



Republic of the Philippines
Supreme Court
Manila

SECOND DIVISION

METROPOLITAN BANK AND TRUST COMPANY, **G.R. No. 212002**

Petitioner, Present:

PERLAS-BERNABE, S.A.J.,
Chairperson,
HERNANDO,
INTING,
GAERLAN and
ROSARIO,* JJ.

- versus -

SPOUSES JULIO UY and JULIETTE UY, Promulgated:

Respondents.

JUL 28 2021

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DECISION

INTING, J.:

Before the Court is a Petition for Review under Rule 45¹ assailing the Decision² dated September 4, 2013 and the Resolution³ dated February 26, 2014 of the Court of Appeals (CA) in CA-G.R. CV No. 02054-MIN which affirmed the Decision⁴ dated May 14, 2008 in Civil Case No. 2006-243 of Branch 38, Regional Trial Court (RTC), Cagayan de Oro City and denied the Motion for Reconsideration.⁵

The Antecedents

Sometime in 1986⁶ and 1990, Spouses Julio and Juliette Uy

* Designated additional member per Special Order No. 2835 dated July 15, 2021.

¹ *Rollo*, pp. 14-39.

² *Id.* at 349-364; penned by Associate Justice Edward B. Contreras with Associate Justices Marie Christine Azcarraga Jacob and Oscar V. Badelles, concurring.

³ *Id.* at 379-380.

⁴ *Id.* at 273-283; penned by Judge Maximo G.W. Paderanga.

⁵ *Id.* at 284-295.

⁶ In the year 1985 in some parts of the *rollo*.

(respondents) opened Savings Account Nos. 3004300351 and 3004338898⁷ with Metropolitan Bank and Trust Company, Velez Branch, Cagayan de Oro City (petitioner). Because respondents were its valued clients, petitioner extended certain loans and credit accommodations to them secured by real estate mortgages on their properties.⁸ Respondents obtained several loans from petitioner and all of them were fully paid as of May 20, 1996.⁹

Earlier, respondents deposited in their bank accounts with petitioner Social Security System (SSS) checks in the total amount of ₱3,767,851.15 for collection. Subsequently, petitioner allowed respondents to immediately withdraw the amount pursuant to their alleged Bills Purchase Line Agreement.¹⁰

Petitioner indorsed the SSS checks to Philippine National Bank (PNB), the drawee bank. After it cleared the SSS checks, PNB transferred the amount of ₱3,767,851.15 to petitioner's account.¹¹ However, after a few months, PNB returned the SSS checks to petitioner for being "fraudulently negotiated," and thus, the Philippine Clearing House Corporation debited the amount of the SSS checks in petitioner's clearing account in favor of PNB.¹²

Petitioner demanded reimbursement from respondents by sending them demand letters to pay the dishonored SSS checks plus interest and penalty charges in the total amount of ₱7,839,978.34, but the latter failed to pay. Consequently, petitioner initiated an extra-judicial foreclosure of respondents' real estate mortgages by filing an application before the Provincial Sheriff of Cagayan de Oro City.¹³

Respondents then filed with the RTC of Cagayan de Oro City a petition for declaratory relief with prayer for injunctive relief against petitioner. The case was docketed as Civil Case No. 98-167 (Declaratory Relief Case) and raffled off to Branch 24. Respondents assailed

⁷ Savings Account No. 3004338895 in some parts of the *rollo*.

⁸ *Rollo*, pp. 198, 349.

⁹ See Certification dated May 28, 1996 issued by Metropolitan Bank and Trust Company, Cagayan de Oro Branch and signed by Acting Manager Sydney K. Yap and Assistant Cashier Danilo B. Tan, *id.* at 234.

¹⁰ *Id.* at 350.

¹¹ *Id.*

¹² *Id.* at 16.

¹³ *Id.* at 199-200.


petitioner's intended action of extrajudicially foreclosing their mortgaged properties on the ground that the principal obligations covering the mortgaged properties had already been paid.¹⁴

During the pre-trial of the case, the parties entered into a stipulation of facts as follows:

1. That in 1995 and 1996, plaintiffs obtained from defendant bank, a borrower's credit accommodation and interest payment;
2. That on November 23, 1995, [plaintiffs] obtained from defendant bank, a loan in the sum of P600,000.00 covered by a promissory note dated November 23, 1995;
3. That on December 06, 1995, they again obtained a loan from the same bank, in the amount of P3,900,000.00 covered by a promissory note dated in the same date;
4. That on May 08, 1996, they again obtained a loan in the amount of P3,000,000.00 covered by a promissory note dated in the same date and another sum of P3,500,000.00 also covered by a promissory note on the same date;
5. That as further security, plaintiffs executed real estate mortgages;
6. That all loans covered by the real estate mortgage [*sic*] had been fully paid by plaintiffs;
7. That during the pendency or existence of the real estate mortgages, plaintiffs deposited to their account, with defendant bank, various SSS checks for collection. Meantime, plaintiffs were allowed to withdraw from their deposits;
8. That defendant bank endorsed the various SSS checks deposited by plaintiffs to the Philippine National Bank and after the checks were cleared, the PNB transferred to defendant bank, corresponding amounts;
9. That it was discovered that the various SSS checks were fraudulently negotiated. Defendant bank then returned the money to the drawee, Philippine National Bank;
10. That because the loans covered by the real estate mortgage [*sic*] were fully paid, plaintiffs demanded from defendant bank, their certificates of title and tax declarations but defendant bank refused to deliver alleging as ground, that they have not paid yet their past due bills in the amount of P7,839,978.34; and
11. That there is no written application for bills purchased agreement executed by plaintiffs nor is there written bills purchased agreement between plaintiffs and defendant bank.¹⁵

¹⁴ *Id.* at 200.

¹⁵ *Id.* at 202-203.



Thereafter, the RTC Branch 24 considered the case submitted for decision.

On March 8, 1999, the RTC Branch 24 rendered a Decision¹⁶ in favor of respondents enjoining petitioner from foreclosing the real estate mortgages, ordering the release of the mortgages, the execution of a deed of cancellation of mortgage, and the return of respondents' certificate of title and tax declaration. It found no basis for the foreclosure of the mortgages as respondents' loan obligations, secured by real estate mortgages, had all been paid. It further ruled that there was nothing in the records that showed that the parties had entered into a Bill Purchase Line Agreement or Credit Line Agreement regarding petitioner's claim in the amount of ₱7,839,978.34 covering the dishonored SSS checks; and that their relationship with respect to the amount was not that of a mortgagor and mortgagee.¹⁷

On appeal, the CA affirmed¹⁸ the RTC Branch 24 Decision declaring the real estate mortgages between the parties as discharged. The Court affirmed the CA Decision, which then became final and executory.¹⁹

On November 17, 2006, petitioner filed a Complaint²⁰ for Collection of Sum of Money with Damages against respondents before the RTC of Cagayan de Oro City. The case was docketed as Civil Case No. 2006-243 (Collection of Money Case) and raffled off to Branch 38.

The Complaint alleged, among others, that: (1) respondents deposited in their savings accounts with petitioner several SSS checks paid by their clients/customers through the "Deposit Agreement and Guidance Line" so that petitioner would immediately provide for the value of the deposited checks;²¹ (2) the arrangement meant that respondents' bills or checks would be sold, assigned, and conveyed at a discount to petitioner with the latter having a right to full recourse against respondents in case of dishonor;²² (3) upon availing themselves of the agreement, respondents deposited in their savings accounts second

¹⁶ *Id.* at 187-195; penned by Presiding Judge Leonardo N. Demecillo

¹⁷ *Id.* at 192-193.

¹⁸ See Decision dated February 11, 2003 of the Court of Appeals in CA-G.R. CV No. 63597, *id.* at 197-209; penned by Associate Justice Perlita J. Tria Tirona with Associate Justices Roberto A. Barrios and Edgardo F. Sundiam, concurring.

¹⁹ *Id.* at 350-351.

²⁰ *Id.* at 210-222.

²¹ *Id.* at 211-212.

²² *Id.* at 211.

indorsed checks issued by the SSS and drawn against PNB;²³ (4) petitioner accepted the checks and immediately allowed them to withdraw the amount of ₱3,767,851.15;²⁴ (5) months later, petitioner received notices from PNB returning the checks for having been fraudulently negotiated, and thus, petitioner's clearing account was debited the amount of the dishonored checks;²⁵ and, (6) it demanded from respondents the payment of the dishonored SSS checks, the final demand letter of which was made on January 15, 1998 but respondents did not heed the demand.²⁶

Respondents filed an Answer²⁷ and raised affirmative defenses such as failure to state a cause of action considering that no Deposit Agreement and Guidance Line existed between them; that the action was barred by *res judicata* and the omnibus motion rule because petitioner merely attempted to assign a new name to the transactions by renaming it as Deposit Agreement and Guidance Line when the transaction had already been litigated with finality in the Declaratory Relief Case; that the SSS checks were received by respondents as payment for pre-existing obligations and that they were unaware of any fraud surrounding the negotiation of the checks or had any participation in their alleged fraudulent negotiation; that because petitioner voluntarily accepted the return of the checks despite PNB's violation of the 24-hour clearing house rule, it should bear the loss of its reimbursement. Respondents also counterclaimed for damages and attorney's fees.

The RTC Ruling

On May 14, 2008, the RTC Branch 38 rendered its Decision,²⁸ the dispositive portion of which reads:

IN VIEW OF THE FOREGOING, the Complaint is hereby
DISMISSED without prejudice to the prosecution, in the same action,
of defendants' counterclaims as pleaded in their Answer.

SO ORDERED.²⁹

²³ *Id.*

²⁴ *Id.* at 219.

²⁵ *Id.* at 219.

²⁶ *Id.* at 220.

²⁷ *Id.* at 223-232.

²⁸ *Id.* at 273-283.

²⁹ *Id.* at 283.

The RTC Branch 38 found that the Complaint failed to state a cause of action because petitioner anchored its right to collect the sum of money from respondents pursuant to an alleged Deposit Agreement and Guidance Line; however, no such document was attached to the complaint; and, assuming that an oral contract of Deposit Agreement and Guidance Line existed between the parties, the complaint was filed beyond the six-year period within which to enforce any right based on an oral contract as provided under Article 1145 of the Civil Code.³⁰

The RTC Branch 38 also ruled that the action is already barred by *res judicata*. It found that the determination of respondents' liability should have been raised in the Declaratory Relief Case between the parties considering that the Collection of Money Case filed by petitioner against respondents also involved the same parties and pertained to the value of the SSS checks; that while the two cases involved different causes of action, it is equally undisputed that the factual issues in both cases primarily involved the existence of respondents' pending obligations with petitioner which was already resolved with finality in the earlier case; and that petitioner must solely bear the resulting loss as a consequence of the dishonored checks because it voluntarily reimbursed PNB, the drawee bank, even beyond the required 24-hour clearing period.³¹

The RTC Branch 38 denied petitioner's Motion for Reconsideration in its Order³² dated November 9, 2009. Thus, it filed an appeal with the CA.

The CA Ruling

On September 4, 2013, the CA issued the assailed Decision,³³ viz.:

WHEREFORE, the appealed Decision of the Regional Trial Court, Branch 38, in Cagayan de Oro City dismissing Civil Case No. 2006-243, is AFFIRMED *in toto*. No pronouncement as to costs.

SO ORDERED.³⁴

In so ruling, the CA found that the Collection of Money Case is already barred by *res judicata*.³⁵ It ruled: (1) that the Declaratory Relief

³⁰ *Id.* at 277-279.

³¹ *Id.* at 280-282.

³² *Id.* at 296-300.

³³ *Id.* at 349-364.

³⁴ *Id.* at 364.

³⁵ *Id.* at 357.

Case and the Collection of Money Case involved the same parties and the same subject matter—the dishonored SSS checks which petitioner sought to recover from respondents;³⁶ (2) that there is also identity of causes of action because the issues raised in both cases essentially involved petitioner's claim that respondents are liable to reimburse it for the aggregate amount of the dishonored SSS checks for being fraudulently negotiated;³⁷ and (3) that even if the form or nature of the actions are different, there is still identity of causes of action when the same facts or evidence support and establish the causes of action in the two cases.³⁸

The CA also held that an examination of the allegations in the Collection of Money Case revealed that the issue raised regarding the dishonor of the SSS checks for being fraudulently negotiated and the relief sought by petitioner, *i.e.*, seeking reimbursement from respondents on account of the dishonored checks are identical with the Declaratory Relief Case; and that the evidence required to substantiate their claims are likewise the same.³⁹

The CA further ruled that even assuming that there is merit to hold respondents liable to petitioner for the amount of the dishonored checks, petitioner is already estopped from pursuing the Collection of Money Case because petitioner should have asserted his claim in the Declaratory Relief Case, either as a defense or a compulsory counterclaim.⁴⁰

The CA concluded that petitioner is not entitled to reimbursement under the equity principle of unjust enrichment as there was no showing that respondents were not entitled to the amount of the checks, or the release of the amounts of the checks were carried out through mistake, fraud, or even coercion.⁴¹

The CA denied petitioner's Motion for Reconsideration⁴² in a Resolution dated February 26, 2014. Hence, it filed the instant Petition for Review under Rule 45 raising the following issues:

³⁶ *Id.* at 359.

³⁷ *Id.*

³⁸ *Id.*

³⁹ *Id.* at 360.

⁴⁰ *Id.*

⁴¹ *Id.* at 360-361, 363.

⁴² *Id.* at 366-377.

A. WHETHER OR NOT THE JUDGMENT IN AN ACTION FOR DECLARATORY RELIEF SEEKING TO NEGATE THE RIGHT OF A BANK TO PROCEED AGAINST A MORTGAGE TO ANSWER FOR THE VALUE OF THE CHECKS NEGOTIATED BY ITS DEBTOR WILL CONSTITUTE A BAR TO THE FILING OF AN ACTION FOR COLLECTION BY THE BANK AGAINST THE SAME DEBTOR/MORTGAGOR TO SEEK REIMBURSEMENT FOR THE VALUE OF THE DISHONORED CHECKS NEGOTIATED BY THE DEBTOR[;]

B. WHETHER OR NOT A CREDITOR [*sic*], THE COURT OF APPEALS MAY USE AS BASIS FOR ITS DECISION AN ISSUE NEITHER RAISED BY THE PARTIES NOR RESOLVED BY THE TRIAL COURT[;]

C. WHETHER OR NOT THE COURT A QUO ERRED IN DISMISSING THE CASE ON AFFIRMATIVE DEFENSES[.]⁴³

Petitioner asserts that there is no *res judicata* because there is no identity of causes of action between the Declaratory Relief Case and Collection of Money Case.⁴⁴ In Declaratory Relief Case, the issue pertained only to petitioner's right to extrajudicially foreclose the real estate mortgages executed by respondents to answer for the payment of the dishonored checks; and that the court therein found that petitioner had no right to foreclose the mortgaged properties because the relationship between the parties as to the dishonored checks was no longer that of a mortgagor and mortgagee, but one of creditor and debtor so that the court discharged the mortgages.⁴⁵ On the other hand, the issue in the Collection of Money Case pertains to the liability of the respondents to pay the amount of the dishonored SSS checks deposited in their accounts.⁴⁶

Petitioner further avers that in the Declaratory Relief Case, respondents sought the court therein to interpret the terms and conditions of the mortgage contract; and that the issue was limited to the rights of the parties. On the other hand, petitioner, in the Collection of Money Case, sought the court therein to determine its right for the return of the amounts representing the value of the dishonored SSS checks.⁴⁷ Thus,

⁴³ *Id.* at 24.

⁴⁴ *Id.* at 26.

⁴⁵ *Id.* at 26-27.

⁴⁶ *Id.* at 28.

⁴⁷ *Id.* at 28-29.

the decision in the Declaratory Relief Case did not rule on the liability or rights of the parties in the transaction pertaining to the negotiation of the dishonored checks.⁴⁸

Petitioner finally contends that the CA also erred in ruling that it had waived its claim against respondents when it failed to raise the claims in their defense or counterclaims in its Answer in the Declaratory Relief Case considering that such alleged waiver was not raised and ruled on by the RTC in the Collection of Money Case; and that contrary to the findings of the CA, petitioner stated in their Answer in the Declaratory Relief Case of its right to claim the value of the dishonored checks.⁴⁹

In their Comment on the Petition,⁵⁰ respondents allege, among others, that the case is barred by *res judicata* in view of the Decision in the Declaratory Relief Case; that petitioner's allegations in the Declaratory Relief Case and in the Collection of Money Case remained the same, *i.e.*, respondents have some obligations on the value of the returned checks; and that the same issue had already been previously litigated in the Declaratory Relief Case. They also allege that the absence in the Declaratory Relief Case Decision of any prohibition for petitioner to assert its right of payment from them in another proceeding was due to petitioner's failure to put up their counterclaim for the collection of sum of money in the Declaratory Relief Case. Finally, respondents argue that the action has already prescribed.

Petitioner filed its Reply to Respondent's Comment⁵¹ and respondents their Rejoinder⁵² thereto.

The Issues

The issues for the Court's resolution are whether the Collection of Money Case (1) is already barred by *res judicata*; and (2) has already prescribed.

⁴⁸ *Id.* at 29.

⁴⁹ *Id.* at 31-33.

⁵⁰ *Id.* at 391-411.

⁵¹ *Id.* at 520-531.

⁵² See Motion for Leave to File Rejoinder with Incorporated Rejoinder dated December 3, 2014, *id.* at 514-518.

Our Ruling

The Court finds merit in the petition.

To begin with, a petition for declaratory relief is an “action by any person interested in a deed, will, contract or other written instrument, executive order or resolution, to determine any question of construction or validity arising from the instrument, executive order or regulation, or statute, and for a declaration of his rights and duties thereunder. The only issue that may be raised in such a petition is the question of construction or validity of the provisions in an instrument or statute.”⁵³

Respondents filed the Declaratory Relief Case against petitioner when the latter moved to extrajudicially foreclose respondents' mortgaged properties, and thus, respondents prayed for the court therein to determine their rights and obligations under the contract, *i.e.*, whether the real estate mortgages they executed to secure their loans with petitioner, which had already been fully paid, could be foreclosed because of the alleged past due bills claimed by petitioner. The lower court rendered a ruling in respondents' favor enjoining petitioner from foreclosing the real estate mortgages, and thus, for the discharged of the mortgages.

On the other hand, the Collection of Money Case filed by petitioner against respondents is based on the former's right to seek payment for the dishonored SSS checks which respondents deposited in their savings accounts and had already been collected.

Is the Collection of Money Case now barred by *res judicata* based on the decision in the Declaratory Relief Case?

The Court rules in the negative.

“*Res judicata* is defined as a matter adjudged; a thing judicially acted upon or decided; or a thing or matter settled by judgment. Under this rule, a final judgment or decree on the merits by a court of competent jurisdiction is conclusive as to the rights of the parties or their

⁵³ *Ferrer, Jr., et al. v. Mayor Roco, Jr., et al.*, 637 Phil. 310, 317 (2010).

privies in all later suits, and on all points and matters determined in the former suit.”⁵⁴

The concept of *res judicata* is embodied in Section 47(b) and (c) of Rule 39 of the Rules of Court, which reads:

SEC. 47. Effect of judgments or final orders. — The effect of a judgment or final order rendered by a court of the Philippines, having jurisdiction to pronounce the judgment or final order, may be as follows:

(a) x x x

(b) In other cases, the judgment or final order is, with respect to the matter directly adjudged or as to any other matter that could have been raised in relation thereto, conclusive between the parties and their successors in interest by title subsequent to the commencement of the action or special proceeding, litigating for the same thing and under the same title and in the same capacity; and,

(c) In any other litigation between the same parties or their successors in interest, that only is deemed to have been adjudged in a former judgment or final order which appears upon its face to have been so adjudged, or which was actually and necessarily included therein or necessary thereto.

The above-quoted provision embraces two concepts of *res judicata*: (1) bar by prior judgment as enunciated in Rule 39, Section 47(b); and (2) conclusiveness of judgment in Rule 39, Section 47(c).

“Bar by prior judgment” is present where there is identity of parties, subject matter, and causes of action between the first case where the judgment was rendered and the second case that is sought to be barred.⁵⁵ In such situation, the judgment in the first case serves as an absolute bar to the second action. Simply, the decree of the court of competent jurisdiction on the merits concludes the litigation between the parties and their privies, and constitutes a bar to a new suit involving the same cause of action before the same or any other tribunal.⁵⁶

⁵⁴ *Riviera Golf Club, Inc. v. CCA Holdings, B.V.*, 760 Phil. 655, 664 (2015), citing *Chu, et al. v. Spouses Cunanan, et al.*, 73 Phil. 12, 22 (2011).

⁵⁵ *Oropeza Marketing Corp. v. Allied Banking Corp.*, 441 Phil. 551, 564 (2002), citing *Gamboa, et al. v. CA, et al.*, 194 Phil. 624, 642 (1981).

⁵⁶ *Id.*, citing *Philippine National Bank v. Barreto, et al.*, 52 Phil. 818, 824 (1929).

“But where there is identity of parties in the first and second cases, but no identity of causes of action, the first judgment is conclusive only as to those matters actually and directly controverted and determined and not as to matters merely involved therein.”⁵⁷ This is the concept of *res judicata* known as “conclusiveness of judgment.” Stated differently, any right, fact or matter in issue directly adjudicated or necessarily involved in the determination of an action before a competent court in which judgment is rendered on the merits is conclusively settled by the judgment therein and cannot again be litigated between the parties and their privies, whether or not the claim, demand, purpose, or subject matter of the two actions is the same.”⁵⁸

“*Res judicata* requires the concurrence of the following requisites: (1) the former judgment must be final; (2) it must have been rendered by a court having jurisdiction of the subject matter and the parties; (3) it must be a judgment on the merits; and (4) there must be, between the first and second actions (a) identity of parties, (b) identity of subject matter, and (c) identity of causes of action.”⁵⁹

In the case, there is no dispute as to the presence of the above-cited first three requisites. The Decision in the Declaratory Relief Case is a final judgment on the merits rendered by a court which had jurisdiction over the subject matter and over the parties. With respect to the fourth requisite, the Court finds that the Declaratory Relief Case and the Collection of Money Case involved the same parties and the same subject matter. A subject matter is the item with respect to which the controversy has arisen, or concerning which the wrong has been done, and it is ordinarily the right, the thing, or the contract under dispute.⁶⁰ Both cases involve the obligation of respondents with respect to the dishonored checks.

However, the Court finds no identity of causes of action in the two cases.

The Court has previously employed different tests in ascertaining whether there is identity of causes of action as to warrant the application

⁵⁷ *Id.*, citing *Vda. de Cruzon v. Hon. Carriaga, Jr.*, 256 Phil. 72, 83 (1989).

⁵⁸ *Id.*

⁵⁹ *Riviera Golf Club, Inc. v. CCA Holdings, B.V.*, *supra* note 54 at 665, citing *Allied Banking Corporation v. Court of Appeals*, 299 Phil. 252, 259 (1994).

⁶⁰ *Yusingco v. Ong Hing Lian, etc., et al.*, 149 Phil. 688, 705 (1971).

of the doctrine of *res judicata*.⁶¹ “One test of identity is the 'absence of inconsistency test' where it is determined whether the judgment sought will be inconsistent with the prior judgment.⁶² If no inconsistency is shown, the prior judgment shall not constitute a bar to subsequent actions.”⁶³

To reiterate, in the Declaratory Relief Case, what was sought by respondents was the discharge of their real estate mortgages on the ground that all the loans covered by the mortgage contract had already been paid. In enjoining petitioner from foreclosing the real estate mortgages executed by respondents and ordering the release of the mortgages in the latter’s favor, the RTC ruled in this wise:

In this case, there was no contract about the claim of defendants of the sum of P7,839,978.34. It just sprang from the withdrawal of plaintiffs from their deposits with defendant bank sourced by the deposit of various SSS checks. With regard to the sum of P7,839,978.34, the relationship of the parties was not that of mortgagor and mortgagee but one of agency, that is, the defendant bank, as collecting bank, is to collect from the drawee, the Philippine National Bank, the corresponding proceeds of the checks. Once the checks shall have been discharged by the collection of the proceeds and the same credited to the depositor, the agency is converted into a creditor and debtor relationship. (citation omitted)

As the relationship of the parties was not that of mortgagor and mortgagee, there is no valid reason why the real estate mortgages executed by plaintiffs be foreclosed. However, since under the Civil Code, no one is allowed to enrich himself at the expense of others, defendant bank may file in the proper court, a case against plaintiffs for reimbursement for the amounts withdrawn by plaintiffs.⁶⁴

As can be seen from the above-quoted Decision in the Declaratory Relief Case which was based on stipulations of facts, the RTC ruled that petitioner failed to present any contract relative to the deposit of the SSS checks amounting to ₱7,839,978.34; and that with regard to the amount, no mortgagor and mortgagee relationship existed between petitioner and respondent that would entitle petitioner to foreclose respondents’ mortgages. In fact, the RTC never discussed the matter of respondents’ liability or non-liability for the payment of the dishonored checks, notwithstanding respondents’ prayer for the determination of their

⁶¹ See *Spouses Antonio v. Sayman Vda. de Monje*, 646 Phil. 90 (2010).

⁶² *Id.* at 101, citing *Spouses Torres v. Medina, et al.*, 629 Phil. 101, 112 (2010).

⁶³ *Id.*, citing *Agustin v. Sps. Delos Santos*, 596 Phil. 630, 645 (2009).

⁶⁴ *Rollo*, p. 194.

liability and that of petitioner, if any, to the amount of ₱7,839,978.34; and of any negligence contributed by the parties to the transaction.⁶⁵ It bears stressing that the RTC even suggested the filing in the proper court of an action against respondents for the reimbursement of the amounts withdrawn from the dishonored SSS checks.

Even the CA Decision, which affirmed the RTC in the Declaratory Relief Case, found that, considering the facts on record which was based on the parties' stipulation of facts, it could not determine the true and exact liability of respondents to petitioner for the fraudulently negotiated checks so as to support petitioner's foreclosure of respondents' mortgages. The Court finds *apropos* to quote the findings of the CA in the case as follows:

While it is undisputed that the plaintiffs-appellees deposited various SSS checks in the aggregate principal amount of [₱3,767,851.15] to their account with the METROBANK for collection; that pending clearing of the said checks, the plaintiffs-appellees were allowed by METROBANK to withdraw the values of the checks; that METROBANK indorsed the said checks to the drawee bank, Philippine National Bank; that the checks were cleared and the drawee bank paid the amounts of the checks to the METROBANK; that because the checks were later found to have been "fraudulently negotiated," METROBANK upon the demand of the drawee bank reimbursed said drawee bank the amounts it paid for the checks; there is however, no evidence as to how the aforesaid checks were "fraudulently negotiated," the participation, if any, of the plaintiffs-appellees or some other persons for the "fraudulent negotiation" of the checks, the liabilities, if any, of the other parties to the check for the "fraudulent negotiation" thereof, this Court is, therefore, of the conclusion that the true and exact liability of the plaintiffs-appellees to METROBANK for the "fraudulently negotiated" checks, if any, cannot, on the basis of the facts on record, be determined.

The determination of the liability of the plaintiffs-appellees to METROBANK for the checks should have been rightfully litigated by

⁶⁵ *Id.* at 188.

x x x

2. Resolving the judicial controversies between plaintiffs and defendants specifically:

x x x

b. That the so-called P7,839,978.34 account is not the sole responsibility nor liability of plaintiffs but a liability to be shared, if any, by and between plaintiffs and defendants Metrobank and Rogelio T. Uy and to determine the liability of each, if any, and that this Honorable Court shall also determine the negligence contributed by the parties to this case insofar as the aforesaid P7,839,978.34 account is concerned, thereby affecting any liability incurred by the liability of each, if any, under the premises.

the court *a quo* after a full-blown trial on the merits. Unfortunately, both parties agreed to submit the case for decision only on the basis of their stipulation of facts. For if it was really established that some other person/s, other than the plaintiffs-appellees were responsible for the “fraudulent negotiation” of the SSS checks, even if only in part, then the foreclosure of the plaintiffs-appellees’ properties pursuant to the real estate mortgage contract to satisfy the whole amount claimed by METROBANK would be a gross mistake. It would unduly prejudice the plaintiffs-appellees.⁶⁶

Notably, in the Collection of Money Case, petitioner is seeking to collect from respondents the value of the deposited SSS checks which were made immediately available but were subsequently dishonored by the drawee bank as they were fraudulently negotiated. Therefore, there could be no inconsistent ruling on the matter of respondents’ liability to petitioner on the dishonored SSS checks, if any, as the matter was not determined and decided upon in the Declaratory Relief Case.

Another approach in determining identity of causes of action is the “same evidence test,” whereby the following question serves as a sufficient criterion: “would the same evidence support and establish both the present and former causes of action?” If the answer is in the affirmative, then the prior judgment is a bar to the subsequent action; otherwise, it is not.⁶⁷

It was established in the Declaratory Relief Case that there was no contract or any showing that respondents had unpaid obligations to petitioner which was covered by their real estate mortgages; thus, petitioner had no right to foreclose the mortgage constituted over the properties of respondents. In the Collection of Money Case, the evidence needed would be the dishonored SSS checks and whether petitioner has the right to collect payment thereof from respondents. Therefore, the absence of the same evidence test rule.

Based on the foregoing discussions, the Court finds that two aspects of *res judicata*, whether bar by prior judgment or conclusiveness of judgment, are not present in the Collection of Money Case.

The Court does not agree with the CA that petitioner is already

⁶⁶ *Id.* at 207.

⁶⁷ *Agustin v. Sps. Delos Santos*, 596 Phil. 630, 647 (2009). Citations omitted.

estopped from pursuing the Collection of Money Case because it should have been asserted in the Declaratory Relief Case as a defense or a compulsory counterclaim. We find that petitioner had alleged in its pleadings filed in the Declaratory Relief Case their claim of the value of the dishonored checks as a basis for the foreclosure of respondents' mortgages. However, it was found therein that based on the facts on record which was based on the parties' stipulation of facts, it could not determine the true and exact liability of respondents to petitioner for the fraudulently negotiated checks.

The Court also find that the Collection of Money Case is not yet barred by prescription.

Petitioner's cause of action in the Collection of Money Case is the collection of sum of money based on the dishonored SSS checks deposited by respondents in their savings account and which they had already previously collected. It has been held that a check is subject to prescription of actions upon a written contract.⁶⁸

Article 1144 of the Civil Code of the Philippines provides:

Article 1144. The following actions must be brought within ten years from the time the right of action accrues:

- 1) Upon a *written contract*;
- 2) Upon an obligation created by law;
- 3) Upon a judgment. (Italics supplied.)

Petitioner admitted that it learned of the dishonor of the SSS checks in 1995 by the transmittal letters sent by PNB, the drawee bank. The period to file the action started to run in 1995. However, Article 1155 of the Civil Code provides that the prescription of an action is interrupted by (a) the filing of an action, (b) a written extrajudicial demand by the creditor, and (c) a written acknowledgment of the debt by the debtor.

While the Court does not agree with petitioner's claim that their cause of action was interrupted by respondents' filing of the Declaratory

⁶⁸ See *Evangelista v. Screenex, Inc.*, 820 Phil. 997 (2017).

Relief Case, the Court still finds that the prescriptive period was interrupted on the basis of the written extrajudicial demand it made to respondents to pay the dishonored SSS checks.

In *The Overseas Bank of Manila v. Judge Geraldez*,⁶⁹ the Court ruled on the matter of the interruption of the prescriptive period by reason of a written extrajudicial demand by the creditor as follows:

x x x the interruption of the prescriptive period by written extrajudicial demand means that the said period would commence anew from the receipt of the demand. That is the correct meaning of interruption as distinguished from mere suspension or tolling of the prescriptive period.

x x x x

A written extrajudicial demand wipes out the period that has already elapsed and starts anew the prescriptive period

x x x x

That same view as to the meaning of interruption was adopted in *Florendo vs. Organo*, 90 Phil. 483, 488, where it ruled that the interruption of the ten-year prescriptive period through a judicial demand means that “the full period of prescription commenced to run anew upon the cessation of the suspension.” “When prescription is interrupted by a judicial demand, the full time for the prescription must be reckoned from the cessation of the interruption x x x”⁷⁰

As petitioner sent a final demand letter to respondents on January 15, 1998, the 10-year prescriptive period started to run from the said date. Consequently, when petitioner filed the action for collection of sum of money on November 17, 2006, the action has not yet prescribed.

Finally, the matter of whether petitioner is entitled to reimbursement for the value of the dishonored SSS checks from respondents under the equity principle of unjust enrichment may only be properly threshed out in the trial of the case.

WHEREFORE, the petition is **GRANTED**. The Decision dated September 4, 2013 and the Resolution dated February 26, 2014 issued by

⁶⁹ 183 Phil. 493 (1979).


⁷⁰ *Id.* at 495-497.

the Court of Appeals in CA-G.R. CV No. 02054-MIN are **REVERSED and SET ASIDE**. The case is **REMANDED** for appropriate proceedings to the court of origin, Branch 38, Regional Trial Court, Cagayan de Oro City, which is **DIRECTED** to decide the case **WITH DELIBERATE DISPATCH**.

SO ORDERED.


HENRI JEAN PAUL B. INTING
Associate Justice

WE CONCUR:


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson

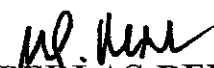

RAMON PAUL L. HERNANDO
Associate Justice


SAMUEL H. GAERLAN
Associate Justice


RICARDO R. ROSARIO
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.


ESTELA M. PERLAS-BERNABE
Senior Associate Justice
Chairperson



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.


ALEXANDER G. GESMUNDO
Chief Justice

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