Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

ADERITO Z. YUJUICO,
Petitioner,

-*versus*-

UNITED RESOURCES ASSET MANAGEMENT, INC., ATTY. RICHARD J. NETHERCOTT and ATTY. HONORATO R. MATABAN,
Respondents.

G.R. No. 211113

Present

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

Promulgated:
JUN 29 2015

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DECISION

PEREZ, *J.*:

This case is an appeal[1] from the Decision[2] dated 12 August 2013 and Resolution[3] dated 29 January 2014 of the Court of Appeals in CA-G.R. SP No. 117431.

The antecedents:

Prelude

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1 *Rollo*, pp. 12-40. The appeal was filed as a Petition for Review on *Certiorari* under Rule 45 of the Rules of Court.

2 Id. at 43-58. The decision was penned by Justice Leoncia Real-Dimagiba for the Fifth Division of the Court of Appeals with Justices Rosmari D. Carandang and Ricardo R. Rosario concurring.

3 Id. at 59-60.

The Strategic Alliance Development Corporation (STRADEC) is a domestic corporation operating as a business development and investment company.

In 2000, several stockholders[4] of STRADEC executed *Pledge Agreements*[5] whereby they pledged a certain amount of their stocks[6] in the said company in favor of the respondent United Resources Asset Management, Inc. (URAMI). These pledges were meant to secure the loan obligations of STRADEC to URAMI under their *Loan Agreement*[7] of 28 December 2000.

One of the stockholders of STRADEC who so pledged his shares in STRADEC was petitioner Aderito Z. Yujuico.

The Notice and Civil Case No. 70027

Apparently, STRADEC had not been able to comply with its payment obligations under the *Loan Agreement*.

On 18 June 2004, STRADEC and its stockholders received a *notice*[8] informing them about an impending auction sale of the stocks pledged under the *Pledge Agreements* in order to satisfy STRADEC's outstanding obligations[9] under the *Loan Agreement*. The *notice* was sent and signed by respondent Atty. Richard J. Nethercott (Atty. Nethercott), who claimed to be the attorney-in-fact of URAMI.

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4 These pledgors-stockholders were petitioner, Cezar T. Quiambao, Bonifacio C. Sumbilla, Ma. Cristina Ferreros, Dolney S. Sumbilla, Bonifacio S. Sumbilla, Jr., Ramon M. Borromeo, Rafael F. Erfe, Jose Magno III, Ramon G. Reyes, Oscar A. Cabading and Angel L. Umali.

5 *Rollo*, pp. 127-149. There were actually three (3) pledge contracts executed: (a) the *Pledge Agreement*, (b) the *Additional Pledge Agreement*, and (c) the *Pledge Agreement for the Third Pledged Shares*. Petitioner, Cezar T. Quiambao, Bonifacio C. Sumbilla, Ma. Cristina F. Ferreros, Dolney S. Sumbilla, Bonifacio S. Sumbilla, Jr. are pledgors in all three contracts; whereas Ramon M. Borromeo, Rafel F. Erfe, Jose Magno III, Ramon G. Reyes, Oscar A. Cabading and Angel L. Umali are pledgors only in the *Additional Pledge Agreement*, and the *Pledge Agreement for the Third Pledged Shares*.

6 Around four million (4,000,000) STRADEC shares were pledged in favor of URAMI under the *Pledge Agreements*.

7 *Rollo*, pp. 95-117.

8 Id. at 178-180.

9 Then, supposedly amounting to US $ 7,137,349.00.

The *notice* stated that, pursuant to the request[10] earlier filed by Atty. Nethercott before "*the notary public of Bayambang, Pangasinan*," the public auction of the pledged STRADEC stocks had been set at 8:30 in the morning of 23 June 2004 in front of the municipal building of Bayambang, Pangasinan.[11]

On 21 June 2004, petitioner filed before the Regional Trial Court (RTC) of Pasig City an injunction complaint[12] seeking to enjoin the sale at public auction mentioned in Atty. Nethercott's *notice*. Impleaded as defendants in such complaint were URAMI, Atty. Nethercott and herein respondent Atty. Honorato R. Mataban (Atty. Mataban)—the notary public referred to in the *notice* as the one requested by Atty. Nethercott to conduct the auction of the pledged stocks.

In the complaint, petitioner argued that the planned auction sale of the stocks pledged under the *Pledge Agreements* is void as the same suffers from a multitude of fatal defects; one of which is the supposed lack of authority of Atty. Nethercott to initiate such a sale on behalf of URAMI. As petitioner elaborated:

> (k) [Atty. Nethercott] has no valid authority to represent URAMI for any purpose. xxx. He is neither the counsel nor the agent of URAMI, whose authorized representative under Section 9, paragraph 10 of the *Loan Agreement* is its Chief Operating Officer, Ms. Lorna P. Feliciano. There has been no modification of this provision in accordance with paragraph 9.04 of the same provision.[13]

The injunction complaint, which also contained prayers for the issuance of a temporary restraining order and of a writ of preliminary injunction, was docketed in the RTC as **Civil Case No. 70027**.

The Sale and URAMI's Answer with Counterclaim

As the RTC did not issue a temporary restraining order in Civil Case No. 70027, the public auction of the pledged STRADEC stocks pushed through, as scheduled, on 23 June 2004. In that auction, URAMI emerged as the winning bidder for all of the stocks pledged under the *Pledge Agreements*.

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10 *Rollo*, pp. 181-182.

11 Id. at. 178. Atty. Nethercott further stated in the letter that, if necessary, a second public auction on the 28th of June 2004 would also take place at the same place and time as the first auction sale.

12 Id. at 61-74.

13 Id. at 70.

On 5 July 2004, however, the RTC issued a writ of preliminary injunction, which effectively prevented URAMI from appropriating the stocks it had purchased during the auction sale. On the same day, Atty. Nethercott filed his answer denying the material allegations of the injunction complaint.

More than a year later, or on 21 April 2006, URAMI—which until then was still not able to file an answer of its own—filed with the RTC a motion for leave to file an answer. Attached to the motion was a copy of URAMI's answer.[14] On 5 September 2006, the RTC granted URAMI's motion and allowed the admission of its answer.

In its answer, URAMI agreed with the petitioner that the 23 June 2004 auction sale was void; URAMI admitted that it never authorized Atty. Nethercott to cause the sale of the stocks pledged under the *Pledge Agreements*. URAMI, however, pointed out that, since it never sanctioned the 23 June 2004 auction sale, it similarly cannot be held liable to the petitioner for any prejudice that may be caused by the conduct of such auction sale, *viz.*:

> 4.1 The [injunction complaint] dated 28 June 2004 fails to state a cause of action only insofar as it seeks judgment ordering URAMI to pay [petitioner] the amounts of Five Hundred Thousand Pesos (Php 500,000.00) as attorney's fees and One Hundred Thousand Pesos (Php 100,000.00) as legal expenses.
>
> > 4.1.1. It bears emphasizing that the extra-judicial foreclosure of the pledged shares conducted by [Atty. Nethercott] was without valid authority from URAMI. Consequently, it cannot be made liable for the acts of another.
> >
> > 4.1.2 . URAMI never sanctioned or directed the questioned auction sale. Neither did URAMI give its consent, explicit or otherwise, to said foreclosure or any subsequent acts of [Atty. Nethercott] pursuant thereto. Hence, no liability whatsoever may be imputed to URAMI.
> >
> > 4.1.3. If at all, the recourse of the plaintiff is solely against [Atty. Nethercott].[15]

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14 Id. at 195-206. The pleading was designated as "*Answer with Compulsory Counterclaim.*"

15 Id. at 202.

Hence, overall, URAMI prayed for the dismissal of the injunction complaint against it.

Petitioner's Motion for Summary Judgment and the Suspension of Civil Case No. 70027

On 29 May 2007, petitioner filed with the RTC a motion for summary judgment[16] arguing that, in view of the admissions made by URAMI in its answer regarding Atty. Nethercott's lack of authority to cause the auction sale of pledged stocks, there was no longer any genuine issue left to be resolved in trial.

URAMI and Atty. Nethercott both filed comments on petitioner's motion for summary judgment.

The resolution of petitioner's motion for summary judgment, however, was deferred when, on 25 July 2007, this Court issued in *G.R. No. 177068*[17] a temporary restraining order[18] calling to a halt the conduct of further proceedings in Civil Case No. 70027. This temporary restraining order remained in effect for more than a year until it was finally lifted by this Court on 13 October 2008.[19]

Thereafter, proceedings in Civil Case No. 70027 resumed.

URAMI's Change of Counsel and Amended Answer

On 26 January 2009, URAMI changed its counsel of record for Civil Case No. 70027. The law firm ViIllanueva, Gabionza & De Santos (VGD law firm), which hitherto had been URAMI's counsel of record, was thus replaced by Atty. Edward P. Chico (Atty. Chico).

Under the counsel of Atty. Chico, URAMI filed with the RTC an *amended answer with compulsory counterclaim* (*amended answer*)[20] on 23 February 2009. The *amended answer* was meant to supplant URAMI's original answer, which had been prepared by the VGD law firm.

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16 Id. at 210-219.
17 Entitled *Cezar T. Quiambao v. Aderito Z. Yujuico.*
18 Id. at 241-243.
19 Id. at 244.
20 Id. at 253-267.

In its *amended answer*, URAMI still vouched for the dismissal of the injunction complaint *but* reneged from its previous admissions under the original answer. This time, URAMI claimed that the 23 June 2004 auction sale was valid and that it duly authorized Atty. Nethercott to initiate such sale on its behalf.[21]

On 12 March 2009, petitioner filed with the RTC a motion to strike out URAMI's *amended answer* on the grounds that: (1) it was not timely filed; (2) it was filed without leave of court; and (3) its admission would prejudice petitioner's rights. In an order of even date, however, the RTC denied petitioner's motion and allowed admission of URAMI's *amended answer*.

On 27 March 2009, petitioner filed with the RTC a motion for reconsideration of the order allowing admission of URAMI's *amended answer*.

On 18 August 2009, the RTC issued an order granting petitioner's motion for reconsideration and setting aside its earlier order allowing admission of URAMI's *amended answer*. In the said order, the RTC explained that the *amended answer* could not be admitted just yet as the same had been filed by URAMI without first securing leave of court.

Thus, on 21 September 2009, URAMI filed with the RTC a *motion for leave to file an amended answer* (*motion for leave*).[22] In the said motion, URAMI formally asked permission from the RTC to allow it to file the *amended answer* explaining that the original answer filed by its previous counsel "*does not bear truthful factual allegations and is indubitably not supported by evidence on record*."[23]

On 10 November 2009, the RTC issued an Order[24] granting URAMI's *motion for leave*.

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21 Id. at 258-259.
22 Id. at 288-289.
23 Id.
24 Id. at 297-298. The order was penned by Judge Franco T. Falcon of the RTC, Branch 71, of Pasig City.

Petitioner filed a motion for reconsideration against the 10 November 2009 Order, but the same was denied by the RTC in its Order[25] of 27 September 2010.

CA-G.R. SP No. 117431 and the Present Appeal

Defeated but undeterred, petitioner next challenged the Orders dated 10 November 2009 and 27 September 2010 of the RTC through a *certiorari* petition before the Court of Appeals. This *certiorari* petition was docketed in the Court of Appeals as **CA-G.R. SP No. 117431**.

On 12 August 2013, the Court of Appeals rendered a Decision[26] sustaining the challenged orders of the RTC and dismissing petitioner's *certiorari* petition. Petitioner moved for reconsideration, but the Court of Appeals remained steadfast.[27]

Hence, the present appeal.

In the present appeal, petitioner argues that the Court of Appeals erred in sustaining the orders of the RTC allowing URAMI to file its *amended answer*. Petitioner argues that URAMI should not have been so allowed for the following reasons:[28]

1. URAMI had not shown that the admissions it made under the original answer were made through "*palpable mistake*." Hence, pursuant to Section 4 of Rule 129 of the Rules of Court,[29] URAMI is barred from contradicting such admissions through the filing of its *amended answer*.

2. The *amended answer* is merely a ploy of URAMI to further delay the proceedings in Civil Case No. 70027.

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25 Id. at 314.
26 Id. at 43-58.
27 Id. at 59-60.
28 Id. at 12-40.
29 Section 4 of Rule 129 contains the rule prohibiting a party from contradicting his judicial admission unless it is shown that such admission is made through palpable mistake or no such admission is made, to wit:

> **Section 4.** *Judicial admissions*. — An admission, verbal or written, made by the party in the course of the proceedings in the same case, does not require proof. The admission may be contradicted only by showing that it was made through palpable mistake or that no such admission was made.

Thus, petitioner prays that we set aside the decision of the Court of Appeals, disallow URAMI's *amended answer* and direct the RTC in Civil Case No. 70027 to resolve his motion for summary judgment with dispatch.[30]

OUR RULING

Our rules of procedure allow a party in a civil action to amend his pleading as a *matter of right*, so long as the pleading is amended only *once* and *before a responsive pleading is served* (or, if the pleading sought to be amended is a reply, within ten days after it is served).[31] Otherwise, a party can only amend his pleading upon prior leave of court.[32]

As a matter of judicial policy, courts are impelled to treat motions for leave to file amended pleadings with *liberality*.[33] This is especially true when a motion for leave is filed during the early stages of proceedings or, at least, before trial.[34] Our case law had long taught that *bona fide* amendments to pleadings should be allowed in the interest of justice so that every case may, so far as possible, be determined on its real facts and the multiplicity of suits thus be prevented.[35] Hence, as long as it does not appear that the motion for leave was made with bad faith or with intent to delay the proceedings,[36] courts are justified to grant leave and allow the filing of an amended pleading. Once a court grants leave to file an amended pleading, the same becomes binding and will not be disturbed on appeal *unless* it appears that the court had abused its discretion.[37]

In this case, URAMI filed its *motion for leave* seeking the admission of its *amended answer* more than two (2) years after it filed its original answer. Despite the considerable lapse of time between the filing of the original answer and the *motion for leave*, the RTC still granted the said motion. Such grant was later affirmed on appeal by the Court of Appeals.

Petitioner, however, opposes the grant of leave arguing that URAMI is precluded from filing an amended answer by Section 4 of Rule 129 of the Rules of Court and claiming that URAMI's *amended answer* was only

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30 Id. at 38.
31 *See* Section 2 of Rule 10 of the Rules of Court.
32 *See* Sections 3 and 4 of Rule 10 of the Rules of Court.
33 *Torres v. Tomacruz*, 49 Phil. 913, 915 (1927).
34 *Ching Tiu v. Philippine Bank of Communications*, 613 Phil. 56, 68 (2009).
35 *Quirao v. Quirao*, 460 Phil. 605, 611 (2003).
36 *See* Section 3 of Rule 10 of the Rules of Court.
37 *Supra* note 33.

interposed for the purpose of delaying the proceedings in Civil Case No. 70027.

We rule in favor of allowing URAMI's *amended answer*. Hence, we deny the present appeal.

First. We cannot subscribe to petitioner's argument that Section 4 of Rule 129 of the Rules of Court precludes URAMI from filing its *amended answer*. To begin with, the said provision does not set the *be-all and end-all* standard upon which amendments to pleadings may or may not be allowed. Matters involving the amendment of pleadings are primarily governed by the pertinent provisions of Rule 10 and not by Section 4 of Rule 129 of the Rule of Court. Hence, allegations (and admissions) in a pleading—even if not shown to be made through "*palpable mistake*"—can still be corrected or amended provided that the amendment is sanctioned under Rule 10 of the Rules of Court.

Nevertheless, even if we are to apply Section 4 of Rule 129 to the present case, we still find the allowance of URAMI's *amended answer* to be in order. To our mind, a consideration of the evidence that URAMI plans to present during trial indubitably reveals that the admissions made by URAMI under its original answer were a product of clear and patent mistake.

One of the key documents that URAMI plans to present during trial, which it also attached in its *amended answer* as "*Annex 8*" thereof, is *URAMI's Board Resolution*[38] dated 21 June 2004 that evinces Atty. Nethercott's authority to cause the foreclosure on the pledged stocks on behalf of URAMI. With the existence of such board resolution, the statement in URAMI's original answer pertaining to the lack of authority of Atty. Nethercott to initiate the 23 June 2004 auction sale thus appears mistaken, if not entirely baseless and unfounded. Hence, we find it only right and fair, that URAMI should be given a chance to file its *amended answer* in order to rectify such mistakes in its original answer.

Second. We also cannot agree with the petitioner's accusation that the *amended answer* was only interposed to further delay the proceedings in Civil Case No. 70027. As the previous discussion reveal, the *amended answer* aims to correct certain allegations of fact in the original answer

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[38] *Rollo*, pp. 435-436. See also the *Secretary's Certificate* (*rollo*, p. 428) executed by URAMI's corporate secretary in October 2003 that evinces Atty. Nethercott's authority to negotiate with STRADEC, on behalf of URAMI, for the settlement, collection and payment of STRADEC's obligations under the *Loan Agreement*.

which, needless to state, are *crucial* to a full and proper disposition of Civil Case No. 70027. It is, therefore, in the best interest of justice and equity that URAMI should be allowed to file the *amended answer*.

Third. The mere fact that URAMI filed its *motion for leave* years after the original answer is also not reason enough in itself to discredit the *amended answer* as a sheer dilatory measure. Readily observable from the established facts is that the perceived delay between the filing of the *motion for leave* and the filing of the original answer is not purely attributable to URAMI. It must be remembered that some time after the original answer was filed, we issued a temporary restraining order in *G.R. No. 177068* that effectively suspended the proceedings in Civil Case No. 70027 for more than a year. Thus, even if it wanted to, URAMI really could not have filed a motion for leave to file *amended answer* sooner than it already had. On this score, we note that it only took URAMI a little over three months after the lifting of the temporary restraining order to replace its previous counsel of record in Civil Case No. 70027 and to file its *amended answer*.

Fourth. All in all, we find absolutely no cause to overrule the grant of leave granted to URAMI to file its *amended answer*. The said grant is consistent with our time-honored judicial policy of affording liberal treatment to amendments to pleadings, especially those made before the conduct of trial.

We should always remember that our rules of procedure are mere tools designed to facilitate the attainment of justice. Their application should never be allowed to frustrate the truth and the promotion of substantial justice.[39] Were we to succumb to petitioner's arguments today, however, we would have sanctioned an outcome totally inconsistent with the underlying purpose of our procedural laws. That, we simply cannot countenance.

WHEREFORE, premises considered, the petition is hereby **DENIED**. The Decision dated 12 August 2013 and Resolution dated 29 January 2014 of the Court of Appeals in CA-G.R. SP No. 117431 are hereby **AFFIRMED**.

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[39] *Quirao v. Quirao, supra* note 35, at 612, citing *Samala v. Court of Appeals*, 416 Phil. 1, 8 (2001).

SO ORDERED.

JOSE PORTUGAL PEREZ
Associate Justice

WE CONCUR:

MARIA LOURDES P.A. SERENO
Chief Justice
Chairperson

TERESITA J. LEONARDO-DE CASTRO
Associate Justice

LUCAS P. BERSAMIN
Associate Justice

ESTELA M. PERLAS-BERNABE
Associate Justice

CERTIFICATION

Pursuant to Section 13, Article VIII of the Constitution, it is hereby certified 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.

MARIA LOURDES P. A. SERENO
Chief Justice