



Republic of the Philippines
Supreme Court
 Manila

THIRD DIVISION

GEMMA A. RIDAO,

Petitioner,

G.R. No. 236920

Present:

LEONEN, J.,
 Chairperson,

HERNANDO,
 INTING,

DELOS SANTOS, and
 LOPEZ, J., JJ.

- versus -

**HANDMADE CREDIT AND
 LOANS, INC.,** represented by

TEOFILO V. MANIPON,

Respondent.

Promulgated:

February 3, 2021

~~MIS-DCB-4~~

X-----X

DECISION

DELOS SANTOS, J.:

The Case

This is a Petition for Review on *Certiorari*¹ assailing the Decision² dated August 16, 2017 and the Resolution³ dated January 11, 2018 of the Court of Appeals (CA) in CA-G.R. CV No. 107564.

The Facts

On February 20, 2004, petitioner Gemma A. Ridao (Ridao) obtained a \$4,000.00 loan, as evidenced by a promissory note bearing Promissory Note

¹ Under Rule 45 of the Rules of Court; *rollo*, pp. 3-11.

² Penned by Associate Justice Rosmari D. Carandang (now a Member of the Court), with Associate Justices Stephen C. Cruz and Carmelita Salandanan Manahan, concurring; *id.* at 13-22.

³ *Id.* at 24-25.

No. 2000029B,⁴ with respondent Handmade Credit and Loans, Inc. (Handmade Credit); a corporation engaged in the business of lending money. Ridao's brother-in-law, Teofilo Manipon (Teofilo), was the duly authorized representative of Handmade Credit.⁵

On August 24, 2004,⁶ Ridao obtained (1) an additional loan which increased her loan obligation to \$6,167.00, as evidenced by the same Promissory Note No. 2000029B as the February 20, 2004 Promissory Note⁷ and a Statement of Loan Release,⁸ and (2) a ₱40,000.00 loan, as evidenced by another Promissory Note.⁹ Both loans had a 4% monthly interest and payable within a year.

For failing to pay on the due dates and despite several oral demands, Handmade Credit sent Ridao a Demand Letter¹⁰ dated September 21, 2012 for the payment of the \$6,167.00 obligation plus monthly interest of 4%, the ₱40,000.00 obligation with legal interest, and attorney's fees.

On July 11, 2013, having received no response, Handmade Credit filed a Complaint¹¹ for collection of sum of money with damages against Ridao with the Regional Trial Court (RTC) of Urdaneta City, Pangasinan, Branch 48.

In the Complaint, Handmade Credit attached several annexes consisting of (1) Promissory Notes No. 2000029B dated February 20, 2004 and August 20, 2004, (2) Statements of Loan Release dated February 20, 2004 and August 20, 2004, and (3) other documents relating to the loan transactions. Handmade Credit emphasized that Ridao had not paid a single centavo for her obligations. Handmade Credit prayed for the award of (1) actual damages in the amounts of \$32,315.00 for the dollar loan and ₱209,600.00 for the peso loan, inclusive of interests; and (2) attorney's fees in the amount of ₱30,000.00, with additional appearance fees.¹²

In her Answer with Special and Affirmative Defenses and Counterclaim,¹³ Ridao admitted that she obtained a loan from Teofilo in the amount of \$4,000.00. However, Ridao stated that the loan was extended to her as a relative of the spouses Teofilo and Ingracia Manipon and not as a

⁴ Id. at 32.

⁵ Id. at 4.

⁶ The additional loan was obtained on August 24, 2004, as stated in the Complaint. However, the Promissory Note bears the date August 20, 2004.

⁷ *Rollo*, p. 34.

⁸ Id. at 33.

⁹ *Supra* note 6.

¹⁰ *Rollo*, p. 41.

¹¹ Id. at 27-31. Docketed as Civil Case No. U-10217.

¹² Id. at 27-28.

¹³ Id. at 45-49.

creditor of Handmade Credit. An additional amount of \$300.00 was given to her late husband Avelino, Teofilo's brother, who received the amount when Ridao left for abroad.¹⁴

Ridao asserted that, as of October 15, 2005, she had fully paid for her \$4,300.00 obligation through Avelino, who tendered payments to Teofilo on her behalf.¹⁵

As proof, Ridao attached Avelino's payment record consisting of a copy of a page of a ledger captioned "Payment for Loan @ Handmade Credit & Loans, Inc." Ridao stated that all payments had been duly acknowledged by Teofilo and his daughter Zoraida, as evidenced by the corresponding signatures placed beside the entries and amounts indicated in the ledger. The ledger¹⁶ showed:

Date	Serial Number	Amount	Signature
First Payment Nov. 9, 2004	DB36665809A DC12555031A BD07136170A	\$300.00	✓
2 nd Payment Dec. 22, 2004	AE01219784B AB10764410C AI34336677A AJ06338684A CG33642510A CG13250379A	\$300.00	✓
3 rd Payment Jan. 6, 2005	DG34428081A DB62517003A DB59209122A	\$300.00	✓
4 th Payment Feb. 10, 2005	CB64581808C AB8183560613	\$200.00	✓
5 th Payment (no date)	-	\$800.00	✓
6 th Payment (no date)	-	\$900.00	✓
Last payment Oct. 15, 2005	-	\$1,500.00	✓

Ridao denied the additional loan which increased her obligation to \$6,167.00, as well as the ₱40,000.00 loan. Ridao pointed out that the annexes attached by Handmade Credit in its Complaint consisting of promissory notes and statements of loan release were materially altered and the signatures were forged. Ridao stated that insertions were made and the

¹⁴ Id.

¹⁵ Id.

¹⁶ Id. at 50.

dates were altered to make it appear that she entered into other loan transactions when she was out of the country at the time. Ridao insisted that the due execution and genuineness of the annexes submitted by Handmade Credit were questionable.¹⁷

Ridao cited the special and affirmative defenses of (1) full payment, stating that Handmade Credit no longer has a right to collect, and (2) material alterations and forged signatures, which cannot be used to enforce payment against any party. As counterclaim, Ridao asked for the payment of attorney's fees in securing the services of legal counsel.¹⁸

During the trial, Teofilo testified that Ridao executed a personal loan, covered by a Promissory Note dated February 20, 2004 which she signed, in the amount of \$4,000.00. The initial amount of \$1,000.00 was released on the same date. The remaining balance was given to Avelino in August 2004 when Ridao was already in Israel. Also, Teofilo disclosed that an additional \$300.00 was given to Avelino on August 18, 2004, increasing the total principal loan to \$4,300.00.¹⁹

Teofilo admitted that Promissory Note 2000029B dated February 20, 2004 which Ridao signed was changed to another date, August 20, 2004, since the \$3,000.00 balance of the loan was only given on said date. Thus, the date on the Promissory Note was altered by Teofilo without the knowledge of Ridao.²⁰

Teofilo averred that the initial amount of \$1,000.00 given to Ridao was for the interest of the \$4,000.00 principal loan and the total amount payable was \$6,167.00²¹ broken down as follows:

Principal amount		\$4,000.00
Add:		
Unearned discount	\$1,920.00	
Service Charge/Fees	50.00	
Percentage Tax / VAT	192.00	
Notarial Fees	5.00	2,167.00
Total Loan		\$6,167.00

Further, Teofilo admitted, based on Avelino's ledger submitted by Ridao, that he received payments in the amount of \$300.00 dated November

¹⁷ Id. at 14-15.

¹⁸ Id. at 47.

¹⁹ Id. at 67-68; TSN, November 25, 2014.

²⁰ Id. at 69.

²¹ Id. at 33.

9, 2004, \$300.00 dated December 22, 2004, \$300.00 dated January 6, 2005, and \$200.00 dated February 10, 2005 in the total amount of \$1,100.00.²² Teofilo testified that the first and second payments were signed by him and the third and fourth payments by Zoraida. Teofilo disputed receiving the amounts of \$800.00, \$900.00, and \$1,500.00 since serial numbers of the dollar bills given, a policy of Handmade Credit, were not placed in the ledger.²³ However, Teofilo admitted that since his brother Avelino was the one who made the payments, they did not issue any receipt since the ledger already indicated receipt of payment.²⁴

In a Decision²⁵ dated January 11, 2016, the RTC resolved the case in favor of Ridao. The RTC held that the ledger, not specifically denied under oath by Handmade Credit, was deemed admitted. The RTC stated that the amount of \$4,300.00 paid by Ridao was enough to pay for the principal amount of the loan, as well as interest. The RTC declared that the 4% monthly interest to the principal loan was iniquitous, exorbitant, unconscionable and against public policy. Using the rate of 12% interest per annum, the RTC held that the loan was a forbearance of money. Thus, the principal amount of the loan including interest had been fully paid and completely satisfied.

Also, the RTC declared that the additional loan of ₱40,000.00 was void or non-existent since Ridao was abroad at the time the promissory note was executed. Thus, the contract cannot be ratified nor the right to set up the defense of illegality be waived. The dispositive portion of the Decision states:

WHEREFORE, premises considered, plaintiff's Complaint is hereby ORDERED DISMISSED for LACK OF MERIT.

Also, defendant's Counterclaim is likewise DISMISSED.

SO ORDERED.²⁶

Handmade Credit filed a petition before the CA.

Ruling of the CA

In a Decision²⁷ dated August 16, 2017, the CA partly granted the petition in favor of Handmade Credit. The dispositive portion states:

²² Id. at 77-78; TSN, November 25, 2014.

²³ Id. at 78.

²⁴ Id. at 62.

²⁵ Id. at 51-54. Penned by Presiding Judge Gonzalo P. Marata.

²⁶ Id. at 54.

²⁷ Supra note 2.

WHEREFORE, premises considered, the instant petition is PARTLY GRANTED. The Decision dated January 11, 2016 of the Regional Trial Court of Urdaneta City, Branch 48 in *Civil Case No. U-10217* is MODIFIED. Defendant-Appellee Gemma A. Ridao is hereby ordered to pay Plaintiff-Appellant Handmade Credit & Loans, Inc. the sum of \$3,200.00 or its Peso equivalent at the time of payment plus 6% interest per annum from the date of filing of the complaint, July 11, 2013.

SO ORDERED.²⁸

The CA found that the Promissory Notes dated February 20, 2004 and August 20, 2004 were both void since the promissory notes showed traces of material alterations, tampering and superimpositions. The CA stated that in the February 20, 2004 Promissory Note, the date when the note was granted and the due date had been materially altered. Also, the original dates were no longer visible since they had been superimposed with the date February 20, 2004, for date of grant and February 20, 2005, for the due date. Likewise, in the August 20, 2004 Promissory Note, the date when the note was granted and the due date had been materially altered. The original date of grant, February 20, 2004, was changed to August 20, 2004 and August 20, 2005 was superimposed on the original due date written on the note. Also, the original figures stated in the installment column and the amount column were erased.²⁹

The CA held that since the alterations were made without the acquiescence of the other contracting party, Ridao, the instrument was void and Handmade Credit, being the party which caused the alterations, cannot enforce the terms of the altered promissory notes.

However, the CA found that since Ridao admitted borrowing \$4,300.00 from Handmade Credit and its representatives, Teofilo and Zoraida, where only the total amount of \$1,100.00 was acknowledged received by them as payments, then Ridao has the burden to prove payment of the remaining balance of the loan.³⁰

The CA stated that in the entries in the page of Avelino's ledger, the first four payments were recorded in detail, but the sudden change in the usual manner of recording the payments for the alleged fifth, sixth, and seventh payments were irregular and casts doubt on the authenticity of the entries. The CA added that no explanation was provided by Ridao to clarify why the serial numbers of the bills were omitted and why only the seventh payment in the amount of \$1,500.00 was dated. Ridao also failed to identify who received the fifth, sixth, and seventh payments. Thus, the CA held that Ridao failed to present sufficient proof that the full amount of the

²⁸ *Rollo*, p. 21.

²⁹ *Id.* at 18-19.

³⁰ *Id.* at 20.

\$4,300.00 loan had been settled. As a result, Ridao should be liable for the unpaid balance in the amount of \$3,200.00 or its peso equivalent, with interest.³¹

Ridao filed a Motion for Reconsideration which was denied by the CA in a Resolution³² dated January 11, 2018.

Hence, this petition.

The Issue

Whether or not the appellate court committed reversible error in ordering Ridao to pay the sum of \$3,200.00 or its peso equivalent, with interest.³³

The Court's Ruling

The petition is meritorious.

Petitioner Ridao contends that respondent Handmade Credit had impliedly admitted the genuineness and due execution of the ledger where payment had been acknowledged by Handmade Credit when Handmade Credit failed to file a Reply and specifically deny the actionable document attached by Ridao in her Answer in accordance with Section 8, Rule 8 of the Rules of Court.³⁴ Also, Ridao asserts that Handmade Credit's representative, Teofilo, in filing the complaint, deliberately lied when he signed the verification alleging that Ridao had not paid a single centavo for her obligation. Also, in his testimony during the trial, Teofilo admitted receipt of several payments only after a copy of the ledger had been presented by Ridao. Thus, Ridao contends that had it not been for the ledger that she submitted as proof of payment and attached to her Answer, Handmade Credit would have been enriched by its allegation of non-payment of her obligation.

Respondent Handmade Credit maintains that the ledger is not an actionable document. The ledger merely indicates that money was received, but does not provide for the terms and conditions of the transaction. Thus, there was no need to deny its genuineness and due execution under oath. Also, Handmade Credit insists that the existence of the ledger is not in issue, but its regularity, particularly the last three entries for \$800.00, \$900.00 and

³¹ Id. at 21.

³² Supra note 3.

³³ *Rollo*, p. 6.

³⁴ Id. at 7.

\$1,500.00. Since Ridao did not further explain the discrepancies in the last three entries then Ridao has not presented sufficient evidence to prove payment.

Sections 7 and 8, Rule 8 of the Rules of Court states:

SEC. 7. *Action or defense based on document.* — Whenever an action or defense is based upon a written instrument or document, the substance of such instrument or document shall be set forth in the pleading, and the original or a copy thereof shall be attached to the pleading as an exhibit, which shall be deemed to be a part of the pleading, or said copy may with like effect be set forth in the pleading.

SEC. 8. *How to contest such documents.* — When an action or defense is founded upon a written instrument, copied in or attached to the corresponding pleading as provided in the preceding Section, **the genuineness and due execution of the instrument shall be deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be the facts;** but the requirement of an oath does not apply when the adverse party does not appear to be a party to the instrument or when compliance with an order for an inspection of the original instrument is refused. (Emphasis supplied)

A document is actionable when an action or defense is grounded upon such written instrument or document.³⁵ Section 7, Rule 8 of the Rules of Court provides for the two ways of pleading an actionable document while Section 8, Rule 8 provides for the rule on implied admission (by failure to make a sworn specific denial) of the genuineness and due execution of a document or instrument subject of an action or defense.

In the present case, the complaint filed by Handmade Credit is an action for collection of sum of money arising from a loan obligation. The cause of action is on the alleged non-payment of loan obligation by Ridao. In her Answer, Ridao attached her late husband's payment record, a copy of a page of a ledger, as proof that she had fully paid for her obligation. Handmade Credit did not file a reply to Ridao's Answer. Ridao asserts that since Handmade Credit failed to file a reply specifically denying under oath the ledger which she attached to her Answer, then Handmade Credit is deemed to have admitted the said actionable document.

We disagree.

A copy of a page of a ledger is not an actionable document. The ledger merely indicates that money was received as payment, but it is not an

³⁵ *BP Oil and Chemicals International Philippines, Inc. v. Total Distribution & Logistic Systems, Inc.*, 805 Phil. 244, 258 (2017).

evidence of the transaction between the parties. The ledger does not provide for the terms and conditions of the loan transaction from which a right or obligation may be established.

In *Young Builders Corp. v. Benson Industries, Inc.*,³⁶ we held that to qualify as an actionable document pursuant to Section 7, Rule 8 of the Rules, the specific right or obligation which is the basis of the action or defense must emanate therefrom or be evident therein. If the document or instrument so qualifies and is pleaded in accordance with Section 7 — the substance set forth in the pleading, and the original or a copy is attached to the pleading as an exhibit — then the genuineness and due execution are deemed admitted unless the adverse party, under oath, specifically denies them, and sets forth what he claims to be the facts pursuant to Section 8, Rule 8 of the Rules of Court.

Thus, since the copy of the ledger is not an actionable document, Handmade Credit's non-filing of a reply, specifically denying the genuineness and due execution of the ledger, cannot be considered as an implied admission.

Nevertheless, even if the ledger is not an actionable document, it is admissible as evidence and is sufficient to prove that Ridao made payments for her loan obligation and that such payments were received by Handmade Credit.

In civil cases, only a preponderance of evidence or "greater weight of the evidence" is required.³⁷ In determining where the preponderance of evidence or superior weight of evidence on the issues involved lies, the court may consider all the facts and circumstances of the case, the witness' manner of testifying, their intelligence, their means and opportunity of knowing the facts to which they are testifying, the nature of the facts to which they testify, the probability of their testimony, their interest or want of interest, and also their personal credibility so far as the same may legitimately appear upon the trial.³⁸

Contrary to Handmade Credit's claim in the Complaint that Ridao had not paid for a single centavo of her loan obligation, the existence of Avelino's ledger or payment record was properly identified by his brother, Handmade Credit's representative, Teofilo.

³⁶ G.R. No. 198998, June 19, 2019.

³⁷ *Mendoza v. Spouses Ramon, Sr.*, G.R. No. 220517, June 20, 2018, 867 SCRA 299, 315.

³⁸ *Ogawa v. Menigishi*, 690 Phil. 359, 367 (2012).

In his testimony, Teofilo admitted that Ridao, through Avelino, made several payments of her \$4,300.00 obligation. Teofilo stated that Ridao made four separate payments of \$300.00 on November 9, 2004, \$300.00 on December 22, 2004, \$300.00 on January 6, 2005, and \$200.00 on February 10, 2005 in the total amount of \$1,100.00. However, Teofilo denied having received the last three payments in the amounts of \$800.00, \$900.00, and \$1,500.00 on October 15, 2005 totaling \$3,200.00 since Avelino's ledger did not indicate the corresponding serial numbers of the dollar bills, which was the usual practice of the company.

Teofilo's justification was that since his brother Avelino was the one who made the payments, the company did not issue receipts anymore since the ledger already indicated receipt of payment. In his testimony dated November 25, 2014, Teofilo stated:

Q: Who handed to you the money? Who paid the money to you?

A: My brother Avelino Manipon, sir.

Q: Did you issue receipt?

A: We do not issue receipt because it was already indicated in the ledger that we received the payment.

Q: Is it the policy of your company not to issue receipt?

A: Yes sir, that is the policy of the company that we do not issue receipt because it is already indicated in the ledger and Avelino Manipon is my brother that is why we did not issue receipt.³⁹

Having acknowledged that receipts were not issued and that they relied on the ledger as proof of payment on account of relationship, Handmade Credit cannot now allege non-payment by merely denying that it did not receive or collect the money in the absence of clear and competent evidence.

Handmade Credit is not an ordinary creditor. It is a corporation engaged in the business of lending money and is expected to transact fairly with its customers, whether it be a relative or third-party. As a lending company, it has the duty to exercise prudence and care in its dealings and treat all transactions in arm's length.⁴⁰

The CA, in deciding in favor of Handmade Credit, declared that since Ridao failed to (1) clarify why the serial numbers of the bills were omitted and why only the seventh payment in the amount of \$1,500.00 was dated, and (2) identify who received the fifth, sixth, and seventh payments, then there was no full payment and Ridao was still obligated to pay Handmade

³⁹ *Rollo*, p. 62; TSN, November 25, 2014.

⁴⁰ *Id.* at 4.

Credit for the remaining \$3,200.00 loan balance.⁴¹

We disagree.

In *Gumabon v. Philippine National Bank*,⁴² we held that it is a settled rule in evidence that the one who alleges payment has the burden of proving it. The burden of proving that the debt had been discharged by payment rests upon the debtor once the debt's existence has been fully established by the evidence on record. However, when the debtor introduces some evidence of payment, the burden of going forward with the evidence — as distinct from the burden of proof — shifts to the creditor. Consequently, the creditor has a duty to produce evidence to show non-payment.

Here, Ridao readily disclosed that she had a loan obligation with Teofilo and presented the ledger as proof that through Avelino, she had fully paid for her loan obligation.

Since Ridao had shown evidence of payment, upon presentation of Avelino's payment record, then the burden to go forward with the evidence and to prove non-payment shifted to Handmade Credit.

During the trial, Handmade Credit, through Teofilo, denied receiving the last three payments in the total amount of \$3,200.00 invoking that some had no dates of payment, signatures were not his and there were no dollar bill serial numbers indicated. However, aside from the denial, Handmade Credit did not produce any other sufficient evidence to support the allegations. Handmade Credit could not produce any receipt of past payments to counter the contents of the ledger since it also relied on the ledger as its proof that it received the individual payments.

Further, based on the CA's findings that Handmade Credit caused material alterations, tampering and superimpositions on the Promissory Notes, Handmade Credit's credibility is in question. As observed by the CA:

We find both promissory notes to be void. A careful scrutiny of the February 20, 2004 and August 20, 2004 negotiable promissory notes shows that there were traces of material alterations, tampering and superimpositions in the instrument. x x x

In the February 20, 2004 promissory note, the date when the note was granted and the due date had been materially altered. The original dates were no longer visible because they had been superimposed with February 20, 2004, for date of grant, and February 20, 2005, for the due date.

⁴¹ Id. at 21.

⁴² 791 Phil. 101 (2016); see also *G & M (Phils.), Inc. v. Cruz*, 496 Phil. 119 (2005).

On the other hand, in the August 20, 2004 promissory note, the date when the note was granted and its due date had been materially altered. The original date of grant, February 20, 2004, was changed to August 20, 2004. August 20, 2005 was superimposed on the original due date written on the note. Likewise, the original figures stated in the installment column and the amount column were obliterated. x x x

[T]he alterations that were made without the assent of the other contracting party, Ridao, produces the effect of avoiding the instrument. Thus, the party causing the material alterations, Handmade, cannot enforce the terms of the altered promissory notes.

The alterations in the February 20, 2004 and the August 20, 2004 promissory notes are too uncanny for [u]s to believe that it is genuine, or at the very least, altered with the consent of the borrower. x x x Teofilo even admitted during his testimony that the alterations were done without Ridao's consent x x x .

We conclude that due to the apparent material alterations in the February 20, 2004 promissory note and the August 20, 2004 promissory note, they are void and cannot be made a source of Ridao's obligation. The absence of any proof to show that the parties countersigned and affirmed the alteration proves that Ridao did not consent to the alterations.⁴³

The Promissory Notes were the principal evidence submitted by Handmade Credit in order to collect money from Ridao allegedly for non-payment of the loan. Because of the material alterations, tampering and superimpositions, the CA correctly declared the Promissory Notes as void and one that cannot be a source of any obligation. Thus, weighing these findings with the non-presentation of other competent evidence to prove that Ridao had not fully paid for her loan obligation, we cannot sustain Handmade Credit's claim.


WHEREFORE, the petition is **GRANTED**. The Decision dated August 16, 2017 and the Resolution dated January 11, 2018 of the Court of Appeals in CA-G.R. CV No. 107564 is **MODIFIED**. The Complaint of respondent Handmade Credit & Loans, Inc. is **DISMISSED**.

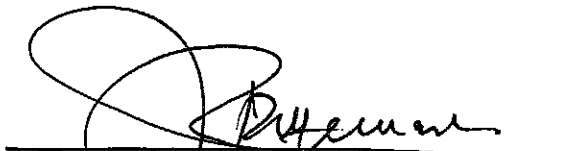
SO ORDERED.


EDGARDO L. DELOS SANTOS
Associate Justice

⁴³ *Rollo*, pp. 18-20.

WE CONCUR:


MARVIC MARIO VICTOR F. LEONEN
Associate Justice
Chairperson


RAMON PAUL L. HERNANDO
Associate Justice


HENRI JEAN PAUL B. INTING
Associate Justice


JHOSEP LOPEZ
Associate Justice

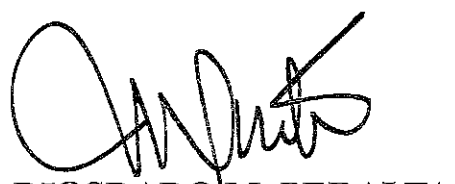
ATTESTATION

I attest 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.


MARVIC MARIO VICTOR F. LEONEN
Associate Justice
Chairperson, Third Division

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, and the Division Chairperson's Attestation, 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.


DIOSDADO M. PERALTA
Chief Justice