Republic of the Philippines
Supreme Court
Manila

FIRST DIVISION

EDITA A. DE LEON, LARA BIANCA L. SARTE, and RENZO EDGAR L. SARTE, Petitioners,	**G.R. No. 243733**
	Present:
	PERALTA, *C.J.*, *Chairperson*,
	CAGUIOA,
	CARANDANG,
- versus -	ZALAMEDA,
	GAERLAN, *JJ.*
THE MANUFACTURERS LIFE INSURANCE COMPANY (PHILS.) INC., ZENAIDA S. SARTE, JESSICA SARTE-GUSTILO, VILMA C. CAPARROS, EDGAR ALVIN C. CAPARROS, and ROBERTO MORENO, Respondents.	Promulgated: JAN 12 2021

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D E C I S I O N

CARANDANG, *J.*:

Before this Court is a Petition for Review on *Certiorari*[1] under Rule 45 of the Rules of Court (Rules) filed by petitioners to assail the Decision[2] dated July 20, 2017 and the Resolution[3] dated December 13, 2018 of the Court of Appeals (CA) in CA-G.R. C.V. No. 106718, which denied reconsideration and thereby affirmed the Decision[4] dated December 22, 2015 of the Regional Trial Court of Makati City, Branch 139 (RTC) in Civil Case No. 04-941.

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1 *Rollo*, pp. 10-75.

2 Penned by Associate Justice Mariflor P. Punzalan Castillo, with the concurrence of Associate Justices Florito S. Macalino and Maria Elisa Sempio Diy; id. at 81-94.

3 Id. at 96-99.

4 Penned by Presiding Judge Benjamin T. Pozon; records, pp. 1552-1577.

Facts of the Case

This case has its origins from a complaint for interpleader filed by respondent Manufacturers Life Insurance Company (Phils.) Inc. (Manulife) on August 12, 2004, before the RTC to determine the rightful recipients of the proceeds of three life insurance policies issued to the late Edgar H. Sarte (Sarte), who passed away on December 23, 2003.[5]

During his lifetime, Sarte sired three sets of children: (1) with his legitimate wife Zenaida S. Sarte (Zenaida), he had Jessica S. Sarte-Gustilo (Jessica) and Edgard Eldon S. Sarte (Eldon); (2) with Vilma C. Caparros (Vilma), he had Edgar Alvin C. Sarte (Alvin) and Edgar Angelo C. Sarte (Angelo); and (3) with Edita De Leon (Edita), he had Lara Bianca L. Sarte (Lara) and Renzo Edgar L. Sarte (Renzo).[6]

Three life insurance policies subject to this case, all with revocable beneficiaries, *viz.*:

	POLICY NO.	DATE OF ISSUE	POLICY OWNER	LIFE INSURED	COVERAGE AMOUNT	DESIGNATED AS REVOCABLE BENEFICIARIES IN THE POLICY
"Policy 1"[7]	4321987-2	August 25, 1994	Systems Technology, Inc. (STI)	Edgar H. Sarte	₱1,000,000.00	STI & Zenaida Sarte
"Policy 2"[8]	4319830-8	August 1, 1991	STI	Edgar H. Sarte	₱1,000,000.00	STI & Zenaida Sarte
"Policy 3"[9]	4319831-6	Sept. 3, 1991	STI	Edgar H. Sarte	₱2,000,000.00	Edgar Alvin C. Sarte

On March 1, 2002, Sarte executed Beneficiary Designation Forms (BDFs) modifying the beneficiaries of the subject policies.[10]

Policy 1	STI & Zenaida Sarte → Zenaida Sarte & Jessica Sarte-Gustillo
Policy 2	STI & Zenaida Sarte → Zenaida Sarte & Renzo Edgar L. Sarte
Policy 3	Edgar Alvin C. Sarte → Edgar Alvin C. Sarte and Renzo Edgar L. Sarte

The March 1, 2002 BDFs were all processed by Manulife and the

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5 Id. at 1569-1570.
6 Id. at 1570.
7 Id. at 889-905.
8 Id. at 857-873.
9 Id. at 582-601.
10 Id. at 1556; 312.

changes were registered in the company's internal records.[11]

However, on July 31, 2002, Sarte executed another set of BDFs, changing the beneficiaries of the subject policies to effect the following changes:

Policy 1	Zenaida Sarte & Jessica Sarte-Gustillo → Renzo Edgar L. Sarte[12]
Policy 2	Zenaida Sarte & Renzo Edgar L. Sarte → Renzo Edgar L. Sarte [13]
Policy 3	Edgar Alvin C. Sarte and Renzo Edgar L. Sarte → Lara Bianca L. Sarte[14]

The second set of BDFs were prepared by Sarte's long-time personal and business secretary, Veneranda Canta Gealogo (Gealogo) who witnessed Sarte signing them. Sarte executed said BDFs supposedly with the intention that his minor children acquire equal amounts from his insurance policies. "*Nothing Follows*"[15] was typewritten beneath the portion where the names of Lara and Renzo were indicated. Gealogo made photocopies of the said BDFs and the originals were then delivered by Sarte's messenger, Allan Quiñones, to Betty Alejandro Cepeda (Cepeda), the Manulife servicing agent in charge of the subject policies.[16]

On October 22, 2009, before she could adduce evidence on her behalf, Cepeda passed away and has since then been represented in this case by her son, herein respondent Roberto Alejandro Moreno Jr.[17] In her pleading, Cepeda admitted to receiving the originals of the said BDFs, but observed that the designated beneficiaries, Lara and Renzo, were still minors, but no trustee or individual capacitated to act in their behalf was designated as required by Manulife. The BDFs could have been easily corrected by the designation of a trustee. However, since "*Nothing Follows*"[18] was typewritten on the BDFs, such a correction could not be made. Cepeda declined to affix her signature on the BDFs and alleged that she returned them to Sarte through Gealogo.[19] Gealogo denied ever receiving them[20] and testified that Cepeda called her, inquiring as to who should be designated as the trustees of the minors. Gealogo claimed to have faxed to Cepeda a tabulation[21] indicating the names of the trustees, but only on January 19, 2004, after Mr. Sarte's death on December 23, 2003.[22] Gealogo said that the fax transmittal slip of the tabulation was printed on thermal paper, which could be easily erased, so she

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11 Id.
12 Id. at 939.
13 Id. at 936.
14 Id. at 941.
15 Id. at 144.
16 Id. at 1560.
17 Id. at 673.
18 Id. at 144.
19 Id. at 313-314.
20 Id. at 1561.
21 Id. at 942.
22 Id. at 1561.

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stamped the word "faxed" on the same. Other than the said transmittal slip, Gealogo said she had no other proof that she actually faxed the document to Cepeda's office.[23]

Before Sarte died, he gave to Edita the originals of four insurance policies, two of which [Policies 1 and 2] are the subject policies of this case.[24] She also received photocopies of the BDFs dated July 31, 2002.[25] Sometime after Sarte's death, Edita met with Cepeda at the latter's office to process the insurance claims in behalf of her children. However, in that meeting, Cepeda initially denied receiving the said BDFs and that she had no record of them. A week later, they went to Manulife's office to check the records. They were accompanied by Gealogo. At that meeting, Edita presented the following documents to Manulife's representatives in support of her claim: 1) an Acknowledgment Receipt of the July 31, 2002 BDFs signed by Cepeda's secretary, Lynn Gagan; 2) the trip report of Allan Quiñones; 3) a matrix of Sarte's insurance policies and a copy of the tabulation which were provided to her by Yolanda Domingo, who was Sarte's executive assistant. Manulife, however, did not release the proceeds to her.[26]

On January 20, 2004, Edita wrote to Manulife's head office seeking assistance for her claim.[27] Manulife, through their Claims Manager, Jessie Bell Victoriano (Victoriano), responded by mail on February 2, 2004, suggesting that Sarte's three families settle their claims amicably to avoid costly litigation.[28]

On March 25, 2004, Zenaida met with Victoriano to inquire into her claims on Sarte's policies that she knew of, including Policy 2. In that meeting, Victoriano revealed to Zenaida that as per the insurer's records, she was also named in Policy 1 as co-beneficiary with Renzo. Two months after, Manulife still did not release the proceeds of the said policies. So, Zenaida set another meeting with Victoriano, at which point she was informed of Edita's claims on the subject policies. Victoriano thus asked Zenaida for more time.[29]

Victoriano testified that the subject BDFs dated July 31, 2002, appeared to be valid as they contained Sarte's signature.[30] It was because of this that Manulife was in doubt as to the rightful beneficiaries of the subject policies. Thus on August 12, 2004, it filed the complaint[31] for interpleader against: (1) Zenaida and Jessica; (2) minor Alvin, to be represented by his mother, Vilma; and (3) minors Lara and Renzo, to be represented by their mother, Edita. The RTC gave due course to the complaint, summoned the interpleaded parties, and ordered them to file their respective answers.[32]

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23 Id.
24 The original of Policy 3 was in the possession of Vilma and Alvin.
25 Records, p. 1563.
26 Id. at 1563-1564.
27 *Rollo*, p. 83.
28 Records, p. 928.
29 *Rollo*, p. 82.
30 TSN dated Feb. 28, 2007, pp. 41-42
31 Records, pp. 1-4.
32 Id. at 1552.

Zenaida S. Sarte and Jessica S. Sarte-Gustilo's claim

Zenaida and Jessica argued that as per Manulife's own records, they are entitled to the full proceeds of Policy 1. In addition, Zenaida claimed half of the proceeds of Policy 2. They asserted no claim over Policy 3. However, they filed a counterclaim against Manulife, arguing that the insurer was in bad faith for filing the complaint for interpleader despite knowing that Zenaida and Jessica are beneficiaries on record for Policies 1 and 2.[33]

Edgar Alvin C. Sarte's claim

Alvin made no claim over Policies 1 and 2. However, he claimed all of the proceeds to Policy 3, in which he was originally named as the lone beneficiary. At the time the interpleader was instituted, Alvin's mother Vilma had possession of the original of Policy 3. Like Zenaida and Jessica, Arvin also argued that the complaint was a frivolous suit as Manulife already knew, based on its records, that he is solely entitled to Policy 3. As such, Manulife is liable for damages.[34]

Lara Bianca L. Sarte and Renzo Edgar L. Sarte's claim

Lara and Renzo maintained that on July 31, 2002, their father executed BDFs instituting Renzo as the sole beneficiary of Policies 1 and 2 and Lara as the sole beneficiary of Policy 3. These BDFs were submitted to Betty Q. Alejandro, a.k.a. Betty Cepeda (Cepeda), the Manulife servicing agent in charge of the subject policies. Meanwhile, they also filed a counterclaim against Manulife, arguing that the insurer should be liable for compensatory damages for failing to reflect the BDFs in their records despite Sarte having done all that was necessary to effect the changes.[35]

The third-party complaint against the servicing agent, Betty Cepeda

Lara and Renzo also filed a third-party complaint against Cepeda, averring that should the proceeds are not given to them due to Cepeda's failure to register the BDFs, then the latter should be made to pay the amount of the proceeds plus damages.[36]

In her Answer with Counterclaim,[37] Cepeda alleged that sometime in February 2002, Sarte's secretary Veneranda C. Gealogo requested forms for the changes of beneficiary designations. Cepeda had wanted to meet Sarte in person to discuss the matter, but Gealogo insisted on having the forms. The forms were filled in and returned to Cepeda in March 2002, resulting in changes of the beneficiaries as they now appear in Manulife's records.[38]

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33 Id. at 32-57.
34 Id. at 68-74.
35 Id. at 111-121.
36 Id. at 126-130.
37 Id. at 310-319.
38 Id. at 311-312.

In July 2002, Gealogo again returned with four BDFs, three of which pertain to the subject policies. Cepeda denied registering these BDFs because the intended beneficiaries are minors (herein Lara and Renzo) and as per company policy, the insured must designate trustees who may act on such minors. However, they could not be rectified in that manner because "Nothing Follows" was typed on the form. Cepeda thus declined to affix her signature in the forms and sent them back to Gealogo. Cepeda maintains that, thereafter, she never received the BDFs with the required corrections. She maintains that Gealogo had ample time, from July 31, 2002 until December 23, 2003 to return the BDFs with the necessary corrections. However, Gealogo never did. As such, Gealogo is the only one to blame. Cepeda thus contended that the third-party complaint was entirely baseless and that she is entitled to damages for having to defend herself against a frivolous suit.[39]

Manulife's stance

Manulife has consistently been neutral as to the issue of the rightful beneficiaries of the subject policies. Against the counterclaims, however, it maintained that interpleader is a remedy that it is entitled to and which it has availed in good faith. As such, it should not be made liable for filing the interpleader suit. However, it claimed for costs of suit and attorney's fees, arguing that it was only compelled to file the interpleader due to the conflicting claims of the interpleaded parties.[40]

Eden Broñosa (Broñosa), Manulife's Vice President for Clients Services and Customer Care, was presented as an adverse witness by herein petitioners. Manulife's internal rules and procedure for changing beneficiary designation was established from her testimony, thus:

1. the insured must submit to Manulife a duly completed and signed BDF;
2. the servicing agent, in this case Cepeda, is authorized by Manulife to accept the BDF in behalf of Manulife;
3. if the designated beneficiary is a minor, the insured must also designate a trustee as per company policy;
4. a BDF for a minor without a designated trustee is deemed an incomplete form;
5. incomplete BDFs need not be transmitted by the servicing agent to Manulife and shall be returned to the insured for necessary corrections;
6. complete BDFs are transmitted to Manulife, processed, and stamped registered once entered into their records;
7. Manulife then sends the insured a letter confirming the designation.[41]

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39 Id. at 313-317.
40 Id. at 216-218.
41 Id. at 1566.

Manulife, however, made no comment as to the legal significance of the aforesaid internal rules in resolving the interpleader, leaving such matter to the trial court.

Ruling of the Regional Trial Court

From the terms of the subject policies, the RTC found the following provisions on "Beneficiary Designation" and "Change of Beneficiary," as relevant to the issues of this case:

> Beneficiary Designation. Whenever a beneficiary is designated either in this policy or by a declaration in writing by the Owner, such beneficiary will be deemed to be beneficially entitled to the proceeds of the policy, if and when the policy becomes payable upon the life insured's death. x x x
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> Change of beneficiary. To the extent allowed by law, during the life insured's lifetime the Owner can change the beneficiary designation from time to time by written notice in form satisfactory to the Company [Manulife]. The company assumes no responsibility for the validity of such written notice.[42]

Based on these provisions, the RTC took the view that in order for the BDFs to be effective, the same must have been processed, approved, and registered in Manulife's records. The July 31, 2002 BDFs were rejected by Cepeda for non-compliance with Manulife's internal company policy on the designation of trustees for minor beneficiaries, Lara and Renzo. As a consequence, it was not registered in Manulife's records. On the other hand, the March 1, 2002 BDFs were duly filled in, signed by Cepeda, transmitted to Manulife's office, and registered into their records.[43]

Furthermore, the trial court found that the Manulife was not in bad faith in filing the complaint for interpleader. Nor were the interpleaded parties in bad faith for claiming the proceeds of the subject policies. The trial court also found no fault on the part of Cepeda.[44] Thus, the RTC disposed of the case as follows:

> WHEREFORE, premises considered, this Court RENDERS JUDGMENT as follows:
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> (1) Plaintiff The Manufacturer's Life Insurance Company (Phils.), Inc. is hereby DIRECTED to release the insurance proceeds of the following policies to the beneficiaries as appearing in its records, thus:

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42 Id. at 1572.
43 Id. at 1569-1576.
44 Id. at 1569-1576.

POLICY NO.	COVERAGE AMOUNT	DESIGNATED BENEFICIARIES
4321987-2	Php 1,000,000.00	Zenaida Sarte and Jessica Sarte-Gustillo
4319830-8	Php 1,000,000.00	Zenaida Sarte and Renzo Edgar L. Sarte
4319831-6	Php 2,000,000.00	Edgar Alvin C. Sarte and Renzo Edgar L. Sarte

(2) The compulsory counterclaims of the conflicting claimants against the plaintiff are hereby DENIED FOR LACK OF MERIT;

(3) The claims for attorney's fees and costs of suit of plaintiff against the defendants are hereby DENIED FOR LACK OF MERIT;

(4) The third party complaint against third party defendant is hereby DISMISSED for insufficiency of evidence; and

(5) The compulsory counterclaims of third party defendant against third party plaintiff are hereby DENIED FOR LACK OF MERIT.

Furnish copies of this Decision to the parties and there respective counsels.

SO ORDERED.[45]

Ruling of the Court of Appeals

On appeal to the CA,[46] the petitioners maintained that the July 31, 2002 BDFs effectively changed the beneficiaries of the subject policies in favor of Lara and Renzo. They argued that Sarte had complied with all the requirements of the policy provision on "Change of Beneficiary" by merely filling up and signing Manulife BDFs designating Lara and Renzo and transmitting the same to Cepeda, Manulife's agent. They also maintained that Sarte had complied with the trustee designation requirement when Gealogo faxed to Cepeda a tabulation with a list of names of trustees, even while maintaining that the BDFs or the policies themselves do not indicate the necessity of a trustee.[47]

Zenaida,[48] Jessica,[49] Vilma,[50] Alvin,[51] and Betty Cepeda[52] defended the RTC's decision and argued that since the July 31, 2002 BDFs were not in a

45 Id. at 1576.
46 CA *rollo*, p. 45.
47 Id. at 97-103.
48 Id. at 166-174.
49 Id.
50 Id. at 253-257.
51 Id.
52 Id. at 210-214.

form satisfactory to Manulife, owing to the fact that no trustee was designated, no change in beneficiary designation was effected. They maintained that the RTC was correct in ordering Manulife to release the proceeds according to the latter's records. Manulife maintained its neutral stance.[53]

The CA agreed with the RTC as to the result, but clarified that the petitioners were only able to submit photocopies of the July 31, 2002 BDFs. The RTC had categorically ruled that Sarte had executed the said BDFs, to wit: "[t]he evidence shows that the insured executed a Beneficiary Designation Form changing the beneficiaries in the subject policies in favor of minor defendants Lara Bianca and Renzo Edgar."[54] However, the CA reasoned that according to the Best Evidence Rule, under Section 3, Rule 129, the due authenticity and execution of said documents was not established. Moreover, the CA found that there is no positive proof that the originals existed and that the photocopies cannot be given evidentiary value.[55]

The petitioners moved for reconsideration, but the CA denied it as the arguments raised were mere reiterations.[56] Hence, this petition.

Issues

The issues to be resolved by the Court are as follows:

1. whether the subject insurance policies required Sarte to designate a trustee for minor beneficiaries;
2. whether the CA correctly applied the Best Evidence Rule to the photocopies of the BDFs dated July 31, 2002; and
3. whether Sarte effected a change of beneficiary designation by written notice in form satisfactory to the Company by mere submission of the BDFs dated July 31, 2002 to Manulife's servicing agent, Cepeda.

Ruling of the Court

The petition is meritorious.

In the interest of substantial justice, the petition is given due course despite having a defective verification and certificate of non-forum shopping.

Before discussing the substantive merits of this case, We must first deal with a procedural issue concerning the verification and certification against

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53 Id. at 282-286.
54 Records, pp. 1572-1573.
55 Id. at 92.
56 *Rollo*, pp. 98-99.

forum shopping attached to the petition. It appears that the petitioners themselves have not executed it and has been signed by their counsel instead. Respondents argue that this is in violation of Section 5, Rule 7 and is cause for the summary dismissal of the petition.[57]

Ordinarily, respondents would be correct; however, the Court has, on occasion, liberally applied its rules of procedure in the interest of substantial justice. In the case of *Bacolor v. VL Makabali Memorial Hospital, Inc.*,[58] We summarized some guidelines to follow when confronted with a defective verification or certificate against forum shopping, *viz*:

> x x x x
>
> 2) As to verification, non-compliance therewith or a defect therein does not necessarily render the pleading fatally defective. The court may order its submission or correction or **act on the pleading if the attending circumstances are such that strict compliance with the Rule may be dispensed with in order that the ends of justice may be served thereby**.
>
> x x x x
>
> 4) As to certification against forum shopping, non-compliance therewith or a defect therein, unlike in verification, is generally not curable by its subsequent submission or correction thereof, **unless there is a need to relax the Rule on the ground of "substantial compliance" or presence of "special circumstances or compelling reasons"**.[59] (Emphasis and underscoring supplied).

The interests of substantial justice are paramount at all times. The Rules shall be liberally construed in order to promote their objective of securing a just, speedy and inexpensive disposition of every action and proceeding.[60] Law and jurisprudence grant to courts the prerogative to relax compliance with procedural rules of even the most mandatory character.[61] This is not to say that adherence to the Rules could be dispensed with. However, exigencies and situations might occasionally demand flexibility in their application.[62] In *Bank of the Philippine Islands v. Dando*,[63] the Court restated the reasons that may provide justification for a court to suspend a strict adherence to procedural rules, such as:

> (a) matters of life, liberty, honor or property; (b) the existence of special or compelling circumstances; (c) **the merits of the case;** (d) a cause not entirely attributable to the

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57 *Rollo*, pp. 128-129.

58 784 Phil. 822 (2016).

59 Id. at 834, citing *Altres v. Empleo*, 594 Phil. 246, 261-262 (2008).

60 Section 6, Rule 1, Rules of Court.
Section 6. *Construction.* – These Rules shall be liberally construed in order to promote their objective of securing a just, speedy and inexpensive disposition of every action and proceeding.

61 *Barranco v. Commission on the Settlement of Land Problems*, 524 Phil. 533, 543 (2006).

62 *Polanco v. Cruz*, 598 Phil. 952, 960 (2009).

63 614 Phil. 553 (2009).

> fault or negligence of the party favored by the suspension of the rules; (e) **a lack of any showing that the review sought is merely frivolous and dilatory;** and (f) the fact that the other party will not be unjustly prejudiced thereby.[64] (Emphasis supplied)

We find that the CA and the RTC committed errors of judgment, as extensively discussed below, which We cannot ignore on the mere technicality that the petition has a defective verification and/or certificate of non-forum shopping.

Sarte was not contractually required to designate a trustee for minor beneficiaries.

Petitioners protest that the RTC and CA erred in disposing the case based on Manulife's internal rules. They argue that said rules are not binding upon either Sarte or the petitioners.[65]

We agree.

The written instrument in which a contract of insurance is set forth, is called a policy of insurance.[66] In relation thereto, Section 227 of the Insurance Code (Presidential Decree No. 612), provides:

> Section 227. In the case of individual life or endowment insurance, the policy shall contain in substance the following conditions:
>
> x x x x.
>
> (c) **A provision that the policy shall constitute the entire contract between the parties, but if the company desires to make the application a part of the contract it may do so provided a copy of such application shall be indorsed upon or attached to the policy when issued, and in such case the policy shall contain a provision that the policy and the application therefor shall constitute the entire contract between the parties**; (Emphasis and underscoring supplied)

Thus, the subject policies of this case uniformly contain the following provision:

> CONTRACT
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> **The application for this policy, any Medical Evidence form and any written statements and answers**

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64 Id. at 563, citing *Sanchez v. Court of Appeals*, 452 Phil. 665, 674 (2003).

65 *Rollo*, pp. 68-75.

66 INSURANCE CODE, Section 49.
Section 49. The written instrument in which a contract of insurance is set forth, is called a policy of insurance.

> **furnished evidence of insurability,** copies of all of which are attached, **and the policy, constitute the entire contract.**
>
> Only the President or a Vice-President of the Company has power on behalf of the Company to change, modify or waive the provisions of the policy, and then only in writing.
>
> The Company will not be bound by any promise or representation heretofore or hereafter made by or to any agent or person other than as specified above.[67] (Emphasis and underscoring supplied.)

Upon a careful examination of the subject policies, We find that nothing in their provisions require the observance of Manulife's internal rules. As such, the policies themselves do not require either that the insured designate a trustee if his chosen beneficiaries are minors or that the BDFs be processed and registered into Manulife's records. Neither does the Insurance Code (or any statute) or its implementing rules and regulations require the same.

In *The Wellex Group, Inc. v. U-Land Airlines, Co. Ltd.*,[68] the Court said:

> An obligation is a juridical necessity to give, to do or not to do (Art. 1156, Civil Code). The obligation is constituted upon the concurrence of the essential elements thereof, viz: (a) **The *vinculum juris* or juridical tie which is the efficient cause established by the various sources of obligations (law, contracts, quasi-contracts, delicts and quasi- delicts);** (b) the object which is the prestation or conduct, required to be observed (to give, to do or not to do); and (c) the subject-persons who, viewed from the demandability of the obligation, are the active (obligee) and the passive (obligor) subjects.[69]
>
> **The cause is the *vinculum juris* or juridical tie that essentially binds the parties to the obligation.** This linkage between the parties is a binding relation that is the result of their bilateral actions, which gave rise to the existence of the contract.[70] (Emphasis and underscoring supplied)

In this case, the *vinculum juris* between Sarte and Manulife are the subject policies themselves. Since the terms of the policies do not mention anything about Manulife's internal rules, there is no juridical tie that binds Sarte to said internal rules. As such, the policies do not obligate the insured to designate trustees for minor beneficiaries. Neither was it legally necessary for the July 31, 2002 BDFs to be registered in Manulife's internal records so that Lara and Renzo may acquire a vested interest in the subject policies. Simply put, Manulife's internal rules are not a legal norm that has any relevance in the resolution of the issues of this case. Such internal rules are merely for the guidance of the personnel, employees, and officers of Manulife.

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67 Records, pp. 51-53

68 750 Phil. 530 (2015).

69 Id. at 584, citing *Ang Yu Asuncion v. Court of Appeals*, 308 Phil. 624, 631 (1994).

70 Supra note 68 at 584.

Parenthetically, We must clarify to petitioners that life insurance proceeds are not part of the estate of the insured. Under Section 85(e) of the National Internal Revenue Code,[71] such proceeds may be included in the gross estate, subject to certain exceptions, but merely for the purpose of computing the estate tax due. Nevertheless, We must stress that the designation of a beneficiary in an insurance policy is categorically different from the institution of a testamentary heir. Therefore, We cannot give credence to petitioners' arguments that they are entitled to the proceeds of the subject policies because that was supposedly Sarte's way of ensuring that his three families would equally share in his wealth.[72] This Court has resolved this case by applying the pertinent laws on contracts and insurance on the established facts, not on some perceived estate planning scheme that Sarte had supposedly put in place.

The fundamental error in the CA and the RTC's reasoning is that they have premised the entirety of their judgments upon the assumption that Manulife's internal rules were binding upon the insured. Not only did the lower courts lack legal basis in applying Manulife's rules, they were not mindful of the proper application of the parol evidence rule under Section 10, Rule 130 of the Rules,[73] that when the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement. It forbids any addition to the terms of a written agreement by testimony showing that the parties orally agreed on other terms before the signing of the document.

In fact, the presentation of the Manulife internal rules was not called for as the procedural conditions necessary for the presentation of parol evidence are not present in this case. A party may present evidence to modify, explain, or add to the terms of a written agreement if he puts in issue in his pleadings either: (a) an intrinsic ambiguity, mistake, or imperfection in the written agreement; (b) the failure of the written agreement to express the parties' true intent and agreement; (c) the validity of the written agreement; or (d) the existence of other terms agreed to by the parties or their successors in interest after the execution of the written agreement. The issue must be squarely presented.[74] In this case, the terms of the subject policy were not put it in issue in either Manulife's complaint or in any of the interpleaded parties' respective

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71 (E) Proceeds of Life Insurance. – To the extent of the amount receivable by the estate of the deceased, his executor, or administrator, as insurance under policies taken out by the decedent upon his own life, irrespective of whether or not the insured retained the power of revocation, or to the extent of the amount receivable by any beneficiary designated in the policy of insurance, except when it is expressly stipulated that the designation of the beneficiary is irrevocable.

72 *Rollo*, pp. 71-75.

73 3. Parol Evidence Rule
Section 10. Evidence of written agreements. – When the terms of an agreement have been reduced to writing, it is considered as containing all the terms agreed upon and there can be, between the parties and their successors in interest, no evidence of such terms other than the contents of the written agreement.

74 *Republic v. Roque Jr.*, 797 Phil. 33, 52 (2016).

answers. As such, the introduction of Manulife's internal rules was not a proper application of the parol evidence rule. Consequently, such rules cannot be made to "modify, explain, or add" to the contract stipulations expressly stated in the subject policies. The terms of the subject policies, therefore, are exclusively those which are stated within the four corners of the document.

One might argue that it was necessary to present Manulife's internal rules to clarify certain provisions of the subject policies. However, we have ruled that although parol evidence is admissible to explain the contract's meaning, it cannot serve to incorporate into the contract additional conditions which are not mentioned at all in the contract unless there is fraud or mistake.[75]

Moreover, it was made abundantly clear by the testimony of Broñosa, Manulife's Vice President for Clients Services and Customer Care, that a trustee was not indispensable, rather only advisable, *viz*:

> (ATTY. CARAG)
> Q: Madam Witness, life insurance contracts do not require the participation of beneficiaries in their execution, do they?
>
> WITNESS (BROÑOSA):
>
> A: No, sir.
>
> Q: In other words, as you have earlier said that the insured can make a minor his beneficiary without naming the trustee, am I correct?
>
> A: In our procedure and guidelines, when the insured name (sic) a minor as a beneficiary, we always require a trustee in behalf of the minor beneficiary.
>
> Q: Why? Do you have written rules in that respect?
>
> A: Yes, sir.
>
> Q: Do you have them with you?
>
> A: We have processed guideline (sic) wherein we can show that it is indeed written there that a trustee must be named on the minor beneficiary.
>
> Q: Precisely I'm asking you if you have written rules in that respect?
>
> A: Yes, sir.
>
> Q: Do you have them with you?
>
> A: Yes, sir.
>
> Q: May I have them please?

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75 Id.

A: Yes, sir.

Q: Witness coming up with a multi-page document, Your Honor, in answer of the question whether or not the company has rules concerning the naming of a trustee for minor beneficiaries.

A: On page 3 out of page 11 it is clearly stated. Definition of Terminologies on minor beneficiaries under second paragraph.

Q: Page 3 of 11-page document classified as Process of Transaction documented under these were: Change of Beneficiary Designation. And you referred to the second paragraph?

A: Yes, sir.

Q: Which I will read for the record, "**When minor children are designated as beneficiaries, it is ADVISABLE to designate a trustee to receive the insurance proceeds on their behalf during the minority. If no trustee is named and the share of each minor and the policy exceeds Php 50,000.00, the company will require either a Court bond if the proceeds will be paid to the minor's surviving parents or letter of guardianship if the minor is completely orphan. As general rule, the designation of minors as irrevocable beneficiaries should be discouraged because of legal matters.** Naming a trustee is always needed for minor beneficiaries." Now, my question is on the word "advisable". The first sentence reads, "When minor children are designated as beneficiaries, it is advisable to designate a trustee to receive the insurance proceed on their behalf during their minority." You, of course, observed the use of the word "advisable". Now, under the provisions that were read to you, does the non-designation of a trustee or guardian for a minor beneficiary named in a beneficiary change invalidate the beneficiary change?

ATTY. CABRAL: Your honor, may we object? It is already legal in nature and the witness is not competent to testify thereon and that is very (sic) reason why we filed this interpleader, Your Honor, for the Court to decide whether the beneficiary designation making this case was proper.

COURT: Objection sustained.

ATTY. CARAG: I will withdraw my question, Your Honor. Your Honor, may we request that the document be left with (sic) Court?

COURT: Can you do that, Atty. Cabral?

ATTY. ESPINA: Your honor, the pertinent provisions applicable to this case has already been read. It is already on

record so there is no need to include the entire Rules and Regulations of Manulife on record.

ATTY. CARAG: As a matter of fact, Your Honor, I was on the focus on that provision so that is why –

COURT: That is why the objection here of Atty. Espina is for you not to mark that anymore. Anyway, you have read into record the pertinent portion. x x x.[76] (Emphasis and underscoring supplied)

Upon clarificatory questioning by the trial judge, Broñosa further testified as follows:

COURT: For the Court. You said your company requires the appointment of trustee for a minor beneficiary and the purpose of that is to make the beneficiary designation as what?

WITNESS: We always require the appointed trustee for minor beneficiaries the purpose of that is if there is a death claim, we can already know to whom we can transact the proceeds on the behalf of the minor beneficiaries BUT OF COURSE WE WILL STILL BE NEEDING COURT APPOINTED GUARDIAN.

COURT: Despite the appointment of trustee?

WITNESS: Yes, Your Honor.

COURT: But you said earlier it is at the option of the insured to name or not nem (sic) the trustee?

WITNESS: Yes, Your Honor.

COURT: So the failure to name a trustee does not invalidate the beneficiary designation, is that what you are saying?

WITNESS: As a general rule, Yes, Your Honor.

COURT: But insofar as your company is concerned?

WITNESS: As far as Manulife is concerned, we require appointing of trustee, Your Honor.

COURT: You require it but assuming the insured did not name?

WITNESS: We can accept still the beneficiary claim unless it is submitted to Manulife for processing and recording. If the insured does not want to put a trustee or to designate a trustee on behalf of the minor beneficiaries, we can still effect the change on the beneficiary provided that the insured put it in writing that he does not want to put or designate a

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76 TSN dated February 27, 2012, pp. 23-31.

> trustee on behalf of the minor trustee. x x x[77] (Emphasis, underscoring and capitalization supplied.)

Indeed, regardless of whether or not a trustee was designated, Manulife would still have to comply with requirements under Section 180 of the Insurance Code (P.D. 612), to wit:

> Section 180. An insurance upon life may be made payable on the death of the person, or on his surviving a specified period, or otherwise contingently on the continuance or cessation of life.
>
> Every contract or pledge for the payment of endowments or annuities shall be considered a life insurance contract for purpose of this Code
>
> **In the absence of a judicial guardian, the father, or in the latter's absence or incapacity, the mother, or any minor, who is an insured or a beneficiary under a contract of life, health or accident insurance, may exercise, in behalf of said minor, any right under the policy, without necessity of court authority or the giving of a bond, where the interest of the minor in the particular act involved does not exceed twenty thousand pesos.** Such right may include, but shall not be limited to, obtaining a policy loan, surrendering the policy, receiving the proceeds of the policy, and giving the minor's consent to any transaction on the policy. (Emphasis and underscoring supplied)

In light of the foregoing, it is clear that Manulife's internal rules are only for its own operational convenience. There is absolutely no legal reason why they should be the parameter by which the conflicting claims over Sarte's life insurance policies are judged. The conflicting claims of the interpleaded parties must be resolved with reference only to the express provisions of the subject policies.

The provisions of the subject policies relating to designation of beneficiaries have been substantially complied with by the insured

The petitioners and the lower courts are not agreed on the point at which the change in beneficiary is effected. Petitioners contend that all that was required of the insured is to designate his beneficiary in a Manulife form and submit the same to Manulife or one of its agents – in this case, Cepeda.[78] The CA and RTC take the view that there are subsequent steps that must have been

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77 Id. at 76-79.

78 *Rollo*, p. 22.

complied with, culminating in the registration of the BDF in Manulife's records.[79]

Once again, We do not agree with the lower courts' reliance on Manulife's internal rules in resolving this question for reasons already explained above. Nowhere in the subject policies is it provided that the beneficiary designation must go through the internal mechanisms of the insurer and then entered into its records before such designation becomes binding.

To recall, the subject policies provide that "...a beneficiary is designated either in **the policy or by a declaration in writing** by the Owner"[80] and that "during the life insured's lifetime the Owner can change the beneficiary designation from time to time **by written notice in form satisfactory to the Company.**"[81] Other provisions of the policy make it clear that claims are not settled on the basis of Manulife's records. For example, the policies provide that a claimant must provide proof of his/her right to receive payment. Thus:

> **SETTLEMENT ON DEATH, MATURITY OR SURRENDER**
>
> **The policy will be settled in accordance with its terms** on receipt by the Company of due proof of the life insured's death (and of his age unless previously admitted), or on the policy's maturity as an endowment or its surrender for its cash value. **Due proof of the claimant's right to receive payment will be required when such settlement is made.**[82] (Emphasis supplied)

On the cover page of the policies, the following is written:

> **Subject to this policy's provisions**, the death benefit proceeds under the policy will be paid to the beneficiary immediately upon receipt by the Company of due proof of the life insured's death. Such proceeds will include the policy's face amount together with any other benefit payable under the policy's terms because of such death.[83] (Emphasis and underscoring supplied)

Meanwhile, at the back of the subject policies, it is stated:

> **IMPORTANT NOTICE**
> **When you wish to obtain payment of any benefit under the policy, write to the Company's Head Office at the address below or communicate with the nearest authorized representative of the Company.** By so doing, time and expense may be saved, since the Company will

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79 Id. at 91; records, pp. 1572-1573.
80 Records, p. 52. Emphasis and underscoring supplied.
81 Id. at 52-53. Emphasis and underscoring supplied.
82 Id. at 862.
83 Id. at 582.

> furnish free of charge the required forms for completion with any necessary advice and instructions.[84] (Emphasis and underscoring supplied)

The clear import of all of these provisions is that the insurer will not pay a claim after conducting a quick name-check in its own records. Otherwise, Manulife's interpleader complaint is improper. We agree with the trial court, however, that Manulife was prudent in withholding payment to any of the claimants and that interpleader is proper in this case.[85] At most, the records can only create a presumption that the beneficiaries registered therein are entitled to the benefits. However, such a presumption does not foreclose the possibility that other persons may have been designated by the insured prior to his death. Thus, the interpleaded parties in this case may prove that he/she is entitled to the proceeds in one of only two ways, either (a) that he/she was originally named as beneficiary in the policy and that the insured made no subsequent designations; or (b) that although he/she was not the beneficiary originally named in the policy, he/she was the last person designated as beneficiary, and the insurer was notified of such designation.

Having said that, We may summarize the positions of the interpleaded parties as follows: Zenaida and Jessica's claim rests on the BDFs dated March 1, 2002;[86] Alvin's claim rests on the fact that he was the original beneficiary in Policy 3; while Lara and Renzo's claim rests on the BDFs dated July 31, 2002.[87]

The case now turns on whether the BDFs dated July 31, 2002[88] effected a "change [of] beneficiary designation by written notice x x x in form satisfactory to the Company."[89] The issue may be dissected as follows: (1) whether the insured had notified the insurer of the beneficiary designation in writing; and (2) whether notice was in a form satisfactory to the insurer.

It is worth recalling that the RTC categorically made the factual finding that Sarte indeed executed the BDFs dated July 31, 2002. The RTC said: "[t]he evidence shows that the insured executed a (sic) Beneficiary Designation Form changing the beneficiaries in the subject policies in favor of minor defendants Lara Bianca and Renzo Edgar. While the forms were transmitted to third party defendant, [Cepeda], insured's agent, the same was however returned to the insured, through his secretary, because the same were incomplete as no trustee was designated for the minor beneficiaries."[90] The RTC allowed the photocopies into evidence. The CA disagreed with the RTC on this point, explaining that under the Best Evidence Rule, the photocopies of the July 31, 2002 BDFs are not sufficient to prove their authenticity and due execution.[91] When the factual findings of the CA are contrary to those of

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84 Id. at 596.
85 Id. at 1574.
86 Id. at 324, 326,
87 Id. at 9, 13, 15, 17, 18, 117, 118, 119, 120, 140, 144, 146, 148, 149, 155, 156, 157, 158, 329.
88 Id.
89 Id. at 52-53.
90 Id. at 1573.
91 *Rollo*, p. 92.

the trial court, a review of the facts is permitted.[92] After reviewing the records, We find that the RTC took the correct view on this matter.

Under the Best Evidence Rule, which is now called the Original Document Rule under the 2019 Revised Rules on Evidence (A.M. No. 19-08-15-SC),[93] when the subject of inquiry is the contents of a document, writing, recording, photograph or other record, no evidence is be admissible other than the original document itself, except in the following cases:

> (a) When the original is lost or destroyed, or cannot be produced in court, without bad faith on the part of the offeror; x x x[94]

In this case, it is clear that the subject of inquiry is the contents of the July 31, 2002 BDFs, specifically the designation of Lara and Renzo as beneficiaries. However, petitioners were only able to present photocopies of the said BDFs, which is secondary evidence. In *Citibank, N.A. Mastercard v. Teodoro*,[95] We said that before a party is allowed to adduce secondary evidence to prove the contents of the original, the offeror must prove the following: (1) the existence or due execution of the original; (2) the loss and destruction of the original or the reason for its nonproduction in court; and (3) on the part of the offeror, the absence of bad faith to which the unavailability of the original can be attributed.[96] We find that these predicates had been complied with during trial.

In this case, the *existence* of the July 31, 2002 BDFs were established by Gealogo's positive testimony that she saw Sarte signing them.[97] In fact, she was the one who prepared the originals for Sarte to sign.[98] Moreover, there is evidence that the originals were received by Lynn Gagan, Cepeda's secretary.[99]

The manner of proving the *execution* of a document depends on its classification. Indubitably, the July 31, 2002 BDFs are private documents as

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92 *Median v. Asistio Jr.*, 269 Phil. 225 (1990).

93 1. Original Document Rule
Section 3. Original Document Must Be Produced; Exceptions. – When the subject of inquiry is the contents of a document, writing, recording, photograph or other record, no evidence is admissible other than the original document itself, except in the following cases:
(a) When the original is lost or destroyed, or cannot be produced in court, without bad faith on the part of the offeror;
(b) When the original is in the custody or under the control of the party against whom the evidence is offered, and the latter fails to produce it after reasonable notice, or the original cannot be obtained by local judicial processes or procedures;
(c) When the original consists of numerous accounts or other documents which cannot be examined in court without great loss of time and the fact sought to be established from them is only the general result of the whole;
(d) When the original is a public record in the custody of a public officer or is recorded in a public office; and
(e) When the original is not closely-related to a controlling issue.

94 Id.

95 458 Phil. 480 (2003).

96 Id. at 489.

97 Records, p. 1561.

98 Id. at 1562.

99 Id. at 1565.

understood in Section 19 of Rule 132.[100] Proving private documents are provided for under Section 20 of the same rule, *viz.*:

> Section 20. *Proof of private documents.* – Before a private document offered as authentic is received in evidence, its due execution must be proved by any of the following means:
>
> **(a) By anyone who saw the document executed or written;**
>
> (b) By evidence of the genuiness of the signature or handwriting of the maker[;] or
>
> (c) By other evidence showing its due execution and authenticity. (Emphasis and underscoring on (a) supplied; underscoring on (b) and (c) removed)

Again, the *execution* was duly proven by Gealogo's testimony that she saw Sarte sign the original July 31, 2002 BDFs.[101]

Petitioners proved the *loss* or *reason for nonproduction in court* by admitting that Edita only received photocopies of the July 31, 2002 BDFs and so was not in a position to present the originals.[102] Gealogo also testified that she gave the originals to Cepeda, who in turn alleged that she returned them to Sarte. Unfortunately, she could not account as their whereabouts as she passed away before she could adduce her own evidence.

Section 5 of Rule 130 provides for the manner by which the *contents* of a lost or destroyed original document may be proven, *viz*:

> Section 5. *When original document is unavailable.* – When the original document has been lost or destroyed, or cannot be produced in court, the offeror, upon proof of its execution or existence and the cause of its unavailability without bad faith on his or her part, may **prove its contents by a copy,** or by recital of its contents in some authentic document, or **by the testimony of witnesses** in the order stated. (Emphasis supplied)

The contents of the original July 31, 2002 BDFs were duly proven in this case by the photocopies of the originals and by the testimony Gealogo,

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100 Section 19. Classes of Documents. – For the purpose of their presentation in evidence, documents are either public or private.
Public documents are:
(a) The written official acts, or records of the sovereign authority, official bodies and tribunals, and public officers, whether of the Philippines, or of a foreign country;
(b) Documents acknowledged before a notary public except last wills and testaments;
(c) Documents that are considered public documents under treaties and conventions which are in force between the Philippines and the country of source; and
(d) Public records, kept in the Philippines, of private documents required by law to be entered therein.
All other writings are private.

101 Records, pp. 1561.

102 Id. at 1563.

who was the very person who typed in the name of Lara and Renzo in the originals and who saw Sarte signing them.[103]

Lastly, there is no evidence that the unavailability of the original BDFs was due to bad faith on the part of the petitioners. As stated above, petitioners candidly admitted that they never had possession of the originals and that Edita only received photocopies of the BDFs.[104] There is simply no evidence that they are at fault for the loss or nonproduction of the originals.

From the foregoing, We find that the RTC correctly admitted the photocopies of the July 31, 2002 BDFs into evidence and, on the basis of which, found that Sarte had indeed designated Lara and Renzo as his beneficiaries in the subject policies.

By the contract of agency, a person binds himself to render some service or to do something in representation or on behalf of another, with the consent or authority of the latter.[105] In the case of *Filipinas Life Assurance Company v. Pedroso*,[106] We bound the principal, an insurance company, for an act by its insurance agent done within the scope of authority.[107] As Manulife's agent, Cepeda was authorized to receive the BDFs. This was confirmed by Broñosa.[108] Receipt by Cepeda was duly proven by Quinones' testimony and the Acknowledgment Receipt.[109] Cepeda, in fact, had confirmed in her Answer that she had received the originals of the July 31, 2002 BDFs.[110] Furthermore, under the doctrine of imputed knowledge, notice to the agent is deemed notice to the principal.[111] Thus, upon Cepeda's receipt of the July 31, 2002 BDFs, Manulife is deemed to have been notified of the designations therein.

We now turn to the second part of the issue, which is whether the July 31, 2002 BDFs were in "form satisfactory to the Company."[112] The question is not without difficulty as the policies do not set out a list of requirements or a criteria to meet what may be considered as "satisfactory" to Manulife. The clause, therefore, admits of any number of interpretations. Petitioners contend that "satisfactory form" refers to the physical *pro forma* document which Manulife itself provides to clients when the latter wish to change their beneficiaries. Thus, they argue that the July 31, 2002 BDFs were in satisfactory form.[113] On the other hand, the RTC and the CA's considers a "satisfactory form" as not only one that has been duly-filled up by the insured,

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103 Id. at 1561-1563.
104 Id. at 1563.
105 Article 1868 of the New Civil Code.
Article 1868. By the contract of agency, a person binds himself to render some service or to do something in representation or on behalf of another, with the consent or authority of the latter.
106 567 Phil. 514 (2008).
107 Id. at 519.
108 Records, pp. 1566.
109 Id. at 1565.
110 *Rollo*, p. 313.
111 *Rovels Enterprises, Inc. v. Ocampo*, 439 Phil. 777, 792 (2002); see also *Air France v. Court of Appeals*, 211 Phil. 601, 608 (1983).
112 Records, pp. 52-53.
113 *Rollo*, pp. 21-23.

but that has also been processed by Manulife, approved, registered in the records, and then confirmed to the insured by mail.[114] Thus, the lower courts applied a "stricter" standard. It appears that the question is one of first impression in our jurisdiction, but one that is familiar to American courts, to whom We may reasonably refer considering that the law on life insurance first came to our shores during the Commonwealth period with the enactment of the Insurane Act of 1914. As one scholar in 1969 observed:

> Reservation to the insured of the right to change the beneficiary has produced a kind of backlash in many courts. Policies containing this reservation specify a procedure by which such changes are to be accomplished and usually stipulate that such changes are not to take effect until this procedure is fully carried out. Courts in many cases made **strict adherence** to these contract terms a condition of the effectiveness of any attempted change. This approach undoubtedly was prompted in part by a desire to provide some protection to beneficiaries whose interests had been so easily reduced from a vested interest to a mere expectancy. **Subsequently, however, the strict compliance approach produced a counterreaction as courts, uncomfortable with a dogma requiring them at times to disregard the plain intention of the insured, evolved a "substantial compliance" principle rendering effective any attempted change in which the insured had done all he reasonably could do to accomplish it.**[115] (Emphasis and underscoring supplied)

The "substantial compliance" principle has been otherwise expressed as follows:

> A clearly proved intention to change is not sufficient, if any of the formal requirements are lacking, except: when the insured has done all in his power to comply with such requirements, but has failed to surrender the policy because it is beyond his control, equity will protect the rights of the intended beneficiary; or **if the insured has pursued the courses pointed out by the policy..., and has done all required of him to effect a change, but dies before the new certificate has been issued... equity will decree that to be done which ought to be done, and regard the change as fully completed.**[116] (Emphasis supplied)

On the whole, the *substantial compliance* view appears to be more in tune with our doctrines on contract law relevant to the instant case. Article 1377 of the New Civil Code[117] provides that the interpretation of obscure words or stipulations in a contract shall not favor the party who caused the

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114 Id. at 91; records, p. 1574.

115 Lewis D. Asper, Ownership and Transfer of Interests in Life Inusrance Policies, 20 Hasting L.J. 1175 (1969). Accessed at <https://repository.uchastings.edu/hastings_law_journal/vol20/iss4/1> on December 1, 2020.

116 Whitehead, Howard H. (1936), "Insurance: The Substantial Performance Rule in Regard to Change of Beneficiaries," Kentucky Law Journal: Vol. 24: Iss. 4, Article 11, citing Vance on Insurance, Section 148, p. 569. Accessed at <https://uknowledge.uky.edu/klj/vol24/iss4> on December 1, 2020.

117 Article 1377. The interpretation of obscure words or stipulations in a contract shall not favor the party who caused the obscurity.

obscurity. In this case, absent a clear stipulation as to what might constitute "satisfactory form", such clause cannot be interpreted in a manner that would be more burdensome to the insured. To reiterate Our discussion above, We cannot require strict adherence to Manulife's internal standards when the insured was not contractually bound to them to begin with.

Furthermore, under Article 1373 of the New Civil Code,[118] if some stipulation of any contract should admit of several meanings, it shall be understood as bearing that import which is most adequate to render it effectual. So that the right of the insured to designate his chosen beneficiary – both under the subject policies and Section 11 of the Insurance Code[119] – might be given effect in the circumstances of this case, it is more just to take the substantial compliance view. Sarte had substantially complied with all that was required of him under the subject policies to designate Lara and Renzo as his beneficiaries. Since Cepeda had received the originals of the July 31, 2002 BDFs, Manulife is deemed to have been notified in writing of said beneficiary designations. Such notice was sufficient to vest Lara and Renzo with rights over the proceeds of the subject policy.

That said, We have to correct certain premises in the CA and RTC's disposition of Manulife's prayer for attorney's fees, the counterclaims, the third-party complaint, and the third-party counterclaim. We deal first with the third-party complaint and the third-party counterclaim which were rightly dismissed by the lower court. Petitioner's cause of action in their third-party complaint was based on Cepeda's failure to cause the recording of the July 31, 2002 BDFs.[120] As We have said above, such recording was not necessary to effect the beneficiary designation. Consequently, Cepeda cannot be made liable on that basis. We also cannot grant Cepeda's counterclaim for actual, moral, temperate, nominal, exemplary damages, attorney's fees and costs of suit.[121] Her death denied her the chance to adduce sufficient evidence to support of her counterclaim. In fact, all that was entered into evidence on her behalf mostly constitutes her achievements and awards as a Manulife agent.[122] More importantly, however, her causes of action is specific to her person and not predicated on property rights or interests. In *Bonilla v. Barcena*,[123] We said that an action does not survive if "the injury complained of is to the person, the property and rights of property affected being incidental."[124]

Meanwhile, the counterclaims against Manulife must fail as the latter had properly availed of the remedy of interpleader. In the case of *Bank of Commerce v. Planters Development Bank*[125] We said that "through this remedy, the stakeholder [Manulife] can join all competing claimants in a

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118 Article 1373. If some stipulation of any contract should admit of several meanings, it shall be understood as bearing that import which is most adequate to render it effectual.

119 Section 11. The insured shall have the right to change the beneficiary he designated in the policy, unless he has expressly waived this right in said policy.

120 Records, p. 128.

121 Id. at 318.

122 Id. at 1567-1568.

123 163 Phil. 516 (1976).

124 Id. at 521.

125 695 Phil. 627 (2012).

single proceeding to determine conflicting claims without exposing the stakeholder to the possibility of having to pay more than once on a single liability. It was developed on the theory that the stakeholder should not be forced to take the personal risk of evaluating the claims."[126] Thus, We cannot fault Manulife for bringing the conflicting claimants into one judicial proceeding via interpleader which is relatively better than possibly having to face multiple suits and so unnecessarily expend the resources of the parties and the courts.

However, under Article 2209 of the New Civil Code,[127] when a debtor delays in his obligation to pay money, he may be made to pay legal interest, which is 6% *per annum* unless another rate was stipulated.[128] It is not disputed that Manulife had the obligation to pay the proceeds of the subject policies upon notice of Sarte's death. As soon as its obligation to pay arose, it should have consigned the proceeds to the court; otherwise, it incurs delay in payment. It is of no moment that Manulife did not know at the time who the rightful beneficiary is. In *Philippine National Bank v. Chan*,[129] We said:

> "Consignation is the act of depositing the thing due with the court or judicial authorities whenever the creditor cannot accept or refuses to accept payment. [I]t generally requires a prior tender of payment."[130]
>
> Under Article 1256 of the Civil Code, **consignation alone is sufficient even without a prior tender of payment a) when the creditor** is absent or **unknown** or does not appear at the place of payment; b) when he is incapacitated to receive the payment at the time it is due; c) when, without just cause, he refuses to give a receipt; **d) when two or more persons claim the same right to collect;** and e) when the title of the obligation has been lost.[131] (Emphasis and underscoring supplied)

Meanwhile, under Article 1169 of the New Civil Code,[132] those obliged to deliver or to do something incur in delay from the time the obligee judicially or extrajudicially demands the fulfillment of the obligation. In *Nacar v. Gallery Frames*,[133] We clarified that where the demand is established with reasonable certainty, the legal interest of 6% *per annum* shall begin to run from the time the claim is made judicially or extrajudicially.[134] In this case,

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126 Id. at 672.

127 Article 2209. If the obligation consists in the payment of a sum of money, and the debtor incurs in delay, the indemnity for damages, there being no stipulation to the contrary, shall be the payment of the interest agreed upon, and in the absence of stipulation, the legal interest, which is six per cent *per annum*.

128 *S.C. Megaworld Construction and Development Corporation v. Engr. Parada*, 717 Phil. 752, 769-770 (2013).

129 807 Phil. 195 (2017).

130 Id. at 203, citing *Soco v. Hon. Militante*, 208 Phil. 151, 159 (1983), citing *Limkako v. Teodoro*, 74 Phil. 313 (1943).

131 Id. at 203.

132 Article 1169. Those obliged to deliver or to do something incur in delay from the time the obligee judicially or extrajudicially demands from them the fulfillment of their obligation. x x x.

133 716 Phil. 267 (2013).

134 Id. at 279, citing *Eastern Shipping Lines, Inc. v. Court of Appeals*, 304 Phil. 236, 253-254 (1994).

Edita claimed that she met with Cepeda on January 8, 2004. However, this was not established by evidence. What is undisputed, however, is that on January 21, 2004, Manulife received Edita's letter reiterating her children's claim over the subject policies.[135] Therefore, we find it fitting that the legal interest rate of 6% *per annum* be applied on the proceeds of the subject policies starting from January 21, 2004.

Corollary to the above, we cannot grant Manulife's prayer for attorney's fees and expenses of litigation. There must be factual, legal, and equitable justification for attorney's fees and the award thereof is within the discretion of the court taking into account the circumstances of each case.[136] We agree with the lower courts that Manulife was not injured when the interpleaded parties pursued their respective claims. As discussed above, their conflicting claims was brought about by their different views as to how a beneficiary is designated. These differences have now been settled.

WHEREFORE, the petition is **GRANTED**. The Decision dated July 20, 2017 and the Resolution dated December 13, 2018 of the Court of Appeals in CA-G.R. C.V. No. 106718 are hereby **REVERSED** and **SET ASIDE**. Respondent the Manufacturers Life Insurance Company (Phils.) Inc., is hereby **ORDERED** to release the proceeds of life insurance policies 4321987-2 & 4319830-8 to Renzo Edgar L. Sarte and of life insurance policy 4319831-6 to Lara Bianca L. Sarte with six percent (6%) interest *per annum* beginning January 21, 2004 until fully paid.

SO ORDERED.

ROSMARI D. CARANDANG
Associate Justice

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135 Records, pp. 2, 6.

136 *Sps. Timado v. Rural Bank of San Jose, Inc.*, 789 Phil. 453, 460 (2016).

WE CONCUR:

DIOSDADO M. PERALTA
Chief Justice

ALFREDO BENJAMIN S. CAGUIOA
Associate Justice

RODIL V. ZALAMEDA
Associate Justice

SAMUEL H. GAERLAN
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.

DIOSDADO M. PERALTA
Chief Justice