



Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

NYMPHA S. ODIAMAR,¹

Petitioner,

G.R. No. 213582

Present:

- versus -

LINDA ODIAMAR VALENCIA,
Respondent.

SERENO, C.J., Chairperson,
LEONARDO-DE CASTRO,
BERSAMIN,
PERLAS-BERNABE, and
CAGUIOA, JJ.

Promulgated:

JUN 28 2016

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DECISION

PERLAS-BERNABE, J.:

Before the Court is a petition for review on *certiorari*² assailing the Decision³ dated March 16, 2012 and the Resolution⁴ dated July 14, 2014 of the Court of Appeals (CA) in C.A. G.R. CV No. 93624, which affirmed the Decision⁵ dated May 5, 2009 of the Regional Trial Court of San Jose, Camarines Sur, Branch 58 (RTC) in Civil Case No. T-962 ordering petitioner Nympha S. Odiamar (petitioner) to pay respondent Linda Odiamar Valencia (respondent) the amount of ₱1,710,049.00 plus twelve percent (12%) interest, attorney's fees, litigation expenses, and the costs of suit.

¹ "Nympha Odiamar-Buencamino" and "Nimfa Odiamar-Buencamino" in some parts of the records.

² *Rollo*, pp. 9-20.

³ Id. at 22-36. Penned by Associate Justice Noel G. Tijam with Associate Justices Romeo F. Barza and Edwin D. Sorongon concurring.

⁴ Id. at 38-40.

⁵ Id. at 42-46. Penned by Presiding Judge Ma. Angela Acompañado Arroyo.

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Facts

On August 20, 2003, respondent filed a complaint⁶ for sum of money and damages against petitioner, alleging that the latter owed her ₱2,100,000.00. Petitioner purportedly issued China Bank Check No. GH B1147212⁷ (the check) for the said amount to guarantee the payment of the debt, but upon presentment, the same was dishonored.⁸ Respondent lamented that petitioner refused to pay despite repeated demands, and that had she invested the money loaned to petitioner or deposited the same in a bank, it would have earned interest at the rate of 36% per annum or three percent (3%) per month.⁹

For her part, petitioner sought the dismissal¹⁰ of the complaint on the ground that it was her deceased parents who owed respondent money. Accordingly, respondent's claim should be filed in the proceedings for the settlement of their estates. Petitioner averred that respondent had, in fact, participated in the settlement proceedings and had issued a certification¹¹ stating that it was petitioner's deceased parents who were indebted to respondent for ₱2,000,000.00. She further maintained that as administratrix of her parents' estates, she agreed to pay such indebtedness on installment but respondent refused to accept her payments.¹²

Respondent countered¹³ that petitioner personally borrowed almost half of the ₱2,100,000.00 from her, as evidenced by the check which she issued after agreeing to settle the same in installments.¹⁴ While respondent conceded that petitioner made several installment payments from December 29, 2000 until May 31, 2003, she pointed out that the latter failed to make any succeeding payments.¹⁵ Moreover, respondent denied participating in the proceedings for the settlement of the estates of petitioner's parents, clarifying that petitioner was the one who prepared the certification alluded to and that she (respondent) signed it on the belief that petitioner would make good her promise to pay her (respondent).¹⁶

In an Order¹⁷ dated October 3, 2003, the RTC denied petitioner's motion to dismiss, thus prompting her to file an answer.¹⁸ She asserted that respondent merely persuaded her to issue the check to guarantee her deceased parents' loan. She further claimed that the check was blank when

⁶ Dated August 14, 2003. Records, pp. 1-2.

⁷ Dated March 3, 2003. Id. at 3.

⁸ See letter dated July 11, 2003; id. at 4.

⁹ See id. at 1.

¹⁰ See Motion to Dismiss dated September 15, 2003; id. at 8-9.

¹¹ Dated March 10, 1998. Id. at 11

¹² See id. at 8-9.

¹³ See Opposition to Defendant's Motion to Dismiss dated September 29, 2003; id. at 13-15.

¹⁴ See id. at 13.

¹⁵ See id. at 14. See also *rollo*, p. 42.

¹⁶ See records, pp. 13-14.

¹⁷ Id. at 16-17. Penned by Presiding Judge Eufronio K. Maristela.

¹⁸ Erroneously dated as December 13, 2002. Id. at 99-104.

she issued it and that despite having no authority to fill up the same, respondent wrote the amount and date thereon.¹⁹ She also maintained that from December 29, 2000 to May 31, 2003, she made, in almost daily installments, payments to respondent ranging from ₱500.00 to ₱10,000.00, and that while she tried to make succeeding payments, respondent refused to accept the same, demanding, instead, the payment of the entire balance.²⁰ As counterclaim, petitioner prayed that moral damages, attorney's fees, litigation expenses, and exemplary and punitive damages be awarded to her.²¹

The RTC Ruling

In a Decision²² dated May 5, 2009, the RTC ruled in favor of respondent and ordered petitioner to pay: (a) ₱1,710,049.00 which represents the unpaid portion of the ₱2,100,000.00 debt; (b) twelve percent (12%) interest computed from the time judicial demand was made on August 20, 2003 until fully paid; (c) ₱10,000.00 as attorney's fees; (d) litigation expenses amounting to ₱19,662.78; and (e) the costs of suit.²³

The RTC refused to give credence to petitioner's contention that it was her deceased parents who borrowed money from respondent, observing that while the latter acknowledged that the former's deceased parents owed her ₱700,000.00 out of the ₱2,100,000.00, petitioner likewise admitted that she obtained personal loans from respondent.²⁴ Hence, according to the RTC, petitioner cannot deny her liability to respondent. Further, by assuming the liability of her deceased parents and agreeing to pay their debt in installments – which she in fact paid from December 29, 2000 to May 31, 2003 in amounts of ₱500.00 to ₱10,000.00, and which payments respondent did actually accept – a mixed novation took place and petitioner was substituted in their place as debtor. Thus, the liabilities of the estates of petitioner's deceased parents were extinguished and transferred to petitioner.²⁵

Anent the sum due, the RTC surmised that petitioner and her deceased parents owed respondent the sum of ₱2,000,000.00 as principal and since petitioner undertook to pay the same in installments, ₱100,000.00 was added as interest; hence, petitioner issued the check for ₱2,100,000.00.²⁶ Based on the receipts submitted by petitioner, the genuineness and due execution of which were not put in issue, petitioner had paid a total of ₱389,951.00 in installments, leaving an unpaid balance of ₱1,710,049.00, subject to interest

¹⁹ See *id.* at 101. See also CA's March 16, 2012 Decision; *rollo*, p. 31.

²⁰ See *id.*

²¹ See *id.* at 102-103.

²² *Rollo*, pp. 42-46.

²³ *Id.* at 45-46.

²⁴ See *id.* at 43-44.

²⁵ See *id.* 45.

²⁶ See *id.* at 44.

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of twelve percent (12%) per annum from the time judicial demand was made on August 20, 2003, in the absence of any written stipulation on interest.²⁷

Aggrieved, petitioner appealed²⁸ to the CA, arguing that novation did not take place and no interest was due respondent.²⁹

The CA Ruling

In a Decision³⁰ dated March 16, 2012, the CA affirmed the ruling of the RTC.³¹ It agreed that petitioner cannot deny her liability to respondent in view of her admission that she borrowed money from the latter several times.³² The CA also found petitioner's claim that she issued a blank check incredible, pointing out that petitioner testified in court that she personally wrote the amount thereon after she and respondent agreed that the loans she and her deceased parents obtained amounted to ₱2,100,000.00.³³

Anent the issue of novation, the CA concurred with the RTC that novation took place insofar as petitioner was substituted in place of petitioner's late parents, considering that petitioner undertook to pay her deceased parents' debt. However, the CA opined that there was no novation with respect to the object of the contract, following the rule that an obligation is not novated by an instrument which expressly recognizes the old obligation and changes only the terms of paying the same, as in this case where the parties merely modified the terms of payment of the ₱2,100,000.00.³⁴

Dissatisfied, petitioner moved for reconsideration,³⁵ which was, however, denied in a Resolution³⁶ dated July 14, 2014; hence, this petition.

The Issue Before the Court

The primary issue for the Court's resolution is whether or not petitioner should be held liable to respondent for the entire debt in the amount of ₱2,100,000.00.

²⁷ See *id.* at 45.

²⁸ See Brief for the Appellant dated June 12, 2010; *CA rollo*, pp. 18-44.

²⁹ See *id.* at 25-26, 33, and 43-44.

³⁰ *Rollo*, pp. 22-36.

³¹ *Id.* at 36.

³² *Id.* at 30-31.

³³ See *id.* at 31-32.

³⁴ See *id.* at 34-35.

³⁵ See motion for reconsideration dated April 10, 2012; *CA rollo*, pp. 95-101.

³⁶ *Id.* at 38-40.

The Court's Ruling

At the outset, it must be emphasized that the fact of petitioner's liability to respondent is well-established. As correctly pointed out by the RTC and the CA, while respondent acknowledged that petitioner's deceased parents owed her money, petitioner also admitted obtaining loans from respondent, viz.:

From [respondent's] recollection, the amount due from [petitioner's] parents is ₱700,000.00. Aside from her parents' loans, however, [petitioner] herself admitted having obtained personal loans from the respondent while her parents were still alive. She testified:

ATTY. PASA: You also know that [respondent] was also in [lending]?

[PETITIONER]: Yes, Madam.

Q: Because she was in lending you have borrowed money also? (sic)

A: Yes, Madam.

Q: Separate from your father?

A: Yes, Madam.

x x x x

Q: You borrowed money from [respondent] separate from your father prior to his death?

A: Yes, Madam.³⁷

Having admitted that she obtained loans from respondent without showing that the same had already been paid or otherwise extinguished, petitioner cannot now aver otherwise. It is settled that judicial admissions made by the parties in the pleadings or in the course of the trial or other proceedings in the same case are conclusive and do not require further evidence to prove them.³⁸ They are legally binding on the party making it,³⁹ except when it is shown that they have been made through palpable mistake or that no such admission was actually made,⁴⁰ neither of which was shown to exist in this case. Accordingly, petitioner is bound by her admission of liability and the only material question remaining is the extent of such liability.

³⁷ Id. at 43-44. See also TSN dated July 27, 2007, pp. 10-11.

³⁸ *Josefa v. Manila Electric Company*, G.R. No. 182705, July 18, 2014, 730 SCRA 126, 144.

³⁹ *Eastern Shipping Lines, Inc. v. BPI/MS Insurance Corp.*, G.R. No. 182864, January 12, 2015, 745 SCRA 98, 121.

⁴⁰ *Josefa v. Manila Electric Company*, supra note 38. See also Section 4, Rule 129 of the Rules of Court.

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Based on the records of this case, respondent, for her part, admitted that petitioner's deceased parents owed her ₱700,000.00 of the ₱2,100,000.00 debt and that petitioner owed her ₱1,400,000.00 only:

ATTY. VILLEGAS:

Q When was the first time that the [petitioner] obtained cash advances from you?

A About 1996, sir and then she made several others and she kept on borrowing money from me.

Q Do you mean to say that she obtained part of her loan while her father was still alive?

A Yes, when he was still alive she already borrowed.

Q Are you telling us that this 2.1 Million Pesos was entirely borrowed from you by the [petitioner]?

A There were loans which were obtained by her father, some by her mother and since they died already[,] when we summarized the amount that was the total amount that she owes me, sir.

Q How much is the amount owe[d] to you by the [petitioner's] father?

A I could no longer recall, sir because that was already long time ago but it was part of the summary that we made, sir.

Q Could it be ₱200,000.00?

A More or less, that much, sir.

Q What about the defendant's mother? How much was her obligation to you?

A ₱500,000.00, more or less, but I cannot exactly recall.

Q So, the defendant's parents owed you more than ₱700,000.00 is it not?

A Yes, sir.

x x x x

COURT:

Q Is it the impression of the Court that the x x x **amount of ₱700,000.00 is not a personal indebtedness of [petitioner] but that of her parents?** Is that the impression xxx the Court is getting?

A **Yes, Your Honor.**

x x x x

ATTY. VILLEGAS:

Q Tell us, how much really to your recollection is the indebtedness of the [petitioner's] parents?

A To the best of my recollection, that is the amount. **More or less [₱]700,000[.00] for both spouses, sir.**⁴¹ (Emphases supplied)

ATTY. PASA:

Q Madam witness, during the last hearing you stated that the [petitioner's] parents were indebted [to] you for about ₱700,000.00?

A Yes, Madam.

⁴¹ TSN dated April 28, 2005, pp. 6-7 and 10-11.

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- Q How about the [petitioner], how much did she [owe] you?
A More or less 1.4 [Million] Madam.⁴² (Emphasis supplied)

Applying the same principle on judicial admissions above, it is therefore incontrovertible that **petitioner's debt to respondent amounted to only ₱1,400,000.00** and not ₱2,100,000.00. Thus, respondent only remains liable to petitioner for such amount. Considering that petitioner had already paid ₱389,951.00 in installments as evidenced by the receipts submitted by petitioner – the genuineness and due execution of which were not put in issue – the unpaid balance of petitioner's ₱1,400,000.00 debt to respondent stands at **₱1,010,049.00**. On the other hand, the remaining ₱700,000.00 of the total ₱2,100,000.00 debt to respondent is properly for the account of the estates of petitioner's deceased parents and, hence, should be claimed in the relevant proceeding therefor.

At this juncture, the Court finds it apt to correct the mistaken notions that: (a) **novation by substitution of the debtor took place** so as to release the estates of the petitioner's deceased parents from their obligation, which, thus, rendered petitioner solely liable for the entire ₱2,100,000.00 debt; and (b) the ₱100,000.00 of the ₱2,100,000.00 debt was **in the nature of accrued monetary interests**.

On the first matter, while it is observed that petitioner had indeed admitted that she agreed to settle her late parents' debt, which was supposedly evinced by (a) the ₱2,100,000.00 check she issued therefor, and (b) several installment payments she made to respondent from December 29, 2000 to May 31, 2003, there was **no allegation, much less any proof to show, that the estates of her deceased parents were released from liability thereby**. In *S.C. Megaworld Construction and Development Corporation v. Parada*,⁴³ the Court held that **to constitute novation by substitution of debtor, the former debtor must be expressly released from the obligation and the third person or new debtor must assume the former's place in the contractual relations.**⁴⁴ Moreover, the Court ruled that the "fact that the creditor accepts payments from a third person, who has assumed the obligation, **will result merely in the addition of debtors and not novation.**"⁴⁵ At its core, novation is never presumed, and the *animus novandi*, whether totally or partially, must appear by express agreement of the parties, or by their acts that are too clear and unequivocal to be mistaken.⁴⁶ Here, the intent to novate was not satisfactorily proven by respondent. At best, petitioner only manifested her desire to shoulder the debt of her parents, which, as above-discussed, does not amount to novation. Thus, the courts *a quo* erred in holding petitioner liable for the debts

⁴² TSN dated June 21, 2005, p. 2.

⁴³ 717 Phil. 752 (2013).

⁴⁴ See *id.* at 764.

⁴⁵ *Id.* at 766-767.

⁴⁶ See *id.* at 764-768.

obtained by her deceased parents on account of novation by substitution of the debtor.

Similarly, both courts faultily concluded that the principal sum loaned by petitioner and her deceased parents amounted to ₱2,000,000.00 and the ₱100,000.00 was added as interest because petitioner undertook to pay the loan in installments.

It is fundamental that for monetary interest to be due, there must be an express written agreement therefor.⁴⁷ Article 1956 of the Civil Code provides that “**[n]o interest shall be due unless it has been expressly stipulated in writing.**” In this relation, case law states that the lack of a written stipulation to pay interest on the loaned amount bars a creditor from charging monetary interest⁴⁸ and the collection of interest without any stipulation therefor in writing is prohibited by law.⁴⁹

Here, respondent herself admitted that there was no written agreement that interest would be due on the sum loaned, only that there was an implicit understanding that the same would be subject to interest since she also borrowed the same from banks which, as a matter of course, charged interest. Respondent also testified on cross examination that the ₱2,100,000.00 corresponds only to the principal and does not include interest, *viz.*:

[Atty. Villegas]: Now, are these loans interest bearing?

[Respondent]: Yes, sir, because the money I loaned to them I have also obtained as a loan from the bank.

Q: This 2.1 Million Pesos are included (sic) the interest that you charge[d] to the [petitioner's] parents and to the petitioner, is it not?

A: That is the basis of the interest bearing, 2.1 Million Pesos at 3 percent per month.

Q: Are you telling us that when you summarized and computed the entire total obligations of the [petitioner and her parents] you computed the interest and come out (sic) with 2.1 Million Pesos?

A: Interest has not yet been included in the 2.1 Million Pesos.

Q: This agreement of yours to pay interest is not in writing, is it not (sic)?

A: It is not in writing, sir.⁵⁰

⁴⁷ See *Siga-an v. Villanueva*, 596 Phil. 760, 769 and 772.

⁴⁸ *De la Paz v. L & J Development Company, Inc.*, G.R. No. 183360, September 8, 2014, 734 SCRA 364, 374.

⁴⁹ *Id.*, citing *Siga-an v. Villanueva*, supra note 47, at 769.

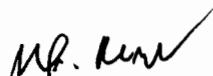
⁵⁰ TSN dated April 28, 2005, pp. 7-8.

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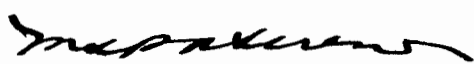
All told, having established that no novation took place and that no interest was actually due, and factoring in the payments already made for her account, petitioner is, thus, ordered to pay respondent the amount of **₱1,010,049.00**, which is the remaining balance of her principal debt to the latter in the original amount of **₱1,400,000.00**.

WHEREFORE, the petition is **PARTLY GRANTED**. The Decision dated March 16, 2012 and the Resolution dated July 14, 2014 of the Court of Appeals (CA) in C.A. G.R. CV No. 93624 are hereby **AFFIRMED** with **MODIFICATION** in that petitioner Nympha S. Odiamar is **ORDERED** to pay respondent Linda Odiamar Valencia the amount of **₱1,010,049.00**, which is the remaining balance of her principal debt to the latter in the original amount of **₱1,400,000.00**.

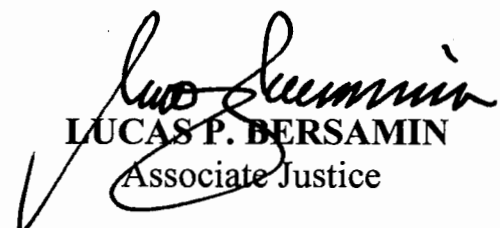
SO ORDERED.

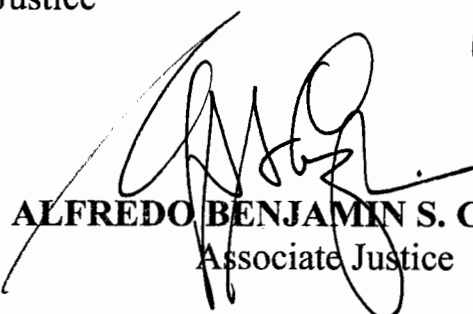

ESTELA M. PERLAS-BERNABE
Associate Justice

WE CONCUR:


MARIA LOURDES P. A. SERENO
Chief Justice
Chairperson



TERESITA J. LEONARDO-DE CASTRO
Associate Justice


LUCAS P. BERSAMIN
Associate Justice


ALFREDO BENJAMIN S. CAGUIOA
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
Chief Justice