. **43** Clearly, the RTC failed to meet the standard set forth in Section 14, Article VIII of the Constitution, and in so doing, deprived Go of his right to due process "since he was not accorded a fair opportunity to be heard by a fair and responsible magistrate." **44**

It is significant to note that the present case involves an appeal by *certiorari* from the RTC (which rendered the assailed Decision and Order in the exercise of its original jurisdiction) directly to the Supreme Court under Section 1, **45** Rule 45 of the Rules of Court. Since the Court's jurisdiction in this case is *limited* to resolving only *questions of law*, or in particular, the issue on the validity of the assailed RTC Decision and Order insofar as the collection case is concerned, we cannot rule on the amount of Go's liability to East Oceanic.

We thus deem it appropriate to remand the case to the RTC for further proceedings to allow said court to come up with a decision in Civil Case No. CEB-18366 that fully complies with Section 14, Article VIII of the Constitution, taking into consideration the evidence on record and its ruling in Civil Case No. CEB-21918.

WHEREFORE, we **GRANT** the Petition for Review on *Certiorari*. The Decision dated July 16, 2012 and the Order dated April 8, 2013 of the Regional Trial Court, Branch 23, Cebu City, insofar as Civil Case No. CEB-18366 is concerned, are **REVERSED** and **SET ASIDE**. The records are hereby **REMANDED** to said Regional Trial Court for further proceedings and for the rendition of judgment in accordance with the mandate of Section 14, Article VIII of the Constitution.

SO ORDERED.

Sereno, C.J., Leonardo-de Castro, Jardeleza and Tijam, JJ., concur.

Footnotes

1. *Rollo*, pp. 30-71; penned by Presiding Judge Generosa G. Labra.
2. *Id.* at 29.
3. *Id.* at 30.
4. *Id.* at 88.
5. *Id.* at 33.
6. *Id.* at 30-31.
7. *Id.* at 89.
8. *Id.*
9. *Id.* at 90.
10. *Id.* at 91.
11. *Id.* at 92.
12. *Id.*
13. *Id.* at 31.
14. *Id.*
15. Folder of Exhibits, p. 28.
16. *Rollo*, p. 31.
17. *Id.* at 82-87.
18. *Id.* at 101-107.
19. *Id.* at 102.

20. *Id.*
21. *Id.* at 93-96.
22. *Id.* at 94-95.
23. *Id.* at 93.
24. Records, pp. 70-71.
25. See Order dated August 2, 1999, *id.* at 91; penned by Presiding Judge Benigno G. Gaviola.
26. *Rollo*, pp. 70-71.
27. *Id.* at 76-81.
28. *Id.* at 77.
29. CONSTITUTION, Article VIII, Section 14. Emphasis and italics supplied.
30. Emphasis supplied.
31. See *Tan vs. Ramirez*, 640 Phil. 370, 383 (2010).
32. 398 Phil. 86 (2000).
33. *Id.* at 105. Emphasis supplied.
34. *Id.* at 105-106. Emphasis and italics supplied.
35. *Rollo*, p. 71.
36. *Id.* at 50.
37. *Id.* at 67.
38. *Id.*
39. *Id.* at 68.
40. *Id.* at 69.
41. Records, pp. 97-100; penned by Presiding Judge Benigno G. Gaviola.
42. *Id.* at 97-98.
43. See *Yao vs. Court of Appeals*, *supra* note 32 at 106.
44. *Id.* at 105.
45. SECTION 1. *Filing of petition with Supreme Court* — A party desiring to appeal by *certiorari* from a judgment, final order or resolution of the Court of Appeals, the Sandiganbayan, the Court of Tax Appeals, the **Regional Trial Court** or other courts, whenever authorized by law, may file with the Supreme Court a verified petition for review on *certiorari*. The petition may include an application for a writ of preliminary injunction or other provisional remedies and **shall raise only questions of law**, which must be distinctly set forth. x x x (Emphasis supplied)